



# FROM BLIND SPOTS TO STRATEGIC INTELLIGENCE

Ensuring growth options are exploited

By Professor Bettina Büchel - April 2010

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Nothing breeds success like success, at least according to the old proverb. However, this is not always the case when it comes to business growth. Many organizations, from Polaroid to Sony, have become victims of their own success: they achieved enormous growth by introducing new products – the Polaroid camera, the Sony Walkman – but as the marketplace matured this growth slowed and they were left looking for alternative paths.

Few companies can sustain product growth for more than a couple of years. As this slows, many turn instead to acquisitions. This is a risky strategy as 50-65 percent of acquisitions actually destroy value – just look at what happened with AOL and Time Warner.

Instead, organizations which want to maintain business growth over longer periods of time need to extend their thinking to include services, solutions or families of products. To get this right, they must start using “strategic intelligence” – a coordinated combination of research, analysis and distribution of information necessary to make strategic decisions that will allow growth opportunities to flourish.

The biggest risk here is the existence of a number of organizational blind spots – areas in which executives fail to notice or understand important information and thus lead their business into one of any of a number of traps. These include misjudging industry boundaries; failing to identify emerging competition; falling out of touch with customers, over-emphasizing competitors’ visible competence; and allowing corporate taboos or lack of foresight to limit their frame of reference. Any one of these mistakes will prevent companies from taking advantage of the opportunities available and instead falling into the rigidity trap. Continuously engaging in strategic intelligence will help leaders to overcome these blind spots.

There are many different sources of strategic intelligence for exploiting growth opportunities. And while this article outlines six important sources that I through my work with leading companies at IMD have observed to be critical over the years, it is equally crucial to incorporate this intelligence into decision-making.

**1. Trends.** What are the major current trends? Executives should make sure that they understand global movements in areas such as demographics, regulation and consumer markets. Many companies fail to look further forward than one, two or maybe three years, but from a strategic intelligence perspective they should be assessing this on a 5 to 10-year time horizon. Take the example of the so-called “Digital Natives” – a consumer group that has been educated with the internet as part of how they live and how this segment buys financial products, influences stakeholders or expects to be informed as an employee. For

managers, there is not only the need to be aware and analyze what's going to happen in terms of future trends but also decide on the actions needed to capture opportunities that emerge.

**2. Customers.** Companies must understand which of their customers' needs are being met – and which aren't. This involves constantly listening to customer feedback, becoming an ethnographer, e.g. as a consumer goods company following the shoppers in supermarkets to better understand behaviors. It could also involve talking to your customers' customers to potentially identify and exploit unmet customer needs.

**3. Benchmarking.** Does the organization know where most of the innovation within the industry comes from? How will upcoming developments affect both the company and its niche? Executives should look beyond their own industry at adjacent sectors, because this is where competition will come from in the future if people decide to move across into your market. Witness currently the merging of the media, information technology and software industry. Never assume that players will remain inside traditional boundaries.

**4. Category extension.** How are consumers defining what they really want? Look again at what the company provides and consider how this could be extended. For example, is Pizza Hut in the business of selling pizzas or of selling its customers a convenient alternative to cooking for themselves? If you define the category that you are in too narrowly you will lose opportunities for growth.

**5. Capabilities.** Organizations should analyze their base capabilities, and consider how they can build on them. For example, maybe the company has very good consumer understanding but is only relating it to existing products. Look for ways that it can be used to expand the business further, perhaps by providing a service for suppliers who also want consumer insights, for instance.

**6. Technology.** What upcoming technologies lend themselves to new products or services? Look at the way in which mobile phone technology has been used as a foundation for all sorts of other revenue-raising products that can be used with or added to the basic phone.

Executives should ask themselves what sources of strategic intelligence they are using in their own jobs, as after all, anyone who is asked to appraise a new idea is involved in innovation. Individual executives should start by analyzing who they rely on for information and new ideas. Is it colleagues from the same department or business unit? Primarily from within the company? Or also the outside? To overcome blind spots and obtain higher levels of

strategic intelligence, individuals should expand their networks and ensure that they are as diverse as possible; if your main sources of information all have similar backgrounds you are unlikely to get the breadth and depth of ideas needed to support genuine innovation for growth.

*Bettina Büchel is Professor of Strategy and Organization at IMD and co-director of the Orchestrating Winning Performance program (OWP). The program is a not only a platform for gaining new insights but also for enlarging participants' networks so that they are able to build strategic intelligence and potentially exploit a growth opportunity previously not known.*

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