



Market Intelligence for the Strategy & Planning Process

The GIA White Paper series in 2007 will discuss the ways in which Market Intelligence can be integrated with business processes.

1. Executive Summary

Developing a Market Intelligence capability that provides valuable input to organizational strategy and planning processes is of major importance in today's turbulent business environments. The purpose of this White Paper is to demonstrate why and how Market Intelligence should be integrated with corporate strategic planning processes. Three different sub-processes are presented that should interact in order to provide this capability: the Future Watch process, the Planning Process and the Early Warning and Opportunity system, all of which can be supported through systematic Market Intelligence.

A number of Market Intelligence products are presented as an output of the Market Intelligence process. These products represent a combination of a historic, present and future oriented outlook to an organizations' business environment. A comprehensive approach is therefore necessary in order to establish a true Strategic Intelligence capability. Future orientated methods like PESTEL analysis, Trend Analysis and Scenario Analysis may be combined with more focused business landscape reviews such as War Games and Profiles in order to compose an effective strategy. The most advanced companies have a process for this that has been institutionalized. What even many of the most advanced corporations' lack however, is a process for continuous tracking of strategic issues. This White Paper advocates that a strategic Early Warning / Opportunity system should be integrated with the above mentioned strategic analysis methods in order to monitor, anticipate and affect strategic issues.

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2. BALANCING ON THE EDGE OF CHAOS

2.1 GLOBAL TRENDS

Today's business environment demands a comprehensive system for managing risks in the external business environment. Never before have the forces of globalization been as intense as they presently are. Most business executives feel that these forces of change will have a major impact on their organizations.

The modern business world is affected by global change and turbulence. Companies need to identify and understand new trends, regulatory change, political change, competitor moves and customer perceptions. A well functioning Market Intelligence system is an important capability that will enable companies to identify and understand this change.

Highlights from a recent McKinsey study focusing on strategy underscore this sentiment held by business leaders:

- Executives see innovation and the free flow of information as the primary drivers of ever-faster change in the business world.
- Eighty-five (85) percent describe their own business environment as more competitive than it was five years ago, largely because of the improved capabilities of their competitors and growth in the number of low-cost competitors.
- Executives predict that future profitability will depend most on knowledge and information trends and the forces of globalization.
- Executives say that their companies are better prepared to cope with core risks in their own industries than with general threats such as a pandemic or natural disaster.

Source: McKinsey Global Survey 2006, *An Executive Take on the Top Business Trends*.

This study is verified by another study that investigated how international CEOs in Europe, North America and Asia are prioritizing important issues.

Risk management was the first item cited as an important issue worthy of prioritization. Five of the ten most important issues for global CEOs concern external issues which require an MI process to manage. This is a dramatic change from the same study conducted three years previous in which the main issues deemed worthy of prioritization related to improving the capacity of the work force. Now, issues relating to external competitiveness ranked first on the list.

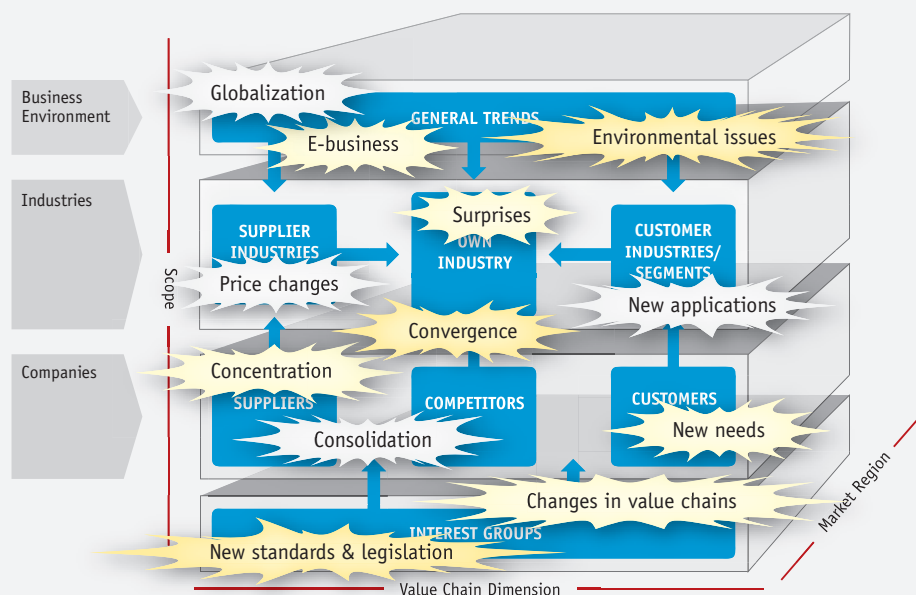
Other high ranking issues were:

- Globalization
- Managing aggressive growth
- Increased competition
- The "information explosion"
- Acquiring new customers
- Competitive advantage through innovation

Source: Accenture Study 2006, *How Top Managers Perceive Business Issues*.

Change can come from many different directions: Competitive moves in the industry (Porter), technology changes (Christiansen), or macro trends (Schwartz). The framework for understanding the business environment must therefore be comprehensive. Below is a framework that covers the entire environment surrounding an organization. It depicts the different levels of the operating environment along with the value chain dimension and the perspective of global business through different market regions.

Exhibit 1
Strategic Change in an organizations' business environment



The term “Market Intelligence” will be used in this paper. It translates as understanding the present and future business environment by using the intelligence process in providing decision making support that enables proactive management. Underneath the overarching term Market Intelligence, terms such as competitor analysis, technology analysis, customer insight, political analysis, etc. will be used. “Market Intelligence” should be viewed synonymous to concepts like Competitive Intelligence and Business Intelligence.

Each industry inherently has its own pace of change which might differ from that of other industries. Igor Ansoff pioneered researching this concept in the 1960s when launching his idea of different turbulence levels occurring in different industries and within the same industry but at different times.

2.2 UNCERTAINTY LEVELS

This concept has been further developed by recent McKinsey research and by Courtney as briefly described below. Note that the different levels of uncertainty also demand different

types of analysis in order to make industry turbulence more understandable.

In this context, foresight does not come from peering into the future with perfect forecasting tools that eliminate uncertainty, but rather from a detailed study of the current business environment. The strategist's course of action is to make the best choice possible, given the inevitable presence of residual uncertainty. Residual uncertainty is the uncertainty left over after the best possible analysis of the problem at hand. It is what you cannot know. After the analysis and selection of options, the operational tasks then are to monitor and update strategic choices over time.

Corporations therefore need to develop intelligence support processes that both provide input to the strategy process and enable constant evaluation of the same. The methods and tools therefore depend on the existing level of uncertainty in the industry.

Exhibit 2
Analysis approaches under
different levels of uncertainty.
Source: Courtney, 2001

LEVEL OF UNCERTAINTY	DESCRIPTION	APPLICABLE ANALYSIS MODELS
Uncertainty Level 1	A clear, single view of the future. Level one uncertainty is very mild and compatible with traditional analysis methods	Porters 5 Forces, SWOT, benchmarking, value chain analysis, core competence analysis and NPV analysis, etc
Uncertainty Level 2	A limited set of future outcomes. Level two uncertainty involves a few discrete scenarios that are mutually exclusive and collectively exhaustive.	Level 1 models + Scenario analysis, decision trees analysis, game theory
Uncertainty Level 3	A range of possible future outcomes. Level three uncertainty involves a range of possible futures with no discrete scenarios.	Level 2 models + System dynamics, latent market research analysis, option theory analysis, indicator analysis.
Uncertainty Level 4	A limitless range of possible future outcomes. Level four uncertainty involves extreme unpredictability, but usually soon settles into level three.	Level 3 models + Backcasting, supporting analogies, reference cases, indicator analysis.

LINKING MARKET INTELLIGENCE AND STRATEGIC PLANNING

Most companies have a formal strategic planning process but don't necessarily use it to make the most of important decisions, according to a recent McKinsey survey. Fewer than half of the respondents in the survey were satisfied with their company's approach to making strategic decisions, while top level executives were happier than others. Greater satisfaction could come from improving companies ability to align their people with their strategic plan and from monitoring progress against the plan. (Source: *McKinsey Survey: Improving Strategic Planning*)

The blueprint for strategy development is illustrated in Exhibit 3. It highlights four steps which need to be processed in order to develop a working strategy. According to a popular argument, the true challenge of strategy is implementation rather than formulation. For a full review to this topic, we refer to the GIA White Paper titled "Introduction to Strategic Intelligence" and published in 2004.

Exhibit 3
*Traditional description of the
strategic planning process*



Structured intelligence support to strategy process throughout the year – there is still room for improvement in many companies

Many companies today consider the strategic planning process too important and demanding to be conducted once a year only. Rather, they constantly develop processes that build on each other in order to provide a sound strategy as a result. This planning process often is quite complex and requires both time and effort. It is therefore very important to fit it into the organizational agenda throughout the year. The different activities need to be scheduled carefully for a co-ordinated planning effort. The advantage of this approach is of course that the workload gets more manageable. Market Intelligence support can therefore be spread out more evenly over the course of the year.

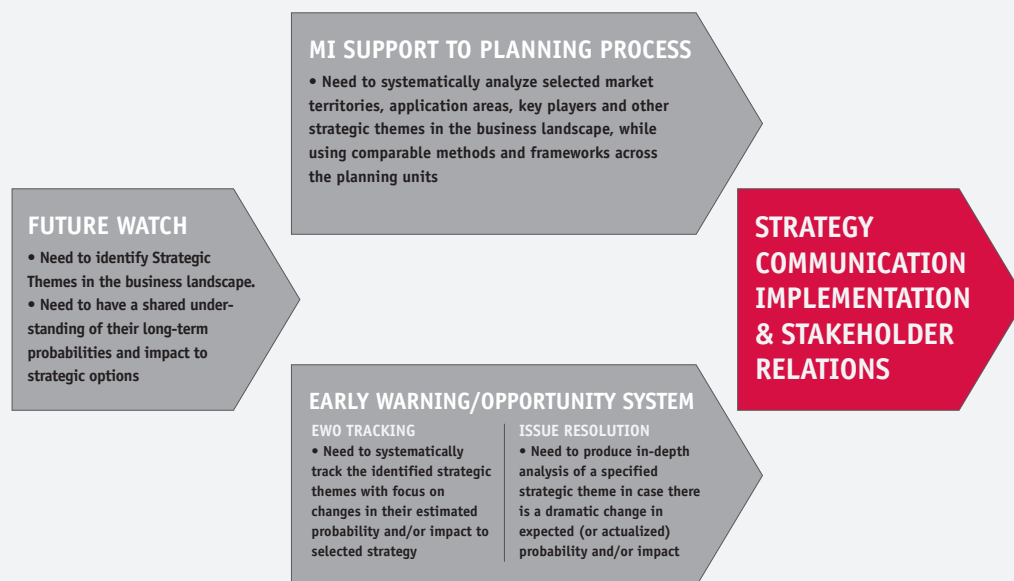
Although the strategic planning process in many organizations is already being supported by systematic Market Intelligence activities, many feel that this support could still be more structured. This paper presents a conceptual framework that will help assign a very specific role and purpose for each and every intelligence product in the strategic planning process.

3. NEEDS FOR MARKET INTELLIGENCE IN THE STRATEGIC PLANNING PROCESS

In the light of the discussion above, several conclusions and suggestions regarding how to improve the existing strategy process can be identified.

The needs for Market Intelligence in the strategic planning process can be broken down into three separate but interrelated sub-processes. In this paper we call these sub-processes Future Watch, Strategic Planning and Early Warning/Opportunity System.

Exhibit 6
Sub-processes for Strategic Planning



These three processes have different objectives and a different focus, and they cover different analytical approaches. They are therefore treated separately in this paper. The output of these processes serves as an input to communicating the strategy; the implementation and dialogue with different stakeholders. This is described in greater detail in the fact box below.

The processes also differ from each other with regards to continuity and timing. The Future Watch process is normally conducted as an input to the planning process whereas the planning work now takes place much throughout the year. The EWOS and issue resolution build on these other two processes and provides the continuous monitoring and feedback regarding changes in the organization's business environment.

Exhibit 7
Needs for Market Intelligence in
the Strategy Process

SUB-PROCESS	NEEDS	COMMENTS
Future Watch	Need to identify strategic themes in the business landscape. Need to have a shared understanding of their long-term probabilities and their impact to strategic options	High degree of future orientation. Normally looking 3-50 years into the future
Planning	Need to systematically analyze selected market territories, application areas, key players and other strategic themes in the business landscape, while using comparable methods and frameworks across the planning units	Moderate level of future orientation. Looking 2-5 years into the future.
Early Warning / Opportunity System	EWO TRACKING: Need to systematically track the identified strategic themes with focus on changes in their estimated probability and/or impact to selected strategy ISSUE RESOLUTION: Need to produce in-depth analysis of a specified strategic theme in case there is a dramatic change expected (or actualized) with a high probability and/or impact	High level of future orientation. Tracking present events and estimating future change. Normally looking at the present time up to 5 years into the future.

4. MARKET INTELLIGENCE INPUT TO THE STRATEGY & PLANNING PROCESS

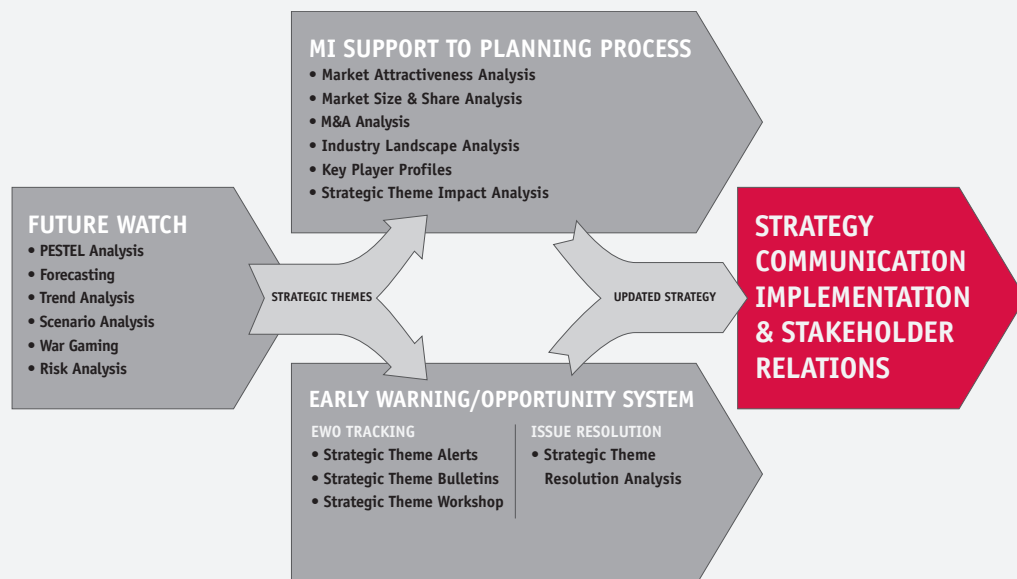
With the needs described in the previous chapters, we are now better equipped to design a comprehensive intelligence system for strategic planning and strategic issues. Exhibit 8 describes how corporations can utilize different analysis models in order to develop a strategic intelligence capability.

Admittedly, this is a comprehensive approach that cannot be conducted without the investment of time, money and other resources. However, since the result will have a profound impact on the company's success in the future, progressive corporations would be well served to invest resources in building and maintaining a strategic intelligence capability. Operating a large enterprise in the 21st century without one is akin to walking blindfolded into the future.

This White Paper argues that the process of building a strategic intelligence capability is a necessary precursor to the development of a solid strategy. The different sub-processes to the strategy process will be now be further explained. This particular White Paper will underscore the importance of combining different analytical approaches in order to construct a coherent picture of the business environment. Furthermore, it is important to emphasize that these concepts have been proven in practice in many projects related to intelligence and strategic planning.

The different sub-processes will now be described and the required Market Intelligence will be elaborated on further. The results are described as Market Intelligence "products". The users of these products can be found on many levels in the organization. It can be the board who are developing a company mission statement, the executive team who are developing the corporate strategy, business area managers who are developing strategies for their business units or a product manager who is developing a product strategy.

Exhibit 8
Market Intelligence Products
for Strategy & Planning



4.1 MARKET INTELLIGENCE SUPPORT FOR THE FUTURE WATCH PROCESS

Since strategy generation calls for an understanding about the future business environment, it is essential, at least to some extent, to become a futurist, a visionary that can look into the future.

There are methods for doing this and we will outline a few of them that are of particular value and have proven worthy of recommendation. This White Paper will not go into in-depth descriptions of these methods at this stage. The reader is instead referred to other GIA White Papers for more information on different methodologies. In the fact boxes below we will provide a basic summary of each method.

Factbox
PESTEL Analysis

PURPOSE	IDENTIFY TRENDS AND CRITICAL ISSUES IN THE EXTERNAL BUSINESS ENVIRONMENT
Scope	Macro-level. Focuses on political, economical, social, technological, ecological and legal issues.
Future Orientation	Medium/high. The focus is normally on the present situation with a 2-5 year future outlook.
Work process	A PESTEL Analysis includes in-depth secondary and primary research to foresee significant changes in the business environment. The importance of different trends from the company point of view can be assessed e.g. through a trend impact matrix showing most influential and probable trends.

PESTEL analysis can often be used as a preparation for scenario analysis and trend analysis in order to identify trends and uncertainties. The certainties in the PESTEL analysis are used in the trend analysis and the uncertainties are used in the scenario analysis. In such a way, these three methods can be triangulated very effectively.

Factbox
Forecasting

PURPOSE	ESTIMATE MARKET DEVELOPMENT
Scope	Multiple levels. Macroeconomic forecasts are as common as market share and sales forecasts.
Future Orientation	High. Often 1-10 years.
Work process	Cause-and-effect analysis is the core technique used for modeling and factoring the problem into sub-problems. Statistical analysis is applied when there is sufficiently high-quality data available to make precise estimates. Judgmental analysis is used for qualitative portions of the forecasting problem. Gathering available analyst forecasts and consensus estimates can be a part of the forecasting project.

Relying solely on forecasting is, from a historical perspective, not very successful. This is especially true for long term forecasting. Forecasting works best in stable industries operating at uncertainty level 1.

Factbox
Trend Analysis

PURPOSE	IDENTIFY PRESENT AND FUTURE TRENDS AND ITS IMPACT ON BUSINESS
Scope	All levels. Macro trends might be as important as micro trends. Trend analysis can be unfocused as well as focused. Focused trend analysis concern a specific issue whereas unfocused trend analysis are general and investigate trends that may have a general impact on society.
Future Orientation	Medium. A trend is by definition something we can identify today. But it is possible to identify structural trends that will have an impact on the society for a very long time.
Work process	Define the subject of the analysis (general, company level, product level, BU level, etc). Identify trends that will affect the subject in a positive way and trends that will affect the subject in a negative way. Determine the strengths and the likelihood of these trends. Conclude how the trends will affect the issue based on the categorization above. Use the result as an input to the strategy process in general

Trend analysis provides a good overview of present and future trends inside and outside a company's industry. It is often a good cure for business blindspots that may have developed. Many companies are now intensifying the analysis of general trends that might affect their industry directly or indirectly.

Factbox
Scenario Analysis

PURPOSE	IDENTIFY POSSIBLE FUTURE OUTCOMES FOR THE INDUSTRY, A BUSINESS UNIT, A PRODUCT, ETC.
Scope	Works both on macro and micro level.
Future Orientation	High. Scenario analysis works best with a future horizon of 3-30 years.
Work process	Identify present and future uncertainties in the business environment. The result from PESTEL analysis are excellent as an input for this. Develop an uncertainty impact matrix. Develop scenario lines for the most important uncertainties. Develop scenario crosses by combining 2 uncertainties. Develop names for the four scenarios that now have been developed. Refine the scenarios by enriching the content. Could be written as a story, a newspaper article, etc. Verify the result by sending it out to stakeholders or run another seminar. Match present and future strategy options with the different scenarios in order to find the most flexible and/or robust strategy.

Scenario analysis often provides a broad framework of the future business environment. An excellent way of following up on scenario analysis is to identify key indicators for each scenario and then to track these with an Early Warning System. Scenarios can also be used as a basic framework for value chain analysis, war games and/or competitor analysis.

Factbox
War Game/Future Game

PURPOSE	UNDERSTAND POTENTIAL AND PROBABLY ACTIONS BY COMPETITORS AND OTHER IMPORTANT STAKEHOLDERS IN THE BUSINESS ENVIRONMENT
Scope	Micro level. Focus on competitors and other industry players.
Future Orientation	Medium/High. Works best on a 1-3 years future horizon.
Work process	The idea is to "become" the competitors and use their mindset, their perspectives, etc. when doing the analysis. Define the purpose for the war game. Create teams with comprehensive knowledge of the different competitors. Provide background information to the teams about the war game exercise as well as information about the competitor they have been assigned. Identify interesting future scenarios/events that the teams shall respond to. Let the teams present their responses to various scenarios as well as presenting a business/product/marketing plan, etc. for the organisation. Post workshop analysis and verification of the result. Use the result as an input to the strategy process concerning possible actions and counteractions that the competitors will make based on your strategic intent.

A War Game is an interactive event which is ideal in understanding competition on short to medium range future activities. Competitor profiles, trends and scenarios serve as an excellent input to the war game process. War games/future games focusing on competition normally work best on a 2-5 years time horizon. It is a powerful way of creating involvement, insight and high morale in the organization's intelligence work.

Factbox
Risk Analysis

PURPOSE	IDENTIFY POTENTIAL RISKS IN ORDER TO ANALYZE THEIR LIKELIHOOD AND WAYS OF AVOIDING THEM
Scope	Covers all levels.
Future Orientation	Medium/high. Future orientation depends on the tools used for the analysis itself.
Work process	Identify risks based on previous analysis or identify them from scratch in a Risk Analysis project. Structure the risk according to: organisational risks, financial risks, external business risks, technology risks and physical risks. Analyze the risks based on how they will have impact on the organisation and regarding the likelihood of occurrence. Identify possible countermeasures for how to mitigate each risk. Use the analysis as an input to the strategy process or/and for testing established strategies.

Formal risk analysis is a good way of making conclusions across all the different analysis methods. It provides a high-level summary conclusion of the different Future Watch methodologies that have been described in this chapter.

Section Summary

Is it necessary to conduct all of the described Future Watch related activities? This depends on the type of industry in which a corporation is operating i.e. what level of uncertainty there exists in the industry. If it is stable and rather easy to predict, perhaps all of the above methods aren't required. But even stable industries will change sooner or later and by utilizing these

methods, an organization stands a better chance of capitalizing on this change by being able to act proactively instead of just passively reacting to the change.

In Exhibit 9, an overview is provided that illustrates the main focus of the different methods. The strategic themes have been divided into six categories based on their scope and focus. The most frequently used combinations of analysis methods and strategic themes have then been highlighted (the shaded areas).

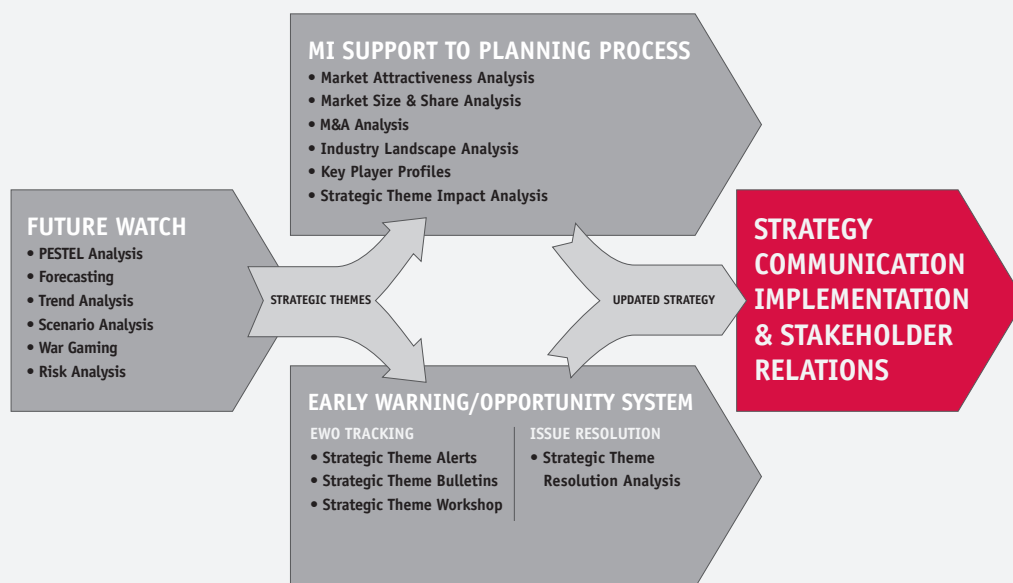
Exhibit 9
MI products for Future Watch

	MARKET TERRITORY	APPLICATION AREA/SEGMENT	KEY PLAYERS	KEY FIGURES	M&A	OTHER STRATEGIC THEMES
PESTEL Analysis	●					●
Forecasting	●	●		●		●
Trend Analysis	●	●				●
Scenario Analysis	●	●				●
War Gaming			●	●	●	
Risk Analysis	●	●				●

4.2 MARKET INTELLIGENCE SUPPORT FOR THE PLANNING PROCESS

As seen in the overview in Exhibit 10, common MI products are: market attractiveness analysis, market size & share analysis, M&A analysis, industry landscape analysis, key player profiles and strategic themes impact analysis.

Exhibit 10
Market Intelligence products supporting strategic planning



Factbox
Market Attractiveness Analysis

PURPOSE	DEFINE ATTRACTIVE MARKET SEGMENTS IN OLD AS WELL AS IN NEW MARKETS
Scope	Micro level. Focus is on one or several geographical markets or market segments.
Future Orientation	Medium. Mostly looking at historical and existing market situation with a moderate future outlook.
Work process	Prioritize markets/segments to be included in the analysis and carry out region, country or segment focused research to support evaluation of opportunities in the selected market areas. Contents of the analysis may include e.g. macro environmental facts (PESTE), industry structure, market size, distribution channels, presence of competitors, local production & trade, pricing. After the external analysis is completed evaluate the resources needed to obtain a preferred market position. Decide which market/segments should ideally be focused on.

Market attractiveness analysis is needed in order to decide in which markets the organization will compete in the future. The idea is to obtain a favourable position in an interesting market or market niche. The traditional Porter toolbox (i.e. industry analysis) that suggests strategic groups analysis may be utilized here as well as the new “Blue Ocean” strategy thinking in which finding positions with no competition is the primary strategic objective.

Factbox
Market Size and Market Share Analysis

PURPOSE	IDENTIFY MARKET SIZE AND MARKET SHARE FOR VARIOUS MARKET SEGMENTS. THIS NORMALLY ALSO INCLUDES HISTORICAL AND FUTURE GROWTH OPPORTUNITIES. NORMALLY A PART OF THE MARKET ATTRACTIVENESS ANALYSIS.
Scope	Micro-focus relating to analysis of different market segments.
Future Orientation	Moderate. Normally includes historical and present market size and share with an forecast related to future market size and market share.
Resources needed	Moderate. High profile markets are normally analysed by banks, industry analysis firms and management consulting firms. In depth analysis must, however, normally be conducted on case by case basis.
Work process	Start with analysis of historical market size figures and historical market share figures. Estimate future market size growth based on demand and supply related scenarios, trends and forecasts. Estimate future market share based on competitors' objectives, strategies and strengths. Secondary sources as well as expert insights gathered through interviews are key sources of information for conducting market size and share analysis.

Market size and market share analysis are issues that most companies focus rather heavily on. It is of paramount importance in organizations' strategic communication to investors and other stakeholders. Market share and the related sales targets are also something that both sales people and the executive team can be evaluated by.

Factbox
Mergers & Acquisitions Analysis

PURPOSE	PROVIDE DECISION-MAKING SUPPORT REGARDING ISSUES RELATED TO MERGER AND ACQUISITIONS
Scope	Micro-focus relating to analysis of companies.
Future Orientation	High. Evaluating the future result of an acquisition is an integral part of the M&A support analysis.
Work process	Analysis to support M&A decision making can be undertaken in any part of the M&A process and the focus and methods of the analysis will differ in each phase: Determination of future targets requirements. Identification of potential target companies. Screening/Analysis of most potential targets and selection of M&A targets. M&A discussions. Due diligence analysis. M&A decision.

How companies handle the M&A process varies dramatically depending on their strategic orientation. Some firms are constantly scanning the business environment for possible targets whereas others treat this as an ad-hoc analysis issue when the situation arises. But even those companies are greatly affected by the mergers & acquisition of other companies, i.e. competitors, suppliers, etc. It should therefore have a rather prioritized position in the Market Intelligence toolbox. Since more and more business is outsourced and conducted with partners and/or in alliances, it is also recommended that this topic should receive close attention.

Factbox
Industry Landscape Review

PURPOSE	PROVIDE A HIGH-LEVEL OVERVIEW OF THE INDUSTRY LANDSCAPE
Scope	Micro analysis focusing on the business area. Normally includes industry analysis, value chain analysis, competitor analysis, customer analysis, technology roadmap analysis, market size and market share analysis.
Future Orientation	Low/Medium. The focus is normally on past and present business situation.
Work process	Defining the appropriate scope of analysis (e.g. to focus primarily on the competitor landscape, or have a broader focus on the whole value chain or value net) and select applicable models. Information collection and analysis required by the selected models. Synthesis of findings.

In an Industry Landscape Review, the purpose is to provide a 360 degree analysis of the industry. This is normally a comprehensive fact pack that should be used as input for the strategy process. The Industry Landscape Review is often used as a tool for bringing everyone up-to-date regarding the external business situation. Without this overview, executives, managers and other employees will have a fragmented picture of the external business situation.

Factbox
Profiles

PURPOSE	PROVIDE BASIC INFORMATION REGARDING A PHENOMENON/ISSUE/COMPANY/ PERSON. NECESSARY AS INPUT IN A BENCHMARKING PROCESS.
Scope	Macro- and micro level. Examples: Competitor profiles, customer profiles, country profiles, market profiles, etc. Normally includes a basic description of the features of the phenomenon.
Future Orientation	Low. Most profiles depict a present or historical situation.
Work process	Intelligence cycle as basis for collection process: Intelligence needs analysis to determine profile content. Information collection. Structuring the information according to the profile content. Analysis if required. Lay-out of profiles in a report, PowerPoint presentation or database.

The use of Profiles (on competitors, customers, countries, markets, etc.) has been somewhat debated over time. Some say that they are of little value whereas many others assert that it is important to develop a unified view on a subject and that profiles are effective mechanisms for achieving that objective. One effect of not working with harmonized profiles is that the organization most likely will end up with many different profiles created by different people about the same topic. Hence, it might be more efficient to have a centralized profile repository that is structured and regularly updated in order to save costs and time. The profiles often work as fact-packs supporting more sophisticated analysis.

Factbox
Strategic Theme Impact Analysis

PURPOSE	PROVIDE AN OVERVIEW OR DEEP DIVE REGARDING A SPECIFIC ISSUE THAT IS OF STRATEGIC IMPORTANCE
Scope	Could be any level of analysis.
Future Orientation	Medium/High. The focus is normally on the present and future business situation.
Work process	The intelligence cycle is normally used as the basic work process. Someone identifies a strategic issue that needs to be further elaborated. Development of key intelligence topics and key Intelligence questions to be answered is normally a first step in that process. Information collection from internal and external information sources. Analysis of the information that might also include conclusions and recommendations. Review of the strategic issues during the planning process.

Companies face strategic issues on a continuous basis. Outside the planning process, it is handled by the Issue Resolution Process.

Section Summary

The results of this comprehensive analysis provide a detailed description and knowledge about important issues in the business environment. It is important to recognize that the full range of analysis methods will take a relatively long time to develop. Normally, the material is updated continuously throughout the year.

Exhibit 11 below provides an overview of how Market Intelligence products can support the planning process. As can be seen, it is important to use different analysis methods and use a varied selection of Market Intelligence products in order to cover the whole range of strategic themes.

Exhibit 11
MI products for the Planning Process

MARKET TERRITORY	APPLICATION AREA/SEGMENT	KEY PLAYERS	KEY FIGURES	M&A	OTHER STRATEGIC THEMES
Market Attractiveness Analysis		Competitive Landscape Analysis		M&A Analysis	Strategic Theme Impact Analysis
Market Size & Share Analysis		Key Player Profiles			

Companies that have conducted this process for many years should also have developed a capability to track important events in the industry. This can be done informally or formally by using an Early Warning System (EWS). The next section of this White Paper will focus on this topic.

4.3 MARKET INTELLIGENCE SUPPORT FOR THE EARLY WARNING/OPPORTUNITY SYSTEM

EWO Tracking

The future oriented work described earlier and the strategic decisions that were made during the planning process now need to be followed up in order to identify precisely which of the scenarios, risks, and forecasts will actually materialize. Without a comprehensive follow up system, the strategic analysis conducted will remain an intellectual exercise only. The Early Warning/Opportunity System is the appropriate solution.

Exhibit 12
MI products supporting the planning process



The basic philosophy is simple. Based on the scenarios, risks, trends, forecasts etc, indicators are developed to function as guideposts that will alert the organization as to how the future is shaping up. Critical issues and high profile risks and opportunities are identified. Intelligent companies then have to identify a number of indicators that will inform decision makers about the future directions. Information is then collected in order to identify any change in these indicators. Ideally, the analysis will be of high calibre so as to allow a window of opportunity to facilitate proactive strategic action towards the event that is about to happen. For a full review on of this topic, we refer to the GIA White Paper “Does Your Business Radar Work? Opportunity Systems for Intelligence” that was published in 2006.

The formal early warning/opportunity tracking focuses on identified indicators and issues that call for constant monitoring. Described below are the general principles, then each of the Early Warning/Opportunity “Products”. Each “Strategic Theme” can have its own EWOS tracking.

Factbox
Early Warning / Opportunity System

PURPOSE	PROVIDE EARLY WARNINGS IN ORDER TO ENABLE PROACTIVE DECISION MAKING AND ACTION
Scope	All levels. Normally used to track developments based on various analysis methods conducted in the future watch and/or the business planning phase. Examples of EWS could be trends tracking, scenario tracking, technology tracking and other strategic issues tracking. Any strategic theme that is of special importance should be included in the EWOS analysis.
Future orientation	High – Differentiates itself from reactive intelligence solutions by its future orientation and proactive principle.
Work process	Identify a sequence of events (SOE) regarding a specific issue that requires warnings. Output from scenario analysis is an excellent way to start up the EWS. Identify indicators for the various SOE's. (Example: Number of new patents for a new technology) Conduct indicator reliability tests to validate the indicators. Monitor the indicators through selected information sources. Analyse deviations from the “normal” or analyse which scenario likely to materialize. Alert by issuing a warning or an opportunity identification. Develop a decision process in place to act on the warnings. Update scenarios, trends or other applicable Future Watch or Industry analysis according to evolving events.

Only organizations that have a high quality process for intelligence will have the capability to conduct a comprehensive EWOS approach that covers many strategic themes. Trying to set up a EWOS when this is not available is doomed to fail. The reasons for this are lack of experience, lack of resources to analyze strategic themes and lack of intelligence users that are used to using intelligence as an input to the decision making process.

Factbox
Strategic Themes Alert

PURPOSE	SOUND A WARNING OR OPPORTUNITY DETECTION ALERT BASED ON THE INDICATORS MONITORED
Scope	Micro and macro level.
Future orientation	Medium/high. The focus is normally on the present business situation and future issues.
Work process	Identify indicators for the strategic themes. Monitor these indicators. Sound the alert when indicators are deviating from status quo in an unexpected way. Analyse the indicator and make conclusions regarding the new status of the strategic theme in question.

This is essentially advanced current awareness tracking. The level of analysis can differ enormously. Some organizations have made a very thorough indicator analysis with thresholds. When an indicator deviates from this threshold, the analyst should alert the organization. He or she should then follow up with an analysis showing the reasons for the indicator deviating from the normal status. Also, the expected implications on the industry in general and on the own organization in particular should be presented.

Some organizations have a less rigorous approach where they are tracking the strategic themes on a more general and superficial level. The process might then take the form of a more general current awareness tracking instead of a thorough Strategic Themes alert with a EWOS approach.

Factbox
Strategic Themes Review

PURPOSE	IN DEPTH REVIEW OF THE STRATEGIC THEMES. THE MAIN PURPOSE IS TO DETERMINE WHETHER THE STRATEGIC ISSUES ARE DEVELOPING AS EXPECTED OR IF CHANGE IS IMMINENT
Scope	Micro and macro level.
Future orientation	Medium/high. The focus is normally on the present business situation and its future outlook.
Work process	Determine update interval of the strategic themes. Determine format of the review, i.e. content of the intelligence product. Assign responsibility for the review. Ensure feedback loops from inside and outside experts before presenting a final version. Communicate with appropriate target groups.

Factbox
Strategic Themes Workshop

PURPOSE	ELABORATE ON STRATEGIC THEMES IN A WORKSHOP FASHION
Scope	Micro and macro level.
Future Orientation	Medium/high. The focus is normally to try to understand how the strategic theme will be developing in the future.
Work process	Provide background information regarding the strategic theme/themes that are in focus. Introduction regarding background and present situation. Group work or group discussion regarding future development of the strategic theme. Presentation of conclusions reached. Analysis/discussion about how the theme will impact the organisation. Identification of possible action alternatives. Next steps: further analysis, decision making, etc.

Strategic themes workshops are most valuable since they offer a possibility for persons from different units in the organization, with different experiences and focus, to get together and discuss strategic issues. This is often a way to identify new creative solutions or to spot new opportunities. The combined knowledge of several people is the key here. The intelligence professional should rather be a process facilitator here than trying to take the steering wheel and focus on his/hers expert topics.

Issue Resolution

Whereas the EWOS process is an on-going process with pre-established focus areas, the issue resolution process is an ad-hoc approach to handling unforeseen issues. It can also be initiated by a need to do a "deep dive", i.e. to do in-depth analysis of a strategic theme that has not been analyzed thoroughly in the past.

Factbox
Issue Resolution

PURPOSE	RESOLVE AD-HOC QUESTIONS THAT ARISE
Scope	All levels.
Future Orientation	Depends on the situation. Normally concerns something that already has happened and been noticed as a problem or potential problem or a new issue that might be of future importance.
Work process	The Intelligence Cycle is normally used as the basic work process. Someone identifies an intelligence need and the market intelligence function then needs to collect, structure, analyze and communicate the results.

Some organisations believe that having an Issue Resolution capability is an equivalent to a proper intelligence capability. Nothing could be further from the truth. Issue Resolution is one, and only one, of the capabilities that are needed in a comprehensive Strategy Intelligence process. Companies that rely on Issue Resolution only often fall into the "ad-hoc" trap which results in an intelligence capability that is totally reactive. Someone needs to call out the alarm first, before the Issue Resolution team comes to rescue, i.e. the event causing the problem has already occurred. It is the equivalent of the SWAT teams of the police, reactive problem solvers, instead of the intelligence team that should have picked up the signals and prevented the issue before it became a major problem.

Another problem with the Issue Resolution approach is that it prevents the intelligence team from developing their own comprehensive proactive intelligence capability since they have to spend a disproportionate amount of time with numerous ad-hoc requests that sometimes can be of a lesser importance.

Section summary

The Early Warning/Opportunity approach provides a systematic tracking of all strategic issues that are regarded as vitally important. Without this, many of the scenario analysis output will be left as shelf warmers or buried in databases already forgotten by the people who listened to them 8 months ago. Without EWOS, the risk is obvious that something bad must happen before someone orders the issue to be further looked at. Without EWOS, organizations lose time, foresight and the possibility to act proactively. The Issue Resolution component in turn is an important addition to the EWOS since it covers emerging issues that perhaps no one has thought of before.

Exhibit 14
MI products for Early Warning
and Issue Resolution

	MARKET TERRITORY	APPLICATION AREA/SEGMENT	KEY PLAYERS	KEY FIGURES	M&A	OTHER STRATEGIC THEMES
EWO TRACKING						
Strategic Theme Alerts						
Strategic Theme Bulletins						
Strategic Theme Workshops						
ISSUE RESOLUTION						
Strategic Theme Resolution Analysis						

Section summary

With the output from the Future Watch, the Planning Process and the Early Warning/Opportunity system, organizations should have the proper ammunition to make intelligent decisions based on an updated and comprehensive picture of their business environment. All three parts are necessary in order to build properly grounded foresight. There are no short-cuts possible here. This foresight should then be utilized wisely for decision making and strategic communication purposes.

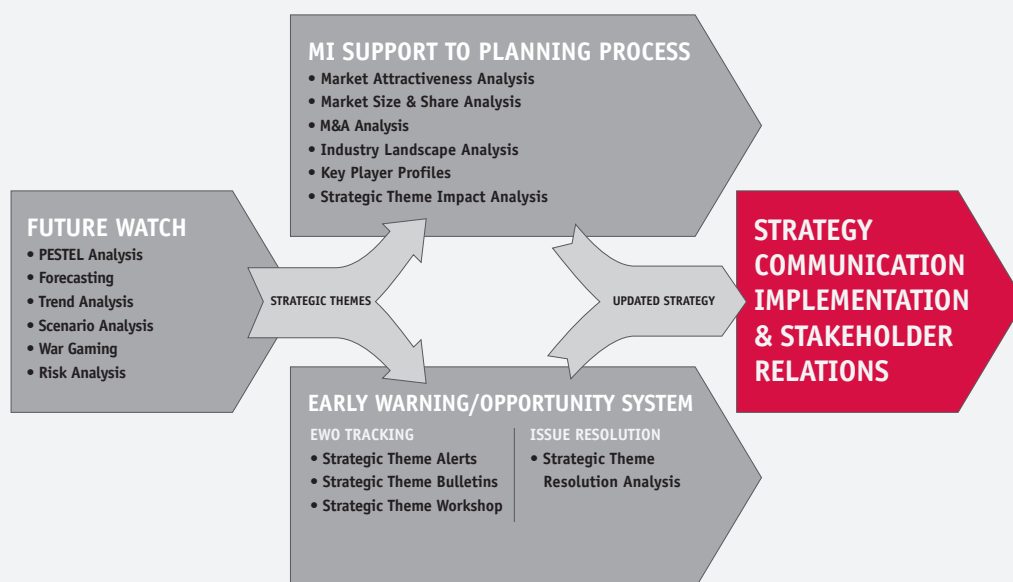
4.4 STRATEGIC COMMUNICATION

Based on the result of the Market Intelligence system, organizations should now be equipped to form, reform, develop, and design new strategies. There is also a whole range of situations that merit strategic communication. The following aspects of strategic communication could be used to exemplify this:

1. Investor Relations
2. Strategic Announcements
3. Stakeholder Communication
4. Lobbying

With processes in place that are summarized in Exhibit 15, any organization will be equipped with a powerful Market Intelligence toolkit that will benefit the entire strategy and planning process.

Exhibit 15
MI products supporting
the planning process



5. CONCLUSIONS

This GIA White Paper argues that organizations need a comprehensive set of methodologies, analysis models and systematic management of information in order to provide meaningful input to the strategy and planning process. A balance is needed between models that are focused on historical and on present time horizons, as well as those that are more future orientated.

Readers are encouraged to review the analytical toolkits that their organizations are currently using for the strategic planning process. Investigating the extent to which the information is of qualitative nature vs. quantitative is recommended, as is investigating if the information focuses on the past and the present, or on the future.

Many organizations tend to focus on the past and the present. Methods like PESTEL analysis, trend analysis and scenario analysis will be needed in order to develop a fuller view of how the future business arena might look like.

It is safe to say that in the 21st century, most organizations operate in an industry that is characterized by at least Level 2 uncertainty. Therefore, companies should equip themselves with an increasingly future oriented arsenal of analysis tools where scenario analysis, trend analysis and the EWOS philosophy are integrated. Having a balanced mix of intelligence products is often a key to success.

This White Paper has provided a practical framework that will be applicable to industries with varying levels of uncertainty and pace of change. Summarized below are some of the highlights and key points proposed in this White Paper.

- Combine strategic analysis methods with a high degree of forward orientation for an insightful strategic planning process.
- Use the brain of the organization – involve people internally through the use of War Games and scenario and trend workshops. Also utilize the analysis of objective, unbiased 3rd parties in the strategic planning process at regular intervals in order to avoid corporate blindspots.
- Focus on the essential issues. Consider outsourcing parts of the information collection/analysis process and focus instead on high level analysis and on drawing conclusions. International companies need to ensure that they have a systematic and global business research and information collection capability.
- Organize a current awareness process in the organization to serve as a basis for all Market Intelligence activities. A centralized intelligence software tool for the entire organization with resourced content input will serve this purpose. The centralized tool should also be used to capture and share tacit market knowledge possessed by the organization.
- Ensure a process for continuous strategic reviews. The Market Intelligence process should challenge the existing strategy at all times, especially if events have occurred that are changing the uncertainty level in the industry or in the general business environment either on micro or macro level.
- It is also advisable to benchmark the company's Strategic Intelligence capacity against other organizations on a regular basis to learn from global best practices.

It is important to note that the tasks of the Market Intelligence function are a) to assist management in creating robust strategies and b) to challenge these strategies by providing evidence of old strategies potentially not being successful in the business environment of the future. This might be a politically challenging task. An institutionalized process is therefore necessary in order to raise awareness of any market evidence of threats or opportunities that the company management should act upon.

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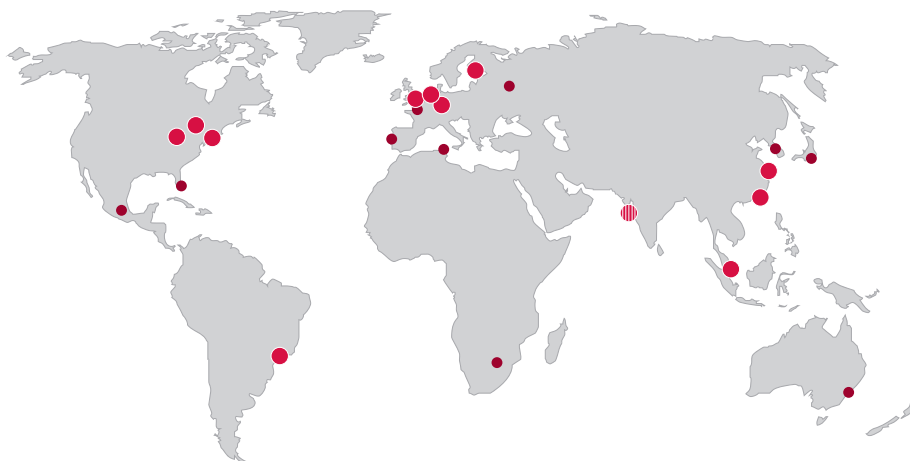
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- 1/2007 Market Intelligence for the Strategy & Planning Process

8. ABOUT THE GLOBAL INTELLIGENCE ALLIANCE

The Global Intelligence Alliance (www.globalintelligence.com) is a worldwide network of companies specializing in customized Market Intelligence.



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