Intelligence and innovation go hand in hand. Both demand a future-oriented, strategy-focused working on, not only in, business. Since the majority of organizations, first and foremost, are managed with current efficiency in mind (i.e. doing things in the right or increasingly better way), it must be the responsibility of somebody who cares also for the organization’s future prosperity (i.e. doing the right things now and beyond). Normally, it would be one of the most important responsibilities for the CEO. However, bearing in mind the importance and complexity of this task, it is advisable that the CEO has an alter ego — Chief Intel — a person with a perspective that is both panoramic and granular, and with an actionable insight on the direction of value migration and ways to address it with a company’s future prosperity in mind.

“We suffer from having too much data and at the same time we lack insight. We do need data, because the GIGO principle still applies. However, data itself is not an answer. If we are hyperactive and collect a great deal of data we could even be overwhelmed by it and still not know the right answer. Especially if we did not ask the right questions. So, what should we know today to be still in the game tomorrow? Before we try to answer this question, it is good to realize that this “knowing” is something different from simply “having” (the knowledge). It is all about “doing” (the right thing) — pursuant to the dictum (attributed to Lao Tzu) “To know and not to do is not to know.”
INTELLIGENCE: AN ACTIONABLE INSIGHT
An actionable insight demands a succinct statement — a perspective that is derived from analyzing the data. A very specific one. Dispersed. It is somewhere over there and we need it to assemble into a helpful perspective on “what’s new?” and “so what now and beyond?” Referring to Robert Steele’s saying that this perspective should enable us directly, at least potentially, to “make money”. According to Ben Gilad, “Competitive intelligence is a perspective on changing market conditions. This means identifying risks and opportunities early enough to allow the company to adapt its strategy or in extreme cases, change it.” I find this definition very clear and inspiring. It is a good starting point to define the role of Chief Intel as an intelligence professional in the service of innovation. Changing market conditions demands reaction, and, even better, proactive efforts. Changes and adaptations are needed as well. So does innovation. However, as Fredmund Malik observed, “Innovation involves enormous risk. Even the smallest piece of information that can increase the probability of success is extremely valuable.” Early inspiration (i.e. answering the question, “Where better to play?” and dealing with asset allocation and the identification of future profit sources) and then early warning (i.e. answering the question “How to play better?” and dealing with new profit sources protection) are one of the most important tasks for Chief Intel. They demand from him/her to be future-oriented and strategy-focused in order to work on, not in, business. Chief Intel should support the CEO in thinking about a company’s future prosperity. It ought to be a very specific type of support, which combined the role of strategist and internal consultant (i.e. working on the business) with the role of inspirer and internal status quo dissenter (referring to the Walter Lippmann famous quote “Where all think alike, no one thinks very much.”). Chief Intel should hence be concentrated on innovating.

INNOVATION: A NEW VALUE
Innovation is multifaceted notion, hence can be defined in many different ways. I would like to encourage you to look at innovation from a viewpoint of innovation adoption. This line of thinking about innovation enables the role of competitive intelligence to be depicted as innovating in a very precise manner. By adoption I mean a behavioral triad of trying, buying (also buying again, if applicable), and recommending a market novelty (i.e. a new solution/new offering) by customers to other prospects. Without all those three behaviors the diffusion of a given market novelty is very slow, non-significant, or even non-existent. Adoption and its rate is a strong indicator that a given market novelty (a new offering) is valuable from a customer viewpoint. In this context innovation can be defined as a new value. The “new” means being a market novelty (a new offering, at least in a given market defined geographically, or, better, in a whole industry). The “value” in turn signifies that customers consider a market novelty a good choice, preferable to current solutions. Although novelty can be defined objectively by a company, value can only be defined subjectively by customers and validated inter-subjectively among them. Hence we exactly, at once, know what is new, alas, we do not know in advance if it is valuable. Here is the main risk of innovating. To reduce this risk we need to introduce special actions. One of them is competitive intelligence. Some systematic practices enable a company to be effective in innovation management. This is important because the ultimate goal of innovation management is continuously regaining value of the company and its offering to customers. This is a necessary condition of a company’s prosperity now and beyond. One of the main enablers of being innovative is systemic collaboration with prospects as well as other business partners in order to target new markets and make use of the newest technological opportunities. Innovativeness is hence not simply optimization or renovation of the current offering. It demands addressing value migration with a new offering, often using a completely new growth engine (i.e. value proposition and/or business model), adapted to the changes in the market and broader business environment. The outside-in approach is needed.

Each company has to face the challenge of value migration if it still wants to be in the game. The value migration demands from a company systematic launching of market novelties (new solutions/offernings). However, this alone is not a sufficient condition of staying alive, not to mention still being prosperous. Being innovative (in fact: successful) demands the strategy with a clear priority – focusing on the continuous regaining value of the company and its offering to customers (current and/or new ones). The formulation and execution of that strategy needs input and protection from intelligence professional(s) – this is the role of Chief Intel. Hence, value migration monitoring and forecasting, supporting the strategy (re)formulation and business (re)modeling,
The real risk is substitution. Being substituted by a better solution is always only a matter of time. Hence, the minimum what we need to do is a regular Win/Loss analysis. Meaning, the importance in monitoring the buying decisions of our current customers. Why do we win/loose successive contracts? Are there any changes that seem to be systematic and tell us something about new trends in customers’ needs, aspirations, preferences. At the same time it is advisable to get to know how those trends affect or are used effectively by our competitors. Win/Loss interviews give us occasions to collect such information too. Generally, especially in case of innovation, we should look at our competitors (including potential ones) through the eyes of our customers (including ex-customers and prospects).

VALUE MIGRATION SIGNPOSTS
It is advisable to assume that value migrates continuously. It forces us to be vigilant and prudent, hence prepared to act beforehand, not only to react (often too late) to changes that have already taken place on and around our target market. In order to avoid catastrophic myopia, it is necessary to take care more with the currently still small, but overall structural (i.e. fundamental, and rather irrevocable) changes in the market/industry and broader business environment. It is especially important to analyze their implications for one’s current growth engine and main revenue source(s). One needs to reflect more on the following questions:

• How and when could those changes affect us?
• What could we do to make use of them in favor of us and not to be defeated by them?

“Understanding and deciphering ecosystem-level disruption will be the key for executives in the coming decade.”
Ron Adner

focus our attention on that:

• Why are our customers still with us? Why do they prefer us?
• If they go away from us, why they do that? What makes our competitors a better option according to our ex-customers?
• What are the first-time customers doing in our market?
• Why do (not) they choose us?
Value migration, substitution, and ultimately, marginalization, are a lot of our solutions. Among important signposts of value migration, or at least possible value migration in the near future, are changes in:

- customers’ purchasing decisions criteria (something else start to count more for them in a given product/service category),
- customers’ buying preferences and user habits (they are prone to cease buying a given product/service and try out something total different – a new way of satisfying their needs),
- business models (when our competitors, including totally new ones, are experimenting with a new growth engine that is much more efficient and profitable than ours),
- market/industry regulations (new regulations or deregulation can change the attractiveness of a given market/industry and influence enormously our position and future prospects in this area),
- the activity of startups and VC investors in a given market/industry (it can presage a disruption in a given area what can have in turn a serious implications for viability of our current business).

Those changes could signify important trends. Do your best in order to make those trends your friends. Think these things over:

- What macro-trends and industry trends are increasingly more important?
- Are there any synergy or conflict between identified trends?
- What trend(s) should be monitored more carefully?
- How attractive (profitable) could the industry be in the next few weeks/months/years?
- How could we compete in the changed conditions? Is it still worth our efforts? If not, what next?

Changes and trends demand from us bold and smart decisions and actions, if we still want to prosper. They force us to (re)formulate strategy.

**VALUABLE STRATEGY**

"Most companies are unable to change. Therefore, they are easy targets to beat once there is a change in the market."

*Alex Mehr*

Remember, the real risk is substitution. Innovation strategy should then identify future/next profit sources. Strategy (re)formulation demands an understanding of the current changes (things that has already happened) and their future possible implications (things that might come). Hence the important role of competitive intelligence in the process of strategy (re)formulation – we need reliable data about the present changes and sound perspective on the possible future developments. Innovation strategy is all about staying valuable to customers despite sometimes fundamental changes in their needs and aspirations as well as in industry and business macro-environment. Among people who want to make use of the changes in the markets via supporting the launches of market novelties are business angels and VC investors. To some extent, regarding the identification of new market opportunities, they can be a good role model for Chief Intel as an intelligence professional in the service of innovation. Let’s look at what can we learn from the investors’ experience. Here are some insights:

- Focus on current or prospective big markets, ones that at present are inefficient and unregulated yet, or at least not so regulated that incumbents have an unfair advantage.
- Create a new value for customers (an effective solution that is an answer to their real problems and has a strong, relative advantage over current solutions). Your product must dominate competitors’ solutions in the dimensions that are valuable to customers.
• Protect your solution from competitors’ (re)actions by continuous improving it on the basis of customer voice and by modifying the business model in accordance with the changes in the market.

• Prioritize customer acquisition and customer service. Execution is the most important thing. You do not have to be a market pioneer, however you need to give your customers the best customer experience overall.

• Take care of all stakeholders within the value chain, if you want to have a sustainable business and maximize the innovation adoption rate.

Insights from VC investors show us what we should focus on in order to increase the chances of successful new business development right from scratch. However, in many instances launching something new is done best by established companies. Companies that, are searching for another profit sources. The above-mentioned insights still apply. Nonetheless, some other facets need to be taken into account as well. Established companies should think strategically in a more pro-innovative way.

First of all, start paying attention not only to your current customers or at present the biggest ones. Take into account also the fringes of your market. Especially totally new customers (i.e. new customers in a given market; this could be young people or more experienced people who want/need to – e.g. due to new regulations – enter it). Also watch the customers, from your broadly defined market, which you could called “extremist” because of their special needs and/or the necessity of facing huge constraints (e.g. technical, environmental etc.). Their choices can presage the future of your market or indicate niche solutions that can have chances to become the mainstream ones in the near future.

Secondly, start asking yourself on a regular basis in which industry are you operating now, what are your real competitors now, and what kind of value you deliver to your customers now? Try to understand it in terms of a jobs-to-be-done conception. What are the “jobs” customers want to do using your solutions? What are the new companies, not necessarily from your industry, possibly small, however very dynamic, viable, and increasingly more popular among customers (especially the new ones – see above), that help customers do exactly the same “jobs” but use much more efficient and effective technology than yours? Those companies can be a harbinger of disruptions for the future fate of your industry.
And last, but not least, start identifying new business partners and organize efficient and productive cooperation between you and them in order to test new technologies, gain access to new customers, and face new challenges (including new entrants) successfully. It is all about leveraging your competencies and resources in a novel way and gaining access to the new ones via your new business partners in order to stay valuable to your customers and search for the up and coming profit sources for your company. The ability to create business partnerships, especially with new, viable, first-tier disruptive startup companies, is also an indicator of being able to build or maintain your vital position in the future business ecosystem.

VALUE INTELLIGENCE Credo

Competitive intelligence in the service of innovation should be based on the notions of innovation adoption and value migration. Hence, the term “value intelligence” applies to all activities of Chief Intel and intelligence organization within a company that are aimed at monitoring, forecasting, and addressing value migration. The top priority goal of value intelligence is to support the CEO and other executives in making decisions about ways in which a company can (re)gain its value to customers by means of introducing new offerings adapted to the changed and ever changing market conditions. The ultimate goal of a company’s innovativeness is to become, and still be, valuable to customers despite value migration, the structural changes in the market/industry/business macro-environment, and the fundamental shifts in customers’ needs and aspirations. In practice, the key intelligence topics in value-intelligence are both the identification and protection of the growth sources (in case of startups; enabling them as trouble-free and fast growth as possible) and the identification and protection of the next profitable revenue source(s) (in case of established companies; enabling them to stay prosperous while using a new growth engine i.e. a new offering – a new value proposition and/or business model). Hence, the key intelligence questions are:

- What are customers now willing to pay for and how stable is the basis this new preference has?

- What can be our next profitable source of revenue and how could we make use of it in a defensible and scalable way?

Answering those questions demands collecting information regarding trends and disruptions with emphasis on value migration issues. Hence, what is interesting is not the media and marketer’s hype around changes and market novelties, but rather it’s the evidence-based indicators of their consequences, including potential and long-term ones, on customers’ behaviors, decisions, practices, and habits. Generally, the hype curve precedes the adoption curve. Often when the peak of hype ends the adoption rate is no more than 5% of targeted market and the market novelty is still ahead of the so-called adoption chasm. Hence, the early warning/inspiration system must be calibrated well and based on “thick” data. OSINT, or Open-source intelligence is important, however Human Intelligence, or HUMINT, is decisive. If (re)gaining value to customers is our aim, calibration of intelligence (i.e. collection and analysis) is not enough. Remember the Lao Tzu dictum, “To know and not to do is not to know.” The decision-making process needs (re)calibration as well. Here are some top rules for that – I call them the “value intelligence compass”:

- Watch out for new solutions in the market and the customers’ reactions towards them. The main risk is substitution. Either you will substitute others’ solutions or your solutions will be substituted by theirs.

- Take an outside-in perspective. Let your strategy and business model (and any changes to them) reflect what is going on (or better, what is about to happen) in the market and the broader business environment. Ultimately, the only option is satisfying customers’ needs better and more efficient than the current and/or new competitors.

- Understand the dynamics of the market forces and their potential, short and long-term, consequences on customers’ behaviors and competitors’ actions. Use scenario planning and watch for more technologically advanced and more efficient “extremists” from and outside your industry, which are trying to expand into your market/target customers.

- Reevaluate your current growth engine (i.e. value proposition and business model). Counteract the tyranny of experience and competencies. Reach for brand new, attractive and promising opportunities by looking for synergy with new business partners and try to take or strengthen your place in a newly
developing business ecosystem. Bear in mind the next profitable source of revenue for your company – the basis for your company’s prosperity in the future.

- Opt for market leadership in the chosen new market niche by means of optimal value proposition and business model, effective execution, and leveraging new business partnerships. Profits will follow accordingly. However, firstly you need to dare to be the number one choice option for your customers.

Hence, to check if your decision-making processes are calibrated well in order to support regaining value to customers, ask the following questions:

- Are you controlling the risk connected with substituting the current company’s solutions (offering) by monitoring new technologies and the solutions of competitors as well as new customers’ problems and preferences?

- Does the current company’s strategy and business model reflect the changes that are taking (or are about to take) place in the market, especially in the area of value to customers and sources of competitive advantage?

- Do you have “extremists” from and outside your industry on the radar? Are you routinely considering scenarios of possible new developments and shifts in the market due to new entrants, that are bold and advanced technologically, along with their solutions?

- Are you working on the replacement of your current “growth engine” in order to use new possibilities that exceed your hitherto experience and capabilities? Do you cooperate in this area with new, strategic partners that enable you to test new possibilities in an efficient and effective way?

- Is market leadership in a new area of value to customer an actual and realistic goal of your company?

As Peter Drucker said, “The truly dangerous thing is asking the wrong question.” Above-mentioned questions are a kind of protection against chasing after improper things efficiently. They inspire us to think firstly about choosing the right things to enable our company to prosper also in the future.

TO BOLDLY GO WHERE VALUE IS ABOUT TO MIGRATE

Chief Intel, as a CEO business partner, should be responsible for calibration both intelligence and decision-making processes with a company’s future prosperity in mind. By reporting actionable insights focused on “what next?”, Chief Intel inspires other executives to work not only in, but also on business and its future. When the company’s future prosperity is at stake, then value intelligence, and hence Chief Intel, should play a leading role in the journey.

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Paweł Smółka, Ph.D. is a business consultant specializing in competitive / market intelligence in the service of innovation. His goal is to help to answer the question, “what can make or break your (new) business?” A speaker at industry conferences and seminars, Paweł is a Steering Committee member of the SCIP Poland Chapter and holds a Ph.D. in Psychology from University of Warsaw and postgraduate qualifications in Strategic Competitive Intelligence (Kozminski University), Innovation Management (Warsaw School of Economics), and Human Resource Management (Warsaw School of Economics). He also has experience in business coaching, academic teaching, and R&D. Follow Paweł on Twitter @ValueBooster

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