

PART 1

COMPETITIVE BUSINESS INTELLIGENCE: CORPORATE CASE STUDIES

Corporate Insights into Structures and Processes for Collecting, Analyzing, and Communicating Actionable Intelligence

In this initial section, we focus on how corporate leaders establish and maintain top-notch CI operations.

John Pepper was just ending his successful tenure as Procter & Gamble's CEO when he outlined the crucial role CI plays as P&G undergoes a fundamental restructuring to remain competitive in today's faster, globalized markets. Similarly, after seeing its competitive position erode substantially in the early 1990s, IBM discovered competitive intelligence. With the enthusiastic support of its new CEO, Louis V. Gerstner, Jr., Big Blue launched a pilot program to build a company-wide network of CI teams linked to a small core of corporate CI professionals who manage the overall operation.

The "convergence" CI and knowledge management is aptly demonstrated by Eric Breeding, then of Shell Services International, who offers a detailed description of how CI is made available to employees via the firm's intranet. Hans Gieskes, then-president and CEO of the Lexis-Nexis Group, provides insight into how this knowledge-focused firm monitors the competitive landscape and factors that information into competitive strategy. His frank discussion of the use of the firm's intranet, as well as "Rival Reports" and e-mail briefings to collect and disseminate competitor information, should inspire others to give CI the high priority we believe it must have in today's global "new economy."

Articles by NutraSweet's Robert Flynn and by Xerox's Judith M. Vezmar, as well as by Motorola's legendary Robert W. Galvin, deliver a surprisingly forthright look at CI in action at their firms. Kenneth Sawka and Stéphane Marceau address why CI is imperative for telecoms

trying to survive deregulation. And how CI was used to guide the reengineering of Digital Equipment Corporation's computer systems division is described in a case study by Larry Kennedy that can serve as an example for applying CI to internal-process benchmarking.

The SCIP/Rutgers CEO Roundtable was a watershed event, bringing together many of competitive intelligence's leading corporate advocates. So that their insights could be shared with a wider audience, *Competitive Intelligence Review* published a symposium drawn from the day's panel discussions, an excerpt of which is included herein.

Evidence that competitive intelligence has become a fundamental corporate operation continues to be reported in surveys and samplings. Included is a comprehensive analysis of the American Productivity and Quality Center's "Competitive and Business Intelligence Consortium Benchmarking Study," coauthored by *Competitive Intelligence Review's* executive editor John E. Prescott, along with Jan P. Herring and Pegi Paafely. The absolute necessity of CI as practiced at the companies that participated in the study—including Bell Atlantic, Eastman Kodak, Fidelity Investments, Ford, Merck, Pacific Enterprises, and Xerox—and the lessons derived from their experiences make this a "must read" article for anyone involved in corporate CI.

Conway L. Lackman, Kenneth Saban, and John M. Lanasa present the results of research conducted at Duquesne University in "Organizing the Competitive Intelligence Function: A Benchmarking Study." The authors survey how the market-intelligence function is structured at best-practice companies, including 3M, Kodak, and US West. Areas studied range from the use of multidivisional teams to gather intelligence to the critical role played by senior management.

Another groundbreaking study jointly conducted by SCIP and APQC examines how leading corporations, including Dow Chemical, Amoco, and Met Life, use "coordinating mechanisms" to deploy strategic and tactical intelligence for sales and marketing. Authors Cynthia E. Miree and John E. Prescott served as subject-matter experts for the project.

As a reminder that CI isn't only of benefit to the biggest corporate players, Amy Berger contributes her perspective on practical steps for conducting CI at medium-sized firms, especially in terms of integrating sales reps into CI operations.

We wind up with Jan P. Herring's discussion of how Key Intelligence Topics (KITs) can help to identify and define intelligence needs—and hence the type of CI organization and activities that will best help a company leverage information into actionable intelligence for competitive advantage.

Competitive Intelligence at Procter & Gamble

John E. Pepper

THE PROCTER & GAMBLE COMPANY

EXECUTIVE SUMMARY

In the following keynote address to the 1999 SCIP CEO Roundtable, held April 1999 in Montréal, John E. Pepper, chairman of the Procter & Gamble Company, spoke of the evolution of CI operations at Procter & Gamble and the role business intelligence plays as the company embarks on the biggest change effort in its history, revamping its structures, processes, and culture simultaneously. CI at Procter & Gamble has developed from routine report generation to an activity embedded in strategy development. Organizationally, CI operations have moved from being both too highly centralized and too highly decentralized, to a "hub & spoke" structure. Chairman Pepper offers a series of "Old World" versus "New World" perspectives on CI activity.

I can't imagine a more appropriate time to be talking about competitive intelligence than right now, for I can't imagine a time in history when the competencies, the skills, and the knowledge of the men and women in competitive intelligence (or, as I'll be calling it, business intelligence) are more needed and more relevant to a company being able to design a winning strategy and act on it.

It's particularly timely for our company, because we're going through a major organizational change. And a structural change like this presents a fresh opportunity to reframe the linkages between business intelligence and our operational units. It certainly is presenting that opportunity for us.

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I'd like to share some changes going on within Procter & Gamble (P&G) and show how these will particularly impact business intelligence, and how successful exploitation of those changes will depend on business intelligence.

First, a bit of background on the company. We were started in 1837. We were a family business partnership until 1890. We didn't have anyone other than a Procter or a Gamble lead P&G until 1932. Very few people have run this company. I make that point not to argue the value of age, but to underscore the importance of a very simple set of core values in our company, starting with a foundational commitment to the consumer through the products and, increasingly now, the knowledge and the service we provide.

We have over time had a history of growth, doubling our business every 10 years for the last 50 years. Our market capitalization over the past 12 years has increased strongly. Our success has been based on our brands, including those we have brought to the market to create whole new categories: Pampers was the first affordable disposable diaper, Crest the first fluoride toothpaste, and so on. These products renewed or reconfigured categories, if not creating them outright. We've also had significant success in being able to acquire and grow brands.

The foundation of that excellence has been our technology. We are a science-based company with a commitment to know the consumer—and I've referenced that because it will prove relevant to what we're now doing in business intelligence.

WHY CHANGE?

With all that strength, we have embarked right now, as many companies have, on what is clearly the biggest change effort in our history. This is much more than evolution. While we are certainly in no way losing our roots, our purpose, our principles, our values, and our commitment, we've placed everything else on the table. The reason: Our growth is too slow (about half the rate we really need), and our complexity is too high (with an organizational structure that evolved over time as we became a global company).

As many companies, certainly consumer goods companies, did, we started out in the United States. We then tended to create "mini-United States" of the regional and country organizations developed as we went into Europe, Latin America, and then Asia. As recently as 1986, our company could only reach about 1 billion consumers in terms of economies and political regimes allowing it; today that number is 4½ billion.

We had regions, functions, and, increasingly, global categories—a triple matrix. Some would say a quadruple matrix, with the fourth element being top management. It had become way too complex in terms of structure.

Our objectives in this change are to build and create leadership brands globally better than ever before—that is our business; to capitalize on the knowledge, capability, and commitment to our people beyond what we've ever done. This we are attempting to achieve through simplification of our organization structure and of certain processes, capitalizing on technology and changes in our culture. Although growing from our fundamental purpose and the principles and values of the company, this is a quantum change. It's one that involves changes in the structure, process, and culture *simultaneously*.

It won't be the big that eat the small; it will be the fast that eat the slow.

We're operating under the banner of stretch, innovation, and speed. Stretch is a mindset away from the incremental toward breakthrough (I'll return to this later). Knowledge-based innovation has obviously been the foundation of our company, but we're recognizing the need to innovate at ever higher levels. Speed *hardly* needs to be emphasized. Both in our structure and our culture, we need to improve speed to market by orders of magnitude of 3 and 4 to 1. If 10 years ago we could take 6 years to take a product global, we now need to do it in 18 to 24 months—and we're finding even at 18 to 24 months, we could be beaten in moving into global markets.

I can remember back in Europe a fellow who ran our baby-care business, Michael Allan, saying it won't be the big that eat the small, it will be the fast that eat the slow. Yet, as important as speed was then, it's even more so today.

With that as a context, I'd like to discuss business intelligence. Let me start with a brief review of the role over time of competitive intelligence at P&G. Prior to 1985 it was functionally focused. We had clear focus in R&D at a very early stage, and we had focus in marketing. In 1985, we started to bring in multifunctional examination of strategies. In 1988, we had our first global multi-sector analysis. Over the period of time since, under the leadership of Susan Steinhardt, our director of corporate competitive analysis, we've done much more in the area of benchmarking, which has been fundamental to our ability to know where we were too heavy in our administrative work. This has included benchmarking in terms

of speed to market and benchmarking the structure of our organization as we went into this move.

As we've looked at how we should evolve, we've had three core premises in terms of what our business intelligence activity ought to be focused on:

1. How do we generate greater innovation to reach our goals?
2. How do we recognize our people, their knowledge, and their ideas and convert these into action?
3. How can we capitalize as fully as we can on emerging technologies in communications, both internally and externally, to make the best use of that knowledge?

In his book, *Business at the Speed of Thought*, Bill Gates writes, "I have a simple but strong belief that the most meaningful way to differentiate your company from your competition, the best way to put distance between you and the crowd, is to do an outstanding job with information. How you gather, manage, and use information will determine whether you win or lose. Information flow is the lifeblood of your company because it enables you to get the most out of your people and learn from your customers." Even allowing for some self-interest in that statement, I think all of us would buy into it. I certainly would.

OLD WORLD VERSUS NEW WORLD

I'd like to present a comparison of the Old World and the New World of business intelligence at Procter & Gamble, to shed some light on changes that we've made and our vision of changes we should undertake (see Table 1).

In the stylized Old World vs. New World of business intelligence, the basic truth lies in these comparisons. Next, I'll discuss how they relate to five issues involving business intelligence at P&G:

1. Reason for being.
2. Structure.
3. Access to information/role of technology.
4. Use of knowledge.
5. Culture.

Table 1 CI at Procter & Gamble

<i>"Old World"</i>	<i>"New World"</i>
• Static competitive analysis	• Dynamic competitive response modeling
• Routine report generation, reactive	• CI embedded in strategy development and option analysis
• Responsibility of CI analysts	• Everybody's responsibility
• Highly centralized and highly decentralized	• "Hub & spoke"
• Individually and functionally driven	• Team effort
• "Need to know"	• "Need to share"
• Limited and sporadic top-management support	• Top management deeply involved

REASON FOR BEING

We keep reminding ourselves it can be too easy at Procter & Gamble to be complacent about what the competition is doing and what their reaction will be to our initiatives. But it's important to think of this more broadly, in terms of business and market intelligence—not just the strengths and weaknesses of the competition and how they'll react, but of new business models they'll be developing in our categories or categories we might enter.

I've never seen a time when so many whole businesses have changed before our very eyes, redefining what constitutes success. Internet technology, to take just one transformative development, has changed not just how you reach consumers through commercial channels, but how you design products, how you test products, and how you communicate with consumers as to what they want.

In this environment, business intelligence must develop from collecting, analyzing, and disseminating knowledge and information to the point of helping organizations acquire and use information and knowledge to create winning strategies.

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STRUCTURE

We tended in the past to be either highly centralized or highly decentralized. We could be very centralized in some activities, but we didn't have much expertise or reach into the business units. Or we were highly decentralized. R&D, for example, was an extremely capable operation but quite decentralized. We're now moving to a "hub-and-spoke" that fits with our new organization structure. We're moving resources and people with competence to projects as they occur rather than have so many fixed in place. And we're shifting from an organization with information centers in multiple countries to a truly unified global information structure. Of course, technology is helping us do this in a material way.

We now have seven "global business units." In addition, we have market development organizations, which you might think of as regions, plus a global business service organization, which brings together services. We have representatives and linkages between our central corporate business intelligence unit with each of those, and we're seeking advantages you'd expect, both from what is in the hub and what's in the spoke.

The hub is important to provide the benefits of scale in purchases, to have a common mission across the whole organization, standardized

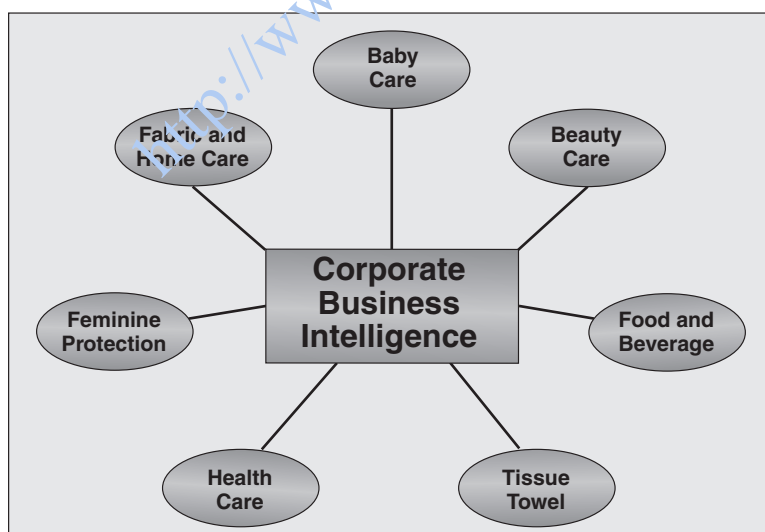


Figure 1 "Hub-and-spoke."

processes, and so on. At the same time, the spoke is terribly important for specific, flexible knowledge in the individual business units, and ownership of the activity in the individual business units. It's also going to prove important for the diversity of ideas, for different approaches that will come from our operations around the world.

INFORMATION/TECHNOLOGY

In the Old World, "information" and "technology" tended to be situated independently, often resulting in redundant individuals with personal competitive files having relatively little interaction. Studies were often repeated due to lack of retention. We are now moving to what we're calling a Global Knowledge Network, which will be available to all electronically. It's providing a venue for collecting data, sharing opinions, and disseminating analysis. All intranet content is registered, nearly all of it is open and accessible to everyone in the company; that's been a change for us. Electronic publishing is easy. It doesn't require special skills, and it enables connections to people that will have a tremendous benefit in fostering innovation.

USE OF KNOWLEDGE

In the Old World, there was too much routine report generation, and too many non-actionable requests. All of which tended to be too reactive, and too far removed from the core strategy and the key planning activity. In moving to a new organization structure, we are making an effort to get it right from the beginning by having the business intelligence activity embedded into strategy development in the line.

For example, our business intelligence group has been terribly important to Procter & Gamble in improving the quality of our options analysis. We tend to be people who want to get to a solution quickly. If we can avoid having to spend too much time thinking of a lot of different options, we'll tend to welcome that. So we benefit by having someone who holds our feet to the fire and says, "Slow down a bit to look at what the options are" so you'll have a really robust, competitively viable strategy. This has been a major contribution.

In terms of getting top management deeply involved, we're making real progress in that as well—it has been an area where we needed to. We're

also more focused on setting our own winning strategy in the context of competitive strengths. We're moving from a static competitive analysis toward one focused on action, which includes competitive response modeling using multifunctional teams, and scenario planning that will better allow us to prepare for the competitive response.

CULTURE

If you're making change in an organization, you can only accomplish so much through structure. You can simplify and clarify roles and responsibilities, but then it gets down to how people interact and what kind of conversations are going on between individuals and within groups. While we have an extremely strong culture—we wouldn't be the company we are today without it—there are elements of our culture that we are seeking to strengthen and change.

Generally, the things you need to improve, the areas of relative weakness, turn out to be the flip-sides of your greatest strengths. Where we've had a tendency toward excessive perfection and risk aversion, we're moving toward promoting risk-taking, with victory defined as "stretch goals" and what may be possible and is worth trying, rather than what you know you can do, or have a 90 percent certainty you can do. P&G people are very thorough, with a commitment to do the job right. But, again, it can be taken to excess, which limits innovation.

Another cultural change is a more vigorous focus on coaching and sharing, promoting collaboration and candor, trust, and constructive confrontation. Have you ever heard of the moose on the table? It describes a phenomenon where you have people in a company who tend to come into a meeting and talk about the easier things, topics which can be approached without too much controversy. And then one day the group comes in and there's a huge moose sitting right in the middle of the table, and accustomed to their previous practice they look between the moose's leg and over it and nobody acknowledges "we've got a great big moose on this table and we'd better deal with it or it's going to kick us in the teeth."

We're moving away from the concept of sharing on a need-to-know basis, and assuming a need-to-share basis.

We now have this metaphor where if something is going on in any kind of a meeting in the company where we feel the real gut issue isn't being addressed—there's an area of basic disagreement that hasn't been surfaced and brought to a resolution—we say, "We've got a moose on the table," and it's a rather nice way to say stop and deal with it.

In that same spirit, there are culture changes we are applying in our business intelligence area. We are striving to counter the thought that competitive intelligence is the responsibility of particular specialists or analysts, and make it clear that it's everybody's responsibility. We're moving away from the concept of sharing on a need-to-know basis, and assuming a need-to-share basis. CI training, which before might have been made available selectively, is being made available to everybody who would benefit from scenario planning, from better strategic analysis. And from having the activity individually and functionally driven, we're moving toward more team efforts and seeing tremendous benefit from getting multifunctional teams involved in scenario planning and competitive reaction scenarios.

Not to be overlooked, we're also moving from limited and sporadic top management support for business intelligence, to having it become part of an embedded strategic and planning process.

OPPORTUNITIES

I'd like to conclude by reviewing what I would suggest are opportunities for business intelligence, at least looking through Procter & Gamble's eyes.

Let People Know What You Can Do

There hasn't been enough acknowledgement within Procter & Gamble of all the resources and the capabilities that exist. We have gone out and bought multiple reports and surveys, instead of using our internal resources. So we've got to do a better job of just publicizing what the capabilities are, and that has to be done down the line.

Know Who Your Customers Are and Link with Them

Again, this is a matter of relationships. And if your company is going through organization change—and it would be hard for me to imagine one that's not—a key point is knowing who the customers are in the new organization

and establishing the right linkages and relationships, determining how the information is going to flow, and how to become involved in strategic planning.

Have a Clear List of Key Priorities and Measures of Success in Achieving Them

Know what really are the key issues that management wants to have addressed. It isn't just more data. For instance, how is the Internet going to change the way business is done in baby care? Or for women interested in health and nutrition?

Be Prepared to Say "No" to a Past Service in Order to Say "Yes" to a Bigger Future Priority

We have a very hard time taking stuff off the table, but we have to, or we won't move forward. Help your internal customers deal with information. Differentiate report generation from actionable intelligence. When I know it's coming from the heart, that helps me, and I can draw actionable conclusions or sometimes affirmations of what I believe from that.

The goal is to be able to come in and give a point of view, as our business intelligence group did last fall when they met with our 30-member executive committee and talked about the future. They laid out scenarios of what the future is likely to be in 2010 for our customers, what our channels are likely to be, who our employees likely will be, and trends regarding our consumers. That day changed the way we've operated since. We wouldn't have been able to reach those conclusions if somebody hadn't presented it very well. There were videos of thought leaders who were talking about these things, so that got our attention, thanks to the quality that went into the work and let us know in a riveting way the issues we needed to deal with.

HANG IN THERE

Any of these changes don't happen overnight. In getting those linkages started, the first audience may not be that pleasant, and people might not get the picture right away. And yet it's so important. You have to keep going back, it may take a 2- to 3-year effort, and it has to start with the CEO or the head of the business unit. It may require some tough, honest

conversation. Recognize this is a corporate-wide effort, not only an individual corporate category effort.

I was with an ad agency the other day, one of our great agencies that does our Folger's coffee copy. I asked, "How do you keep going on this great campaign?" Because it's been kept going year after year. "Well," he said, "we're just in perpetual whitewater." I love that. Keep learning and thinking about what are the key trends and how to approach them corporately. It's a singularly important role that you play in the business intelligence area.

PERSONAL LEADERSHIP

Finally, let me end with a few words about the need for strong personal relationship. Everything big that I've seen done has come about because somebody has had passion about something they felt had to be done, and they were able to enlist others in it and then overcome obstacles and move it through to the solution. This area of business intelligence is filled with opportunity today because of the role of knowledge, the importance of speed, and the competitive world we're in. Getting the right systems, the right linkages and relationships with the right people in a corporation, opening the mind, recognizing the need for external knowledge, is going to call for a great deal of sustained personal leadership to achieve the results that we all need and want.

RELATED READINGS

CI of "singular importance" says Procter & Gamble Chairman. (1999, July–September). *Competitive Intelligence Magazine*, 2(3), 5–7.

Face to face with: John Pepper and Susan Steinhardt. (1999, October–December). *Competitive Intelligence Magazine*, 2(4), 35–38.

ABOUT THE AUTHOR

After serving nine years as president of Procter & Gamble, John E. Pepper was elected as P&G's ninth chairman and chief executive in 1995. After retiring as CEO in January 1999, he continued as chairman of the board until that September, when he became chairman of the executive committee of the board. In June 2000, he returned from retirement to again serve as chairman of the board. Mr. Pepper also serves on the boards of Motorola and Xerox.