

DETERMINING A COMPETITOR'S PRODUCT DEVELOPMENT STRATEGY, PART 2



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Scenario: Peter, leader of the competitive intelligence team, receives an urgent assignment from his manager, Ramesh. They have six days to complete a competitive intelligence analysis for a possible innovative product move by Acme Technologies, an aggressive competitor. They will present the results to a senior management team headed by Sally, who is vice president of product development.

It is a tough assignment and senior management expects answers. The pressure builds each day as they struggle to agree on how to approach the project, make sense of the competitive environment, navigate the corporate politics and, finally, present a meaningful conclusion. This is the second of three columns covering how they accomplish their task. In Day 1 and Day 2 (first column) of the project, Peter and Ramesh focused on organizing the analysis and gathering information.

DAY 3 – SENIOR MANAGEMENT SPONSOR MEETING

The competitive intelligence team meets with the senior management sponsor for the analysis. They discuss their approaches, debate the key questions and decide who must be involved to complete the analysis.

Peter needed help today before his meeting with Sally about her current assignment of formulating a concrete action plan to counter a possible product improvement by Acme Technologies. Several signs pointed to Acme introducing an innovation in the next 12-18 months that might threaten the company's market share at their largest account. Peter's competitive intelligence team needed to quickly summarize the situation to support Sally's recommendation for action.

The call to Peter's mentor, Jason Williamson, went well. Jason's manner was friendly but no-nonsense, as he never sugar-coated his advice or observations. He reliably gave Peter frank assessments about the positioning of the competitive intelligence projects and regularly pointed out ways to improve their focus. Jason had some definite opinions about working with Sally for this project.

Jason's instructions were clear. Being process-oriented, Sally valued arguments supported with facts – her reflex was

to distrust arguments based solely on intuition. Furthermore, she preferred to reach decisions based on consensus. Sally often remained quiet for much of a meeting, then polled those present for their views about decision options. If most attendees agreed on a recommendation, she would usually accept their judgment. Once Sally ratified a decision, she was difficult to dissuade from her decided course.

Peter and Ramesh (Peter's manager) met at the door to Sally's office. "Come on in," Sally said. "You're the two lucky people who present the analysis next week at the Product Development Strategy meeting. There isn't much time to get ready, you know."

Ramesh replied, "Yes, it's going to be quite a challenge – that's why we wanted to meet with you. Thanks for making time on your schedule. I'm sure that you have a lot on your plate to get ready for that meeting."

"That's an understatement," Sally said. "I have the CEO and half of the Board asking me about this Acme problem, and Marketing's at their own panic level. Harry is convinced that our business is collapsing." (Harry, the Vice President of Marketing, was known for his wide swings of outlook. Either the company was on its way to market dominance or bankruptcy was around the corner – there was no in between.)

"Let's hope that his current pessimism is premature," Ramesh said with a smile. "Peter and his competitive intelligence team have an established process that he would like to cover with you today."

"Good," said Sally, "tell me what you plan to do and how my team needs to be involved."

Peter started, "Sally, you may know about the analysis that our team prepared for Engineering and Marketing earlier this year." Sally nodded and Peter continued. "My team studies the competitive environment on an ongoing basis. We also periodically focus on specific issues where we gather information, analyze it and then supply interpretations for use by senior managers to make decisions. This is the approach we'll take in supporting you for the Acme issue."

Sally responded. "I'm giving my recommendation to the CEO three days after my Product Development Strategy meeting. That doesn't give me much time to develop organizational agreement so we need to execute crisply. I'd like to leave the strategy meeting with a good idea of what my recommendation will be. What are you planning to do to support me?"

Peter then laid out his team's standard approach. He covered the competitive intelligence database, the secondary data searches, the list of primary sources to interview, and the specific analyses. Peter explained how the mass of information would be organized, debated and condensed into a concise presentation that Ramesh would deliver at the Product Development Strategy meeting. As Peter talked, he laid out a process diagram for this project and described each step in the process. Each block was annotated with the status for that step.

"Very good," said Sally. "Still, it seems that by the time I see your processed results most of the underlying data will be hidden. I'll have some pretty slides but I'm not sure that they'll provide the people at that meeting enough basic understanding of the issues to make an informed decision. I don't like people guessing about such an important topic."

"We understand that," agreed Ramesh. "Peter has a way to make the data more visible and prepare the Strategy group better. Tell Sally about the war room."

"For this project we have what we call a 'war room' where we post all of the information, ideas, and speculation about Acme's intentions. Each day we discuss, refine, and rearrange the room's contents to match our current understanding," Peter said. "We invite key people to a session in the war room to show them what we have and discuss what is emerging. When they have something to add, we incorporate their ideas."

"And who are these key people?" Sally asked. "That's what we'd like you to help us decide," said Ramesh. "Here's Peter's initial list."

"It's a good start but add some people that report to me. Also, remove these people – they are too busy with other projects right now. I only see one more problem," Sally said as she handed the sheet back to Peter. "Where is my name?"

This caught Ramesh and Peter off guard. Most senior managers usually preferred to participate on their own terms and later in the process. Sally apparently had different ideas. Recovering, Peter said, "We would be ready to have you come by the day after tomorrow."

"This is my top priority. Besides, I want to see how this competitive intelligence process works. I might find it useful for some other issues," Sally said. "What else do we need to do today?" "There's creating the right focus," Peter said. "That sounds pretty basic. What do you need from me?" Sally asked.

Peter answered, "We need to know as precisely as possible the key questions that must be answered to support this decision. That way, we can determine what analyses to perform and the information required for each analysis. We've identified three key questions and we need to test them with you."

"Let me see the list," said Sally. She read it quickly and asked, "They seem a little abstract. Where are the details?"

Peter explained, "Each question is really a category of issues. For instance, the first question deals with what Acme is doing with their strategies. We are trying to determine if their possible product innovation signals a fundamental shift from, or a continuation of, what we already know about them. If it is a shift, then we might expect more product changes. If it is a continuation, then we know the general bounds of what Acme can and will do."

Sally appeared impatient. Peter quickly became more specific. "We project their future product roadmap based on the evidence we have from their historical performance, the impact of their recent acquisitions, their trends in technology usage, and the intellectual property they own. We also gather information from their investments, marketing messages, and organization moves that may contain confirming evidence."

"Okay, that seems more concrete," Sally stated. "Make sure that you have the data to support your position. Furthermore, I need to know just how sure you are about these answers."

Peter replied, "We try to assign confidence levels to each answer. Historical data is certain, forward-looking data less so. In each case, we show the data, explain the sources, list what is missing, and make a judgment about the risk. This is a large part of the war room discussions and why your help is so valuable."

Sally's cell phone rang and she answered. They heard her tell someone that she would be in the caller's office shortly. After she hung up, she began to gather the papers on her desk as she talked.

"That was the CEO – he wants an early status briefing on my recommendation about Acme. I don't have much to tell him except that your work is underway. Make sure that you do a good job – somebody's job depends on it." She left unsaid whose job was on the line.

As they walk out of her office, Sally said, "By the way, Ramesh, good idea about having a war room. All of my product development teams have them. They're enormously valuable. Keep up the good work. See my admin to setup a time for our next meeting."

Peter and Ramesh leave the meeting with very different thoughts. Ramesh was surprised at Sally's engagement during the discussion -- he had not expected her to be actively involved in the details that Peter and his competitive intelligence team were putting together. Meanwhile, Peter was excited, as Sally's feedback was specific and thoughtful. Her involvement would energize the team.

DAY 4 - DISSECTING THE COMPETITOR'S ROADMAP

The competitive intelligence team creates a detailed roadmap for their competitor, Acme Technologies. By examining the “animated” roadmap, they attempt to find the keys to the threat posed by Acme.

At 10 AM the next day, Peter assembled his team in the war room for a “roadmap animation” working session. They had not always done this. Initially, when someone asked the CI team about a competitor’s roadmap, they had simply delivered the current set of slides that the competitor provided to industry analysts. Few people found this approach useful. Peter and his team re-thought what would really be effective and had decided to “animate” the roadmap. They discovered that the roadmaps illustrated three consistent principles.

First, competitors had histories and those histories dictated much of what could or might happen in the future. That prompted Peter’s team to go back and obtain their competitors’ forecasted product roadmaps from the last three years. When they overlaid them with the actual product delivery dates, immediately patterns emerged. Some competitors were consistently optimistic about delivery dates. Others regularly announced but never delivered key products. And some had produced product on every forecasted date.

Second, every subsystem in the competitors’ product lines had its own roadmap that evolved differently. When Peter’s team looked at a competitor’s new product, it often included multiple “old” subsystems and one or two new ones. The individual reuse patterns provided clues about a competitor’s research and development investments and product feature prioritizations.

Third, most competitors predictably introduced new product architectures every three years. In between, each had an optimization and cost reduction cycle to take the first product into two or three lower priced segments.

Peter’s immediate task was to apply these principles to the Acme Technologies project. Widespread rumors had Acme attacking their company’s major customer and planning to release a potentially disruptive product in the next 12-18 months. Was Acme altering their patterns of behavior? Were their recent acquisitions or aggressive marketing signaling some surprise action? Peter loved to know patterns but he hated surprises. So did management.

Competitive intelligence team members John and Rachel joined Peter in the war room. Both of them had technical backgrounds so they knew the industry and had an intuitive feel for where competitors were headed. But what Peter liked best about them was their seemingly insatiable curiosity. Peter reflected on the long arguments with Ramesh about adding

them to the team. Ramesh favored some senior engineering and marketing types: “They have the experience and credibility.”

“Yes, that is true,” Peter conceded. “But think about it this way. We want to do competitive intelligence differently and better than before. Doesn’t it help to create a team that is less invested in the current approaches?” “Sure, that’s one way. But John and Rachel are quite junior. Who in senior management will believe them?” Ramesh asked.

“First the CI team has to create useful insights, right? If the team only produces easily believed results, then what are we really adding? Let’s separate ‘getting the right answers’ from ‘selling the conclusions.’ No matter who’s on the team, we are going to need your help in the selling process,” Peter replied. To his credit, Ramesh had agreed and now, after many successful analyses, he no longer questioned John’s and Rachel’s contributions.

The war room meeting was the first review of Acme’s animated roadmap. (Note: animated refers to seeing changes over time, and individual parts of the roadmap change at different rates and for different reasons.) Annotated three-by-five cards covered one wall. Peter and Rachel looked on as John began. “Rachel and I have mapped Acme’s product roadmap for the last three years and here are their typical announcement and delivery cycles. Only one significant product has been announced outside of their usual pattern and it resulted from an acquisition two years ago.”

“That product was under development before Acme acquired the company. They took it to market but quickly lost enthusiasm and dropped it from their portfolio. We speculate that Acme’s release of the product was part of the acquisition terms,” Rachel observed.

“So they have been quite predictable, at least at the product level?” Peter asked. “Yes,” answered John. “The more fascinating question comes in at the subsystem level. Rachel has studied this more than I have and all of the beautiful colors are her doing.” Both John and Peter admired the wall with five differently colored cards.

“Well I’m glad you appreciate my talent,” Rachel said. “Each color represents a subsystem in their product. Stars on a card show the introduction of each significant new subsystem. For any product introduction they changed no more than two subsystems, so three subsystems were essentially the same as in a previous product.” All of them knew that companies like Acme made investment decisions around evolving subsystems. Not coincidentally, those decisions mirrored their internal organization so they constantly monitored the organizational structures of their competitors.

“The subsystem evolution provides a pretty vivid sense of where they see their added value. For instance, we know from benchmarking exercises that their product performance is mediocre. However, our customer surveys say that their

industrial design is excellent. Better than ours, actually. That's where they get their value," Rachel said. "Here's the problem. Acme recently introduced a new industrial design in their last product. Assuming their patterns hold, their innovation in the next 12-18 months will not be in that area." She let that sink in.

"Ok, you've used their patterns to eliminate some possibilities but you haven't talked about what they might be doing. That's what Sally needs," Peter said. "If patterns hold, there's nothing unusual to worry about from Acme. Their likely new product innovation would probably be based on a sustaining or evolutionary innovation. We can easily counter that type of threat. However, what if something new is happening?" asked Rachel.

There was a knock at the door and Ramesh entered the room. Peter had mentioned to John and Rachel that he would likely stop by to review their progress. After welcoming Ramesh, they remained silent as he looked over the wall. He asked some questions to understand the color-coding, the various connecting lines, and comments. Then he sat down and told them to continue their discussion. Rachel explained that they were now speculating about what possible surprises Acme might be planning.

Ramesh asked, "What about their recent acquisition of Innoarc? It's a small company but marketing is convinced it's important. Have you looked into it yet?" John spoke up. "The acquisition has two key elements. First, Innoarc had an outstanding engineering team that Acme wanted. Sam Wilson headed that team and he's considered a technological guru in the industry. We've researched his public writing and speaking, and know that he consistently advocates innovative performance architectures."

"We met Sam Wilson two years ago," Ramesh interjected, "He was trying to license his ideas to us but we weren't interested. He was very protective of telling us too much because there was no non-disclosure agreement in place."

"Interesting. John, did you initiate an intellectual property search?" Peter asked. "Yes, that's the second key element and we started it this morning. Sam and his team at Innoarc filed many patent applications and I've posted the key ones on the board – the white cards," John smiled and continued, "since I don't have Rachel's eye for color."

They read the patents and filings for Sam's team. Did those cards provide a key to Acme's next move? Were they planning something that altered their product value proposition? How could Acme wrench away business from their key customer?

Ramesh became very still as he read the third card down from the top. "There it is," he said softly. The card contained a description for a new processing architecture idea. He had

almost skipped over the card but something about it bothered him.

Ramesh and others managers had always assumed that Acme would never catch up to their company on performance. Since performance mattered most to their biggest customer, they believed that Acme couldn't displace them. But what if Acme came at the problem from another direction? What if their innovation resulted in adequate performance but was more integrated and at a lower cost? Would that be attractive to that major customer?

"Peter, we need some engineering estimates fast. If this is the key, we must find out how quickly Acme could prototype and produce products with Sam's technology. Also, we need to know the general feasibility and implications of integrating those functions. Finally, we have to quietly poll the marketing and sales teams about the potential impact of that product. You may think of some more things to do," Ramesh rattled off, "so get started now."

Peter mentally assembled his action item list for after the meeting. It was going to be a busy day since Sally wanted answers tomorrow.

Author's Note: Go to the Competitive Intelligence Case Studies site at cicases.com for continuing discussions about Six Days to Delivery and other case studies.

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