

Case Study: Deciphering Westerly & Smith

Abstract: Hank Johnson, Senior VP of Strategy and heir apparent to the CEO position, calls Bob Anderson (competitive intelligence consultant) with a dilemma. The Westerly & Smith Corporation has traditionally posted double-digit revenue growth each year for the past twenty years. Stockholders have been richly rewarded for this stellar performance and expectations have been set high to continue delivering such results. What Hank knows is that the string is about to be broken. Sales and profit growth are likely to be in the low single digits for the current year. Moreover, there are indications that more serious troubles lie ahead for W&S. Understanding the causes and determining solutions soon are critical to Hank's promotion prospects. What is it about the company, the competitive environment and the current strategies that need to be changed? Bob is to be the fresh set of eyes to help Hank know what to do.



The Call For Help

The call came in just as Bob was leaving for a lunch appointment. His executive assistant stopped Bob just as he was leaving to alert him that Hank Johnson was calling. Hank was well known in the area because of his prominent position as Senior VP of Strategy at Westerly & Smith (W&S) Corporation. W&S was a large consumer products company that had grown from a small, family owned concern to a global company over the last 40 years. Hank was the Senior VP for Strategy at W&S and was widely admired. It had become readily apparent to industry watchers that Hank was destined for the corner office at W&S. Although Bob's competitive intelligence firm had never been engaged at W&S, he had met Hank at various civic and social events in the city. It was worth being late for lunch to hear what Hank had to say.

“Hank, good to hear from you,” said Bob as he took the phone from his executive assistant.

“How are things going at the symphony fund raiser this year?”

Hank's voice was confident as always when he replied, "Bob, we're on track to set a new record this year. Subscriptions are up and we are getting more corporate sponsorships all the time. Say, would Anderson & Associates be interested in sponsoring an event?" There was a hint of humor in Hank's voice.

Bob laughed, "It would be great to sponsor something like the symphony but you know about my company. We are doing fine but we don't have the same resources as W&S. Anyway, we are helping as much as we can with the season opening reception."

There was a pause in the conversation as Bob waited for Hank to continue.

After a moment, Bob offered, "Hank, I doubt you are taking time in your busy day to talk about the symphony. What can I do for you?"

Hank's answer surprised Bob.

"Bob, I rather not talk about it over the phone. Do you have time to stop by my office sometime this week?" Hank asked. It only took a moment to compare their calendars and settle on a date and time. Bob hung up the phone and exhaled slowly. What might Hank want? How could a competitive intelligence firm like Anderson & Associates help W&S? What was so sensitive and urgent that it required a quick, in-person meeting?

Bob arrived at Hank's office at the appointed time and was ushered in. It was a large office appropriate for a senior executive. Unlike some people at his level, Hank was comfortable with technology. There were two large monitors, video conferencing equipment and a smartboard in the office. Hank greeted Bob and guided Bob to a comfortable leather chair next to his desk. They made the usual small talk for a few minutes and then turned to the subject for the meeting.

Hank started, "I suppose you are wondering why I asked to see you and why it had to be so soon."

“Actually, you did peak my curiosity. We are a fairly small firm and we know that W&S has used other competitive intelligence firms in the past to augment the internal competitive intelligence team that you already have in place,” Bob replied. “How could we of service?”

Hank leaned back in his chair. It was apparent to Bob that Hank was struggling with something and was looking for the right way to describe it. After a moment, he leaned forward in his chair and looked at Bob.

“Well, Bob, I need some help and I think that you are the right person to provide that help. Let me show you some figures,” Hank said. With that, he turned the large computer monitor on his desk so that they could look at it together. Hank went through a series of financial charts showing historical revenue and profit trends. The results, as Bob already knew, were outstanding with revenue and profit growth exceeding 10% each year. If this was the W&S problem, Bob thought, it was one that every company wanted.

“Looks pretty good, doesn’t it?” asked Hank.

“That is what I was thinking. Few companies can boast the kind of success that you have had,” Bob answered.

Instead of seeing a satisfied smile on Hank’s face, there was only a frown. “Well, it is all about to change. Let’s look at this year,” said Hank.

After ten minutes of showing Bob the updated information, Hank stopped. The forecasts for the current year showed declines in every measurement. Profit and revenue growth were expected to be approximately 5%. Market share was declining in all major business segments. Multiple new competitors were emerging with new business models that exposed vulnerabilities in W&S approaches.

“How long have you known about this?” asked Bob.

“Actually, that is a great question,” Hank replied. “You might expect that I would have known sooner, right? Turns out that I pieced this together at the end of last week by combining data I got from our marketing and sales people with some independent analysis done through our strategy planning process.”

“I see. Now that you know, what are you going to do about it?” Bob asked.

“Another excellent question,” Hank stated before explaining. “That is why I need your help. I need to know two things. One, why didn’t our internal teams and processes uncover this sooner? Two, how do we produce some actionable analysis to provide solutions? I want you to talk to some key people and look over our processes. I am looking for an independent assessment and someone from the outside, such as you, needs to deliver it. Are you interested?”

They talked for a few minutes about the details. Hank listed the people that Bob should talk with and said that he would let them know that Bob would be speaking to them soon. Bob asked about constraints. Hank said that he could talk to anyone, review any information and follow any paths required to answer the two fundamental questions. The only constraint was that Hank needed recommendations within thirty days. They shook hands as Bob was leaving and made plans for a status call in a week.

Interview With Marketing

Bob’s first stop was in the office of Alice Baker, Vice President of Marketing. He wanted to get her take on the information that Hank had accumulated. More than that, he wanted to hear how she might solve the problems facing W&S. When Bob arrived at Alice’s office, a small meeting was still going on. He waited patiently as Alice huddled with what appeared to be her management team. There was loud discussion about some new distributor strategy. Apparently, there were differences of opinion on Alice’s staff.

“Sorry about the delay,” Alice said as she simultaneously motioned for the meeting to end while signaling for Bob to come in. “We have an important project underway and the deadline for some critical decisions is fast approaching.”

“I understand. Thanks for making time for this meeting,” Bob said as he sat down. “I assume that Hank described what he asked me to do already.”

“Yes, I got his message though I have to confess that I am not as worried as he is,” Alice replied. “My team monitors the environment pretty closely and we don’t see the same declines. In fact, we just might exceed last year’s growth if we get a couple of new distributors signed up. That was the point of the meeting that just ended.”

“Well, that would be great,” acknowledged Bob. “The historical growth that W&S has enjoyed has been remarkable. Do you mind if I ask you some questions so that I can reconcile what you are seeing with what Hank showed me?”

“I don’t mind at all,” Alice started. “I really respect Hank. But that doesn’t mean that he is right.”

“Of course,” said Bob. “One thing that puzzles me is how the Marketing forecasts might vary so dramatically from what Hank’s team uses. Can you help me understand that better?”

“Sure. It is simple really,” Alice replied. “Marketing uses an established system that we put in place about 8 years ago. We do a comprehensive market analysis and roll up estimates by major customer in each major segment. Then we apply some judgment to arrive at a final forecast. This has served us well. As for Hank’s process, I think that he factors in changes that, in the end, are just guesses about the future. So, our forecasts are based on data and his are based on divining changes in the competitive landscape. I think what we do is better.”

“That makes sense,” admitted Bob. “What are some of the changes that Hank’s team thinks will happen?”

Alice explained, “I don’t know all of them but they mainly talk about how the competitive environment is changing. For instance, Hank is convinced that low cost manufacturers are moving into multiple segments where we play. He also thinks some M&A activity will result in consolidation of our distributor network. I suppose Hank thinks that will change the pricing and placement terms for some of our most profitable products. There might be other things. I’m not sure.”

“That helps me to understand. Thanks,” Bob said. “How does your team monitor the competitive environment? Do you have alternative conclusions about what is going to happen?”

“We have a competitive intelligence team that does all of that work. Once a year we get an update that we factor into our annual forecast. To answer your question directly, we don’t see major changes in the next year,” Alice summarized. Alice looked up to see her executive assistant standing at the door. It was time for her next meeting. Bob thanked Alice for her time and left.

Interview With Competitive Intelligence

Bob’s next visit was with the competitive intelligence team. He knew many of them already through local events for competitive intelligence professionals. He was glad to be able to speak to the whole group together. Sometimes the interplay among team members could be enlightening about the spirit and effectiveness of the team.

“I guess that you got the message from Hank explaining what I am doing,” Bob said. Several people nodded their heads to indicate that they had received the message. “I appreciate your time and, especially, that you could meet me as a group. Most of you know that I have an independent CI firm but that is not my primary assignment today. There are some things that are puzzling me that I hope you can help me to understand.” Bob looked around at each person. He sensed that they were open to talking.

“I was wondering how you supported the various business and marketing forecasts,” Bob said. He waited as the team exchanged glances to determine who would speak. Finally, the team leader, Lynne Frankel, began to answer.

“That sounds like a simple question, Bob, but it is not. I guess the truth is that we are barely involved. We accumulate various analyst reports and regularly post them on our intranet. Occasionally, we create slides for presentations. If you have talked with Alice Baker already, you know that we usually support her annual Marketing meeting. Beyond that, there is not much.”

“How are you involved with the Strategy team reporting directly to Hank?” Bob asked.

Lynne continued, “Actually, we do a little more work with them. They commissioned three projects with us in the past couple of months. All they wanted to talk about were changes in the competitive environment. We made many calls to our roster of analysts and gave Hank’s staff some data to use. My guess is that they created a separate forecast about the next year.”

“How much time do you spend on competitive trends? For example, how do you track changes occurring in competitors, markets and consumer segments?” asked Bob.

Lynne did not look happy as she answered, “Look, Bob, we know what we should be doing - forward looking analysis that monitors the competitive environment for changes that affect our strategies. The bottom line is that we don’t do that because we are not asked to. We focus on maintaining the data machine.”

“The data machine?” Bob asked.

“That’s what we call it. It is our process machine that takes in large amounts of data, stores it and produces regular reports. We’re not quite sure who uses the data anymore but the slides sure are pretty.” There were chuckles all around. Bob sensed that Lynne was voicing a common frustration among the team members. He thanked them for their time and asked if he could return when he had more questions. With handshakes all around, Bob left the meeting room.

Interview With CEO

Bob's last stop was at the current CEO's office. Jim Henderson had led the company for the last twenty years after assuming the mantle from the last remaining leader from the founding family. His early tenure with W&S saw significant expansion of the company. There were multiple acquisitions to increase the scale and scope of product offerings. Overseas operations were established to better serve the global market. Jim's was well known for his relationships throughout the industry. He served on many Boards and had relationships with other long time industry leaders. Bob felt fortunate to get time with Jim.

"Come in, come in, Bob," Jim said in greeting. "Hank has told me some great things about you and your company. He also told me that you are helping with the symphony this year. It is great for our community to come together to support the symphony."

"Thanks for making time to meet with me today, Mr. Henderson," Bob said. "We do love the symphony though we are not sponsoring anything at the same level as W&S."

"First off, call me Jim. And it's not the level of support but the fact that you are doing something that I like."

"Hank has probably told you about the nature of my assignment. He has some forecasts for the coming year that indicate possible trouble ahead for W&S," Bob said.

"Yes, Hank has shared his opinions with me. I must say that this type of thing comes up every few years. When I think back, if I had overreacted to any of those situations, W&S would not be where it is today. Some people think that Hank will have my job after I retire. Do you think he is overreacting?"

This caught Bob off guard. "Jim, I really don't know. It is undeniably true that your historical performance has been outstanding and that unfounded worries can hurt a company's focus. On the other hand, if there are significant competitive changes underway, knowing about them and reacting well seems quite important."

“Spoken with tact and sensitivity,” Jim said. “However, I don’t have the luxury of straddling the fence and neither will Hank if he ever sits in this chair. I need to know that is happening and the risks involved with my alternatives.”

“How do you get that information today?” Bob asked.

“Simple, I talk to people that I know. I put out feelers to my contacts throughout the industry. I ask people that I trust for their opinions. This approach has never let me down in the twenty years that I have run W&S.”

“That makes sense,” Bob replied. “How do you monitor the competitive environment for some of the things that Hank thinks will happen?”

“Things that ‘may’ happen. I am not convinced and won’t be convinced by anyone’s guesses,” Jim stated forcefully.

Not daunted by Jim’s tone, Bob asked, “How do you use information from your competitive intelligence team to help you judge the guesses?” He suspected that he already knew the answer.

“I am unaware of a competitive intelligence team at W&S. Which department are they in?” Jim asked. Bob told him that they reported through Alice Baker’s organization. Jim took a moment to write a note about this.

“I don’t need to take more of your time today, Jim. I only have one more question. How do you deal with two such different forecasts from Hank and Alice?”

“Bob, my legacy at W&S is going to be one of unparalleled growth. I see nothing in the marketplace that is going to change the results that we have gotten for the last twenty years. Alice understands that and is taking the actions to deliver results. Don’t get me wrong, I like Hank but he hasn’t built the case to make changes. Until he does, it is business as usual at W&S.”

Deciphering The Situation

Bob got back to his office that day and wrote up notes from all of his conversations. He thought about how to summarize his findings for Hank. What should he recommend? It clearly was not going to be easy.

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