

INTERVIEW WITH CHRIS FERGUSON

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For this column we interviewed Chris Ferguson with USAA. Founded in 1922, USAA is a non-publicly traded Fortune 200 financial services company focusing on the US military and military Community.

Q: Tell us a little bit about your background and your role with USAA.

I had an undergraduate degree in communications and was working in marketing when I decided to go back to graduate school. While there, I actually abandoned a PhD program in telecommunications (after completing all the coursework) and decided to work on a master's in information science.

The master's degree led me to usability, which led me to research, which in turn led me to the field of competitive intelligence. It's been an unexpected evolution, although I don't think it makes me particularly unique in the field.

When I started at USAA, the CI role was decentralized. Over the past two and a half years, we have managed to create a centralized governance of the function. We have been building the organization from the ground up, so it's been a very interesting few years.

Q: Many people had a mix of experiences that led rather indirectly to competitive intelligence. Individuals also often find themselves in the position of pulling together a competitive intelligence team. What were some of the challenges you faced as you took on that role, and what were some of the immediate benefits?

USAA had a very decentralized competitive intelligence function with individuals working in various lines of business. Two happened to work for me. At the time, I was the director of integrated member research. I very quickly realized that even if I had a team of 16 instead of those two, they would have had a hard time accomplishing what needed to be accomplished for the business to go forward. My position made it easy to make the case to executive management that USAA needed to devote more resources to this function and centralize the effort to provide the quality control and direction it needed.

The first step was defining the concept of a centralized CI function to obtain official acknowledgment that such a function was necessary. This led to a thorough business process review before receiving funding approval from executive management. Once our team gained funding, we

had to figure out how to accomplish the actual function. Fortunately the company had several people who had had done CI related activities in the past.

I was also able to leverage information from both my SCIP membership and the Frost & Sullivan conferences. I then consulted with other professionals in the field to understand how they had solved the same challenges I was facing before I actually built the structure.

This approach enabled us to set up the best structure possible. Once I received executive permission and determined how I wanted the organization set up, the next part was to actually get the staff. Some of those resources already existed at USAA, and so it was a function of bringing them in to centralized governance.

That aspect of building the organization was easier in some respects than others. For example, some individuals who had been working as decentralized individual contributors for years didn't see the benefit of doing it differently. Others had always wanted to be part of a centralized function, and so it was easy to bring them in. Finally, we had gaps in needed skill sets, so there was external recruitment as well.

As we built the organization, three dynamic reactions affected it. First was the "let's jump on board and get this done" kind of a reaction. Second was the "I'm not sure who you guys are, and I'm afraid you're trying to take my job" reaction. Finally, there was the "I don't have the skill sets on staff to be able to do this" reaction.

Q: Transitioning to a formal CI organization can be fairly smooth, but other times the function is instantly marginalized because "real marketing" is seen as more important. How did you handle the issue of building out a CI organization when people were already doing marketing against a competitor or a market or a region?

As my CI analysts came on board, their job was to work with the product management group and the marketing group. In some cases, those groups were hungry for our help. But in others, their reaction was that they didn't need us around because they felt they were already doing this function for themselves. It was all a matter of getting buy-in, both from the individuals I was trying to bring into the organization, as well as from our customers.

The most important effort, even more important than getting permission to do it, was figuring out how it needed to

be done. Once we developed that vision, we could then sell it to people and get them to buy into it. Establishing that vision was not something that took a day or two; it took weeks. The key was making it clear that this capability was important and exciting enough to be worthwhile. We are still evolving further in that way, too.

Q: What are the more tangible benefits you see when you look back? Now that you have a dedicated function, what are you able to do more effectively and with greater clarity?

There is one aspect that outweighs all the rest. It is directly related to centralization, as opposed to having the function spread around and covered by many people in small fractions of their time.

Before, our CI practice was almost entirely reactive. Something has happened, so what do we need to do about it? Having the centralized function has enabled us to be much more proactive. We can now tell the business about trends and project likely competitive developments before they occur. So we can provide advance guidance.

Q: We also see cases where CI organizations devolve into a Q&A desk. In the face of day-to-day, sometimes urgent questions, how do you avoid getting mired in details at the expense of the larger, long-term picture?

That's always an issue because there's the risk of becoming a victim of your own success. There can be enormous pressure from senior levels in the company to become an on-demand kind of service, which is good for them, but it takes resources away from other projects.

The approach I am taking right now is to split off a small, specialized group from the larger CI organization. They are in an area I call "enterprise competitive intelligence" that is different than the more 'on demand' group which handles what I call "line of business competitive intelligence." The smaller group's job is to do that forward-looking meta-analysis.

Q: In a sense, then, you have created two different little profit centers. So the benefit is in taking advantage of different peoples' skill sets in each role?

That's right. I should also mention that it's not really a matter of being more or less senior. Some people in the operational role, for example, are extremely adept at handling day-to-day fire drills, while others are better suited to working on the enterprise view.

Which role an individual is most comfortable in is as much a matter of his or her personal orientation and what type of person they are, as well as a function of how they can best leverage their individual strengths.

Q: You need a person who thinks in terms of human factors, as well as one who can spend hours dissecting a financial spreadsheet. In a competitive function you need people with high intuitive skills as well as people with high analytical skills, and it's rare to find both in the same person. The challenge, perhaps, is that those two types of people don't often mix well?

I agree. It is very difficult for one person – or one type of person – to be all things to all people. I have found it more effective to build a team. I would rather hire someone who can be a valuable member of the team than someone with tremendous individual skills who doesn't work well with other people.

The delicate balance is to attract people who have their own perspectives, while at the same time having the ability to share those perspectives in a non-disruptive way with other members of the team. That way the group can be stronger than any of the individuals.

Q: Some individual superstars in traditional marketing organizations receive the largest budgets and teams, which creates a lot of friction when they work alongside a robust CI function, since the CI organization may highlight situations in the market that run contrary to a superstar's perception. What are your thoughts on that?

For specifically that reason, my group doesn't have customers; we have business partners. And we have different relationships with different business partners. If you see it as a partnership, you then see your role as bringing a perspective rather than bringing answers that trump someone else's.

At the same time, we guarantee that when we offer a perspective, it is well documented, not just based on opinion. I've found that when we start a relationship from the standpoint of offering people information on which they can base decisions, they are very receptive.

Q: If you come bearing documented facts instead of speculative perceptions, you gain credibility. If you present things in a way that is affirming and supporting, you can get more done. Is that the idea?

One big key is that I am not in the surprise business. If I bring something up in front of executives, it is not the first time the people involved have heard it. I talk to them beforehand, and we are working in the background to create an understanding. Delivering surprises and gotchas is not a forward-looking CI approach or a long-term career path.

Q: Shifting the focus here a bit, what's in your toolbox? What are some of the common tools and techniques that you use day to day as a CI organization?

Again, it's been evolutionary. Before I came into the function, CI was mostly ad hoc research and news. Since

then, it has evolved into competitor profiling, industry profiling, using SWAT analysis, Five Forces, Four Corners – all the typical CI techniques that you would expect. We have both a push newsletter and a pull research repository.

We have also just added a dedicated executive-management-only CI view, which is accessible only to a dozen or so people. It gives them access to a forum where they can see the most recent competitive intelligence. It becomes the authoritative source, and instead of having to sift through reams of data to find information, it's on a portal that is specifically designed for their needs. We still do the daily news piece, but as I said, it has evolved quite a bit since we started.

Q: It sounds like your organization has moved beyond the perception that your job is to predict the future. Would you agree?

The perception that we are soothsayers can be both positive and negative. It's positive if you can actually pull it off, but it's negative if people actually expect CI to be 100% accurate all the time.

We have built relationships with our various audiences so that we can do some speculative work, but it's very important to our function that we are consistently solid with our facts. We have a few mottos around here. The motto I always tell people about their first day on the job is that we don't make any of this stuff up. When we speculate, that speculation is based on a very firm foundation of fact and research. That allows us to say why we think things are going to happen or why we think something is a possibility the managers need to think about and plan for.

The way we got into that more speculative function is that before people were even asking for it, we started doing it, and we became accurate at it. We were able to tell the business that something was going to happen, and we were right pretty consistently. That then became part of our core job. I don't think anybody is going to give you that job until you have already proved you can do it.

Q: As you mentioned, we are not in the surprise business. How do you approach providing information, especially to people who are skeptical of it, without being disruptive or adversarial to the rest of the business?

There can be differences of opinion and differences of interpretation, but we always make sure that people know our perspective before we discuss it in a public forum. Then, when we share our information, even if there is a difference of opinion, it will not be the first time that they've heard that difference of opinion and interpretation.

That lets them respond by acknowledging that they disagree, but there is room for respect on both sides. I think that as much as anything else, this is a very relationship-oriented job. At least it should be. Even if you have absolutely

dynamite CI skills, if you can't make somebody listen to you, there's no point.

Q: CI is less about predicting the future than increasing the odds of decision-making success. When management is surprised, hopefully they are not completely surprised. You are either working on big decisions or opportunities, which consists largely of due diligence, or on broad-based CI designed to make many little decisions better, which is largely concerned with keeping everyone apprised of news and market changes. Does that mesh with your point of view?

I do think that a big key of the CI profession is to keep people from being surprised both by things we do and by things that happen in the marketplace. At the same time, we certainly don't have 20/20 vision into the future. We do our best to make sure that people make the best decisions they can make at the time.

No one in the decision-making realm should be held 100% accountable for making the perfect decision every time, and by the same token, I can't be responsible for giving you information that is 100% accurate every time. The focus should be on spending our energies in an appropriate manner. We all operate in a situation of limited resources. We're all constrained in one way or another.

We have to really spend the time and energy from the analyst's perspective as well as a resource perspective on either the decisions with the broadest impact or decisions that we can most directly impact. We still continue doing the daily news feeds and that type of thing because that requires a limited amount of effort and has a broad impact. On the other hand, there are other, very concentrated efforts that are also vital, such as understanding what the strategies are of five particular competitors relative to product X.

You need both, and there is probably an equal amount of resources devoted to each over the course of a year. One is more spread out and broad, while the other is much more tightly focused and quick.

Q: Management can make a good decision and have a bad outcome or can make a terrible decision and just get lucky and have a good outcome. This bears on what you're saying about not necessarily being able to hold everyone responsible for every outcome. After all, they may have had incomplete information but nevertheless made the right choice based on the odds. Can you shed any light here?

War gaming and scenario planning should not necessarily be used to come to a particular decision or a particular outcome, but to gather a range of potential futures. Then, when any one of those potential futures becomes the reality, you've thought through it in advance.

We can't be 100% accurate in predicting the future, but we can have a much better handle on potential outcomes with the right advance planning. We can develop a much better set of responses to various scenarios and, at least from my perspective, that's the role of war gaming.

Q: Are there any closing thoughts from your end?

The way I arrived in competitive intelligence is not that different from the way a lot of people do. I'm sure there are others who have majored in competitive intelligence somewhere who end up leading competitive intelligence sections. I just haven't met very many.

Someone recently asked me what attributes I thought a competitive intelligence professional should have. I told them that there are three. The first is the need to be a relationship kind of a person. You can't be the type to just sit down and read stuff and answer questions when asked. That may have been the way things worked at one point, but you can't be successful in competitive intelligence with that approach.

The second attribute is intellectual curiosity. This field really demands that practitioners have a deep desire to understand the whys of whatever question they are faced with. Those who are successful are not simply order takers who answer the questions brought to them. They go a few steps further to explain what the answers mean and why they are the right answers.

The third attribute is actual experience doing CI. When I recruit, I want to see someone who was doing CI long before CI was their job. Time and time again I've seen people who did competitive intelligence types of activities and even went so far as to read up on competitive intelligence to gain that insight. These are the people who are going to shine.

Scott Swigart and Sean Campbell use their rich understanding of the software field to deliver concrete competitive analysis for their clients. They advise companies such as Intel, Microsoft, AutoDesk, Mentor Graphics as well as niche players. Sean Campbell is also the Chair of the Oregon chapter of the SCIP. You can learn more about both of them at www.cascadeinsights.com.