

# Chapter 1

## The Insight Discipline

Take a look around your organization. I'm willing to bet that every department, team, or function conducts a relentless stream of analysis, generating innumerable outputs. Your colleagues undoubtedly condense masses of data into tables, diagrams, and spreadsheets and, ultimately, PowerPoint presentations. Collectively, these outputs provide rich descriptions of what's happening in the marketplace, from customer behaviors and competitor strategies, to industry change, technology disruptions, and demographic shifts. Yet if my experience in companies around the world is typical of your organization, they provide very little insight that actually can be used to grow your business. Let me illuminate this problem with a story about a small business unit in large conglomerate, which I'll call CommodityCo.<sup>1</sup>

The executive team of one division in the company believed that it fully understood the marketplace in and around its key commodity product. They developed a change dashboard to help “keep on top” of marketplace change. They monitored and analyzed rivals' quarterly product sales and changes in their marketing, sales, and promotion strategies; purchases by key customers; occasional migration of customers from one rival to another; and change in customer buying criteria. Their key findings included differences in rivals' strategies or changes in their sales, change in customer purchase volumes, and the purported rationales for customer migration.

But one executive increasingly felt that if the company's belief that it fully understood the marketplace proved untrue, it might lead to devastating consequences—CommodityCo would be victimized by changes in the behavior of its competitors or its customers. He convinced his colleagues to assemble an analysis team to conduct a comprehensive assessment of all facets of the marketplace.

When the analysis team presented their preliminary outputs, the executive shared his concerns and posed two questions: “You've collected a lot of

data, conducted all this analysis, generated all these outputs, and devoted significant time and resources to getting it all done. That said, tell me two things: what are your key insights into this competitive space? And how are they relevant and important to our current and future strategy and operations?”

In short, the analysis team had generated reams of data, but no insight. They provided no new understanding of the CommodityCo’s customers, competitors, or marketplace changes. Given a second opportunity to conduct the analysis, as I’ll explain later in this chapter, the team generated multiple insights, not the least of which was the realization that their historic commodity product was indistinguishable from its rivals, even after wrapping a genuine customer offer (including technical support, inventory control, and rapid repair service) around it.

The analysis team drew two broad implications that ran counter to the company’s prior way of operating: CommodityCo needed to change its product development process to develop products more quickly and it required a new, go-to-market approach tailored to customer segments.

Over a two-year period, the company developed a new marketplace strategy built around new product generation and customized offers to channel and customer segments. As a result, it was able to leapfrog its rivals in product launches, technology reputation, customer satisfaction, and market share gains, causing some competitors to withdraw from the market.

## Getting to insight

The executive’s questions suggest that crafting and leveraging marketplace<sup>2</sup> insight should be the focus of analysis. They further indicate that insights into the world outside the organization aren’t ends in themselves, no matter how brilliantly discerned or elegantly articulated. This focus and the insights derived must enable superior thinking, decisions, and action. Unfortunately, many firms generate masses of data but relatively little insight. Rare is the company that goes beyond the “findings” of any analysis project to craft a small set of crucial insights—the keen new understandings that significantly influence *what* a set of managers think about and *how* they think, the decisions they make and the actions they take.

This book gives you a blueprint for crafting and leveraging marketplace insight. In this chapter, I’ll introduce the notion of insight discipline and the four core phases of insight work (Figure 1-1). I’ll also provide an overview

of different levels of insight. Additionally, I'll illustrate why a deliberate and methodical approach must reside at the heart of insight discipline. I'll conclude by identifying a variety of desired insight attributes.

**FIGURE 1-1**

A Disciplined Approach to Insight Work

Insight Phases	1. Prepare for Insight Work	2. Craft Change Insights	3. Craft Implication Insights	4. Determine Business Implications
<b>Deliberations</b>	Deliberate as to whether we are prepared to conduct insight work  Deliberate about how best to prepare for insight work	Deliberate about the best insight opportunities  Deliberate about how best to conduct analysis  Deliberate about how to transition through the analysis steps	Deliberate about how to transition from change insights to implication insight  Deliberate about how best to manage the analysis steps involved in the transition	Deliberate about how to transition from implication insights to business implications  Deliberate about how best to determine the thinking, decision and action implications
<b>Methods</b>	Develop a method to identify key opportunities for insight work	Deploy the Structuring, Sniffing, Shaping, and Stipulating methods to execute the key steps in crafting change insights	Deploy the Structuring, Sniffing, Shaping, and Stipulating methods to execute the key steps in crafting implication insights	Develop key principles and practices to guide the determination of business implications
<b>6IFs (Insight Factors)</b>	Use the 6IFs to structure and inform the deliberation	Use the 6IFs to prepare for each analysis activity and to assess its outputs	Use the 6IFs to prepare for each analysis activity and to assess its outputs	Use the 6IFs to assess the outcome of the insight work

The executive's questions further illuminate that insight is about understanding change<sup>3</sup> in and around a competitive space and its business implications. Change gives rise to inevitable marketplace characteristics: uncertainty, turbulence, discontinuity, and, above all, ambiguity. Analyzing change in your rivals' strategies, products, customer preferences, technologies, and governmental proclivities presents some daunting challenges. The future doesn't yet exist. So any depiction of the transition from the present to the future is a cognitive construction. In other words, the future is a product of your mind.<sup>4</sup>

Consequently, how well your organization develops an understanding of the present and anticipates what the future might be depends entirely on your conceptual abilities. Change ensures that the world as you see it won't hold together at some point in the future—and that day may be closer than you realize! Change therefore demands that you continually adapt your mental

models<sup>5</sup> of the world. As you gather new data, develop new information, encounter alternative viewpoints and perspectives, and confront new assumptions, you must ask whether your long-held concepts and mental frames are adequate to describe and explain the world around you now, or the world as it might be at some future time.

You can better address these challenges—and thus the questions posed by the CommodityCo executive—when you have a clear understanding of what insight is and what it isn't; know how to craft and test an insight; and embed insight discipline throughout your organization.

## What is insight?

Asking and answering the executive's questions presumes that both the executive and the analysis team understand the concept of insight. But all too often that's not the case. Ask any manager and their support staff to define insight or describe the focus of insight work or list the desired attributes of value-generating insight. Their answers will be all over the map.<sup>6</sup> Although it's typically presumed that everyone knows what insight is, confusion about the concept reigns supreme. The result is that analysis rarely focuses on *crafting Insight*. Instead, analysis findings are vague and seldom provide the value you need. So let me clearly define what I mean by insight.

At the broadest level, insight is a new understanding of some facet of marketplace change that makes a difference. This new understanding, as I'll discuss later in this chapter, must represent a distinct break from your prior thinking. It must change how you see and think about the marketplace and, eventually, what you do.<sup>7</sup> Following are three examples of insights that required market leaders to make a dramatic shift in their understanding of the current marketplace.

*A competitor insight:* A currently insignificant player in one product area, could, through a single acquisition and a change in direction in its research and development (R&D) investments, generate within three years a new customer solution that is a generation or two ahead of all current rivals in that product space.

Previously, a company I'll call AbsoCo believed that smaller firms couldn't exert any significant degree of product or solution change in their competitive

space, or that a dramatic product breakthrough would occur within the next three years.<sup>8</sup>

AbsoCo's R&D investment stream was considerably riskier than previously believed. The firm partnered with a technology source to revamp the product and immediately launched an action program to reconfigure its marketplace assumptions, prune its existing R&D portfolio, search for potential R&D partners, and identify opportunities in related product lines.

*A customer insight:* The customer didn't understand the extent to which product operations could be improved due to inexperience in plant management and the absence of more sophisticated processes. Achieving significantly higher operating efficiency would be cost effective and some enhancement to product quality (plant output) would also be possible.

Previously, based on customer statements, the firm believed the customer had a sophisticated approach to plant management and that little could be done to enhance its operations.

To take advantage of this opportunity to create a solution for the customer, the firm initiated an action program to develop alternative solutions and test them with a small set of customers.

*A technology insight:* A set of emerging technologies showed that if the company progressed in specific directions, converging these separate paths over the next three years could open up a whole new market space that would render obsolete many of today's dominant products.

Previously, the firm accepted as fact that technology change, although it was pervasive, wouldn't lead to new "white spaces" that would render its current dominant product line obsolete.

Realizing that the firm's dominant product line might have a shelf life of just two years, the CFO initiated an action program to examine the financial consequences. Not surprisingly, the results were potentially devastating. The executive team then asked how the firm might quickly pull out as much cash as possible from the current products. They also launched a major initiative to leverage the firm's competencies in related product areas.

### ***What is insight content?***

Content is what the actual insight is: what it says about what. Consider the content of AbsoCo's competitor insight above. The insight's content tells us that current small market share rival has the potential to leapfrog existing

rivals in one product area within three years, through the combination of a single acquisition and a change in its R&D program.

The content of AbsoCo's competitor insight—that is, the new understanding of the competitor's potential actions—enabled the analysis team to determine what difference the insight makes to its understanding of the competitor and what difference the insight makes in potential business implications—hence, the importance of assessing an insight's attributes, which I'll discuss later in this chapter.

## Insight into what?

To gain the insight needed to make a decision, you need to understand the different types of insight. This work requires thoughtful responses to the following questions:

- What should be the insight focus of the analysis work? In other words, what are you gaining insights into?
- What different levels of insight are applicable? And how do they relate to one another?
- How do you get from insight to marketplace change to business implications (a combination I call intelligence insight)?<sup>9</sup>

Failure to answer to these questions can severely limit the robust analysis needed to generate insight. How often have you heard these questions posed? If you've been fortunate enough to hear one or more of them, did they give rise to serious deliberation?

In answering these questions, the first tendency is to focus on just one or two domains: customers, competitors, technology, governmental policies, or some combination of these.<sup>10</sup> But other domains may have significant potential to affect your business's emerging or potential strategies and operations. Whatever domain has been top-of-mind for whatever reason dominates the collective attention.

The second tendency is to adopt a narrow view of the emphasized domains, which further restricts the attention focus. Perhaps only large market share rivals are subjected to extensive data collection and analysis.<sup>11</sup> In the case of customers, former customers and rivals' customers hardly make it on to the radar screen. If the concern is technology, only those technologies that have long been at the heart of the business warrant significant attention.

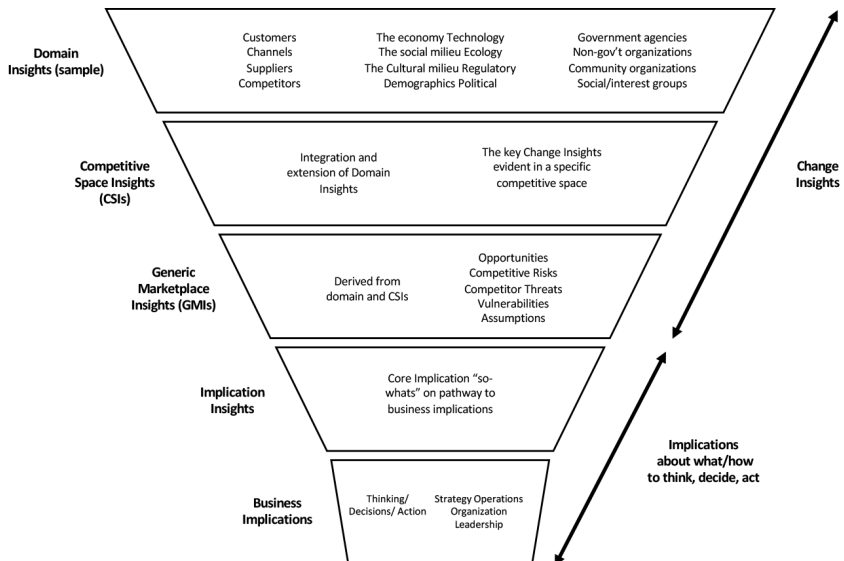
The third tendency is to dig deeper and deeper into the narrowly defined domains, solidifying the narrow field of vision. The intent would seem to be to learn everything possible about the large market share rivals, current customers, or the key technologies. But learning “more and more about less and less” only ensures that early detection of change outside the analysis focus is certain to be missed.<sup>12</sup>

### *The insight funnel*

The insight funnel (Figure 1-2) provides a framework to address these tendencies. It identifies different but interrelated levels of change insights (domain, competitive space, generic marketplace) and implication insights (implications and business implications). It also guides you through key questions that test the business relevance of change at each level. I’ll describe each of these in detail in upcoming chapters, but here’s a brief introduction, using the CommodityCo case for illustration purposes (Figure 1-3).

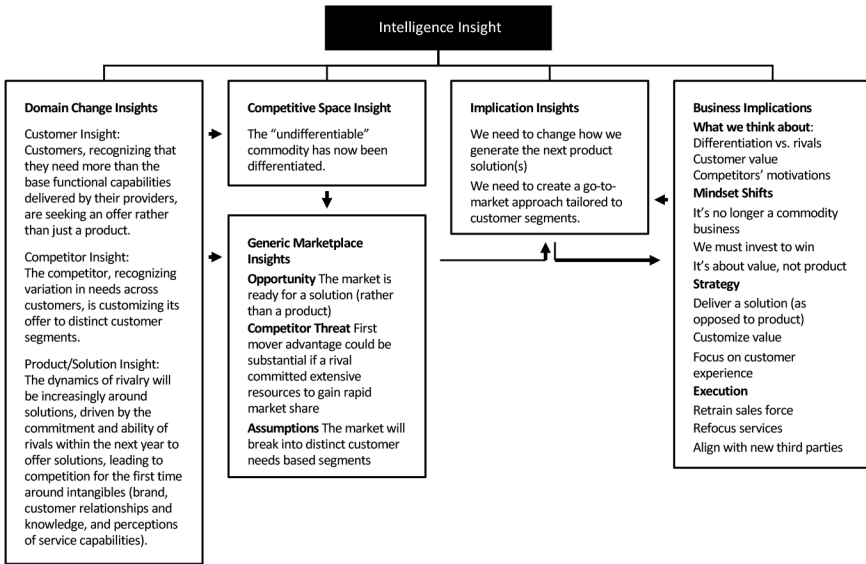
**FIGURE 1-2**

The Insight Funnel: Insight Levels and Relationships



**FIGURE 1-3**

Intelligence Insight: The CommodityCo Case



***Change insights***

Change insights—those related to your domain, the competitive space, and the generic marketplace—can make a powerful difference in your thinking, decisions, and actions.

***Domain insights***

Domain insights are the basic unit of analysis in insight work. They can take many forms, as shown in Figure 1-2. Three key domain insights—customer, competitor, and product/solution, emerged in the CommodityCo case (Figure 1-3). You can subject each domain insight to scrutiny and quality test results that I'll share in later chapters.

***Competitive space insights***

How often have you observed the following in your organization's efforts to make sense of marketplace change?

- Inability to synthesize change across two or more domains