ROCI®: A Framework for Determining the Value of Competitive Intelligence

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Jack Turner, a fictional corporate competitive intelligence (CI) manager, has been summoned to the office of Mr. Shortsighted, CFO.

Mr. Shortsighted: *Hello, Jack. As you know, these are tough times, and I am evaluating where and what we cut. I'm sorry, but we are going to have to eliminate the CI function.*

Jack: *I can't believe it.*

Mr. Shortsighted: *To be honest, your group does not justify itself. Compared to other functions, I just don't see the impact. You've never provided me with anything that demonstrates how CI matters to the company.*

Jack: *Impact…What about all the reports we write? They're detailed … impressive…lots of informative charts and analytical models. And we do just as much work as market research. What about public relations, human resources – what do they provide to prove their value to the company? This company needs CI!*

Mr. Shortsighted: *Jack, after my review of the numbers and with no other support to back up your department, CI doesn't meet any of my criteria for keeping the group. I don't see the benefit of the function.*

Jack Turner: *I don't know what you look at, but we are an essential group. We do make a difference. Give me a week and…*

Mr. Shortsighted: (interrupts) *I just don't see it that way. Your group doesn't drive the company forward, it doesn't make or save us time or money, and it certainly doesn't increase productivity. I see your group as pure overhead. This is hardly – what did you say – "essential" to our firm's future success.*

Jack: *I didn't have a clue. What will I tell my team?*

Mr. Shortsighted (shrugs): *You just proved my point. CI is supposed to help avoid surprises, but you just admitted you didn't even have a clue. Like I said, the CI function offers no benefit to the company. Sorry, Jack. Good luck.*

THE ROI CHALLENGE

At one time or another, all competitive intelligence professionals have been challenged to demonstrate the value of their output. Establishing the value of intelligence continues to be just as much a concern now as it was when the field was in its infancy in the mid1980s. This article looks at what Jack – and other competitive intelligence professionals – can do differently to demonstrate how intelligence benefits the bottom line.

A recent online discussion on the SCIP LinkedIn site (see Sidebar 1) – as well as hundreds of conversations we have had with intelligence professionals over the past two decades – make it clear that the vast majority of individuals with competitive intelligence (CI) responsibilities either don't believe that it *can* be measured, don't believe it *should* be measured, or simply don't know *how* to measure it. This is very concerning, because if intelligence professionals are not demonstrating the value they contribute, then the profession will likely never reach its true potential, which is to be an essential component of every company's success.

In 1996, Jan Herring created what was perhaps the first tangible input on measuring competitive intelligence return on investment (ROI): *Measuring the Effectiveness of Competitive Intelligence: Assessing & Communicating CI's Value to Your Organization.* He emphasized that competitive intelligence "must be measured to be valued by companies." Herring also challenged others in the intelligence arena to build upon what he developed to help further advance competitive intelligence as a profession.

A decade went by, and little additional work was done to move the ROI topic forward. In 2005 we took on the challenge and created a framework for demonstrating the value of intelligence. After introducing the framework at the 2006 Frost & Sullivan (F&S) MindXchange on competitive intelligence, we have presented this topic at F&S or SCIP events in each of the past five years, along with training in customized corporate workshops. Based on the feedback we have received from practitioners, and input from session workshop attendees and others in the intelligence community, we have periodically made adjustments and fine-tuned the framework and now want to share it with a broader audience. Although we developed this framework in a consulting environment, it is also designed to be applicable to leaders of internal competitive intelligence functions and other external consultants who serve CI clients.

SIDEBAR 1: LINKEDIN DISCUSSION ON ROI CHALLENGES

SCIP members shared a variety of opinions about demonstrating ROI in a recent LinkedIn discussion. The many comments make it clear that demonstrating the value of CI continues to be a major concern. Here are ten views about the ROI of competitive intelligence that particularly stood out. Clearly, we don't agree with all of them, but they do indicate some of the main thoughts on this topic.

1. You can't (and/or shouldn't have to) quantify the value of CI.
2. Being asked to measure CI's value is a danger sign that someone doesn't understand or like CI.
3. ROI is not the best measurement of CI's value.
4. All knowledge-based functions should have to demonstrate ROI.
5. Use a spreadsheet with KITs prioritized by key stakeholders and value of individual projects, then monitor outcomes (e.g. what decisions you helped make). Give each variable a value (1-5). Importance of stakeholders + project value + outcome = ROI.
6. Do surveys with sales people to get ratings on "how valuable was the assistance from the CI team?"
7. Provide information on what has been produced over the month and report on key overall performance metrics. The main justification comes from two streams: 1) a risk management perspective (what intelligence has averted/ameliorated by prior notice and preparation) and 2) resource allocation.
8. CI providers don't have the complete information to link CI to financial results. Only the top managers who use the insights can find the bridge between the insights and the bottom line, because it's a bridge that crosses all company functions and it needs a complete view of the company…It's more complicated than just a mathematical formula.
9. Work with the client to document a realistic list of benefits and values from the project. The client needs to accept that they are accountable for actually achieving the returns, but it would also show you what the client really valued and where you need to focus to ensure a successful project (at least from an ROI perspective).
10. CI is a forecast, not a crystal ball.

TABLE 1: BENEFITS OF DEMONSTRATING THE VALUE OF CI

For the CI Professional	For the Company
• Builds credibility • Builds reputation as a strategic asset • Elevates status • Identifies value • Institutionalizes the function • Perpetuates meaningful work • Perpetuates more resources • Reduces anxiety • Solidifies client relationships	• Allows for proactive vs. reactive appropriations • Determines resource allocation • Grows the business • Improves long- and short-term planning • Provides stability in difficult times • Reduces or controls costs • Saves or make times and/or money

This article summarizes our approach, which we named ROCI® ("Rocky"): Return on Competitive Intelligence. It isn't 100% perfect, but it is practical – and it works. Does it take time and persistence to implement? Absolutely. Can portions of it be further refined? Probably. Will it provide guidance and structure on how to best demonstrate the intelligence team's ROI? Definitely!

Here are the core elements of the ROCI® framework:

- Define ROI in a CI context.
- Measure benefits.
- Assess the impact of CI.
- Deliver high-impact reports that demonstrate value.
- Create a CI culture that supports value.

IMPORTANCE OF DEMONSTRATING VALUE

Ultimately competitive intelligence is a support function. It may be viewed strictly as overhead, making it an easy target for budget cuts during tough economic times. To convince management to spend resources and build support, intelligence professionals must demonstrate its contribution to the company's success.

What is the harm of *not* measuring ROI on CI?

- Clients (internal and external) question the function's validity.
- CI is not viewed as essential.
- CI's contribution to strategic and tactical successes is not recognized or rewarded.
- Leadership can't assess if the company is allocating resources properly.
- CI group loses budget.

Some of the benefits of demonstrating the value of competitive intelligence are summarized in Table 1.

1. DEFINE ROI IN A COMPETITIVE INTELLIGENCE CONTEXT

Many different formulas can be applied to determine ROI. None of them is the perfect option, as Kenneth H. Silber, PhD points out in his April 3, 2002 white paper titled, *Calculating Return On Investment, Version 4.0*. Silber states that each formula tends to have its own set of assumptions, and that the ROI model selected depends on which one the company or client will value and believe (Silber 2002 p1).

When calculating ROI, Silber observed that some people provide what management is used to seeing – a ratio – by defining ROI as "Benefits Divided by Costs." This is the classic definition of ROI measured as earnings divided by the investment, whatever the subject area. To calculate the return on investment in competitive intelligence, the earnings are the program's net benefits (monetary benefits less the costs). The investment is the actual program cost.

For our purposes, let's keep it simple and use the formula:

$$\frac{\text{Benefits}}{\text{Costs}}$$

This benefits-divided-by-costs formula will provide an ROI ratio. To create an ROI percentage, multiply the result of the equation by 100. For example, if the benefits are $1 million and the costs are $200,000, then the ratio is 5:1, or an ROI of 500%.

Of these two elements, the *costs* of competitive intelligence are relatively easy to calculate (personnel time, salary/labor cost, travel, equipment, databases, materials, outside professional research fees, and perhaps an appropriate proportion of fixed costs). However, the *benefits* are the more important element to focus on. The difficulty lies in developing the actual monetary benefits in a credible way. Determining the benefits – the value of the intelligence outputs – is the most controversial part of the ROI process.

Determining benefits is not an exercise in precision. In fact, we argue that it's more about perspective than precision. However, we also believe that it is quite possible to develop a more precise perspective.

Determine performance metrics

Every structure, model or framework needs a solid foundation from which to work. In this case, knowing what to measure is the foundation of our framework. In 1996, Jan Herring identified five key areas that can be measured to determine the value of competitive intelligence. These categories, which comprise a portion of our framework, are still used as guidelines today by numerous CI practitioners across multiple industries for developing perspectives on the benefits of intelligence:

- ***Time savings****:* Savings for both professional and support personnel.
- ***Cost savings****:* Elimination or reduction in expenses.
- ***Cost avoidance****:* Elimination of *planned* expenses.
- ***Revenue increase****:* Increase in the number of sales or size of sales.
- ***Value added****:* Benefits not easily related to specific dollar values, such as more effective strategies or better/new products and services (Herring 1996)

We have identified other – but by no means all – items to measure. They include:

- Client retention
- Customer satisfaction
- Employee retention
- Market share
- Productivity improvements
- Profits
- Quality
- Reduced reaction time
- Surprise avoidance

Every reader of this article can identify their own top key performance metrics to measure, creating numerous additions to this list. This illustrates the need for any ROI model or framework to be flexible.

2. ASSESS CLIENT IMPACT

The most direct way to know what to measure is to ask the intelligence end user/client how they recognize or determine when the intelligence project is a success, and what performance metrics they use to value the results. In essence, the benefits are what the client says they are. Nonetheless, what is identified can be measured.

What is measured ultimately must support the client's critical success indicators (CSIs) or their high return/high value activities. In addition, the intelligence must be tied to the client's goals and objectives. This involves more than just defining the key intelligence topics (KITs) and key intelligence questions (KIQs); the process is both more subtle and more complex. The intelligence professional must also:

- Intimately know the objectives, goals, and critical success indicators for each client.
- Tie the conclusions for every report, project, and engagement back to these goals and objectives (see Sidebar 2).

Competitive intelligence professionals must dedicate themselves to the things that most deserve dedication and attention – the activities that will have the greatest effect

SIDEBAR 2: HOW TO TIE INTELLIGENCE TO CLIENT GOALS AND OBJECTIVES

EXAMPLE #1:

Your client in strategic planning has one key objective for the year: to become the #1 cereal brand in the US. The client's way of measuring that – his Critical Success Indicator (CSI) – is market share. If you learn that another company is about to launch a new competing cereal, you could produce an intelligence alert that says, "Watch out, a new cereal to compete with our leading brand is coming out in three months." What would be their reply? It's likely to be, "So what?"

How could you use this same intelligence but report it so your client understands its impact on the decisions they have to make? What if you reported, "Within the next three months, our biggest competitor will launch a new competing cereal that we predict will shift our current leading 36% market share to second place or down to 29% within six months unless a defense strategy is immediately implemented to secure our shelf space, increase customer loyalty and blunt their moves." Now how do you think the client will react?

EXAMPLE #2:

Goal : The VP of Operations has a goal to reduce plant costs.

CSI: Specifically, reduce labor in the plants by 5% without losing production volume.

CI Results: Your CI team learns that one of the smaller competitors has installed a new ERP system and new technology to automate its processes.

Your Report: These changes have resulted in an increase of capacity by 50%, and the competitor's sales have actually tripled.

How much attention will the operations manager pay attention to the findings you just reported them? She'll probably be interested, but is there a way to have more impact? Consider reporting it this way:

Alternative Report focused on Client CSI: Your alert states that four months ago a competitor installed a new off-the shelf ERP system and automation technology that have reduced labor costs by 8% and overhead costs by 13% while increasing production volume.

CI Recommendation: We suggest investigating in this new technology further to determine if our company could experience measurable costs savings.

How is your client likely to react now? She likely will pay more attention and take action. Why? You tied the intelligence to her goals and objectives.

and make the greatest contributions to the business and to internal clients' success. One of those actions must be making time to define what specific metrics each client will measure when evaluating the final intelligence report. These can only be identified by asking the intelligence clients to do so, then challenging them if they make requests that cannot be related back to their goals and CSIs.

Tie intelligence to client goals and objectives

It is always challenging to assign a monetary value to competitive intelligence outputs. Some industry professionals believe that the reason for this may be the absence of practical tools or frameworks. Others say that competitive intelligence is just one factor affecting a decision outcome, and its percentage can't be adequately calculated because an outcome has too many other causes. Still others believe that few decisions can even be linked to intelligence at all.

Some intelligence professionals claim to have their own model or formula for showing CI value, yet they still seem to struggle with obtaining resources. Others state that since they already receive support from the executives and because competitive intelligence is a knowledge-based function, they have no need to demonstrate value.

Is this really the case? Consider what the intelligence professional would do if the executives who support CI without any evidence of its value left the company and their replacements want to see proof that intelligence adds value. A large majority of practitioners are not taking enough proactive steps to demonstrate CI's value, either because they are not sure how to do it or because they aren't allocating the time to do so.

In fact, every project, every program, and every ad hoc assignment has some effect on the business. When the intelligence professional asks the internal client key questions, the answers allow them to assess the impact of a project deliverable. Some of these questions that have real-world impact are shown in Sidebar 3.

Impact categories

The questions posed to the client can change depending on the situation. However, all questions belong to one of the following categories or types of impact:

- Long-term (strategic decisions).
- Short-term (tactical decisions).
- Direct (clear correlation between intelligence and subsequent management decisions).
- Indirect (intelligence that contributes input to management decisions).

In turn, these impacts can be said to be either quantitative or qualitative.

Start the process of determining the value of competitive intelligence before a project even begins. Knowing at the start how the results will be tied to certain categories of impact saves time on the back end as clients share how the intelligence findings provided value.

First, identify whether the value competitive intelligence provides can be measured in terms of qualitative or quantitative impact. Next, consider whether the intelligence output has a direct or indirect impact on decisions. Finally, assess whether the realized value affects a short-term tactical activity or a long-term strategic initiative. Considering the above categories helps classify the questions asked and the responses received.

Aside from the metrics identified through client conversations and those provided by Jan Herring, Neal Mahoney of Global Pharma Alliance conducted a pre-conference workshop at the Pharma CI Conference in 2009 entitled, *Justifying the BI and CI Functions using ROI and Other Measurement Tools*. It addressed how to identify qualitative and quantitative measures, some of which are incorporated on the next page.

SIDEBAR 3: QUESTIONS TO ASK THE CI CLIENT

Before the project starts:

- Will this project help to accomplish your specific goals, objectives, and critical success indicators this year? How?
- Who specifically is requesting the project?
- What is your hypothesis going into this?
- Who will be using the information in this report?
- How are you going to use the information?
- How would you measure the impact of the decision?
- How would you determine this to be a successful project?
- How much will having this intelligence impact your decision?
- How certain were you before this project that you were making the right decision?
- Who is going to be affected by this project?
- Will this assignment help save time or money?
- Will this project help to make money?

After delivering the intelligence report:

- Will this report change any course of action? How?
- After seeing the results, how certain are you that you will be making the right decision?
- As a rough estimate, how much time/money will the company save or make (in part or entirely) because of this report?
- What is the estimated dollar value of the decision you have to make? What percentage of this decision are you willing to attribute to the intelligence provided?
- What goals and objectives of yours will this information help address?
- What company business goals or initiatives will be affected?
- Without sharing a specific estimate, what is your perspective on how the intelligence will impact your decisions?
- When do you expect the company will experience the impact of your decision?
- Will you provide a testimonial about the performance of the CI team?

Qualitative measurements:

Growth of CI clients across multiple functions. The fact that more clients are using the services of the CI team year-over-year indirectly demonstrates the value of intelligence by showing increased demand, especially as more personnel from the C-suite, brand and functional areas, and different regions become users.

Increase in in-house CI training. As the intelligence team conducts more in-house training, this saves the company money by not sending participants to external training sessions.

Positive feedback. Obtaining testimonials from clients that confirm their favorable intelligence outcome demonstrates that the work added value to their decision-making. Comments as simple as: "The report was very helpful," "The intelligence provided caused me to re-assess my thinking," and "The CI gathered made a difference" should be captured, as they illustrate that the information provided was well-received and did have impact, even if it cannot be reduced to a quantitative measurement.

Quantitative measurements:

Cost/time savings. Compute dollars or time saved by the contribution of CI's research findings to improvements, new processes, new tools, and other items based on discovering competitor actions.

Cost avoidance. Demonstrate how not taking action allowed the company to avoid costs, whether from intelligence that helped decide not to acquire a company, not to overreact to rumors of a competitor new product launch, or not to invest in certain technology.

Revenue increases. When intelligence research helps to win more sales, directly or indirectly, monitor the monetary value of those sales to the company.

Extension of product life cycles. When intelligence research helps the company to blunt or hold off a competitor product threat (such as generic vs. brand in pharmaceuticals), determine the financial impact.

Improved market share. When CI contributes to decisions that resulted in a product gaining market share, attributing a proportion of that increase to CI can demonstrate value.

See Sidebar 4 for three examples of how other measurements can be applied to specific situations.

SIDEBAR 4: THREE EXAMPLES OF OTHER MEASUREMENTS

1. **Assess unmet customer need.**
   Internal understanding. The market has matured and it was time to exit the business since the client couldn't grow the pie.
   CI research findings. CI identified an unmet need and hidden opportunity that could be capitalized on by modifying the product, by addressing specific government "hot buttons," and by understanding the decision makers, influencers, and overall processes.
   Impact. Hundreds of new opportunities to sell the modified product to government agencies arose, resulting in one new account of $1M within two weeks after the research report was delivered.

2. **New product threat assessment.**
   Internal understanding. Competitor's new product launch is not imminent, barriers are too high to enter, there are too many entrenched players, and the competitor is not a threat. Therefore, continue operations as normal.
   CI research findings. New entrant planned to enter the marketplace aggressively. Launch of product line was imminent with 12 SKUs, $100M ad budget, $60M promotional budget, and was expected to launch during the Super Bowl. Major assault on the company.
   Impact. New efforts were made to bolster trusted brand awareness and secure shelf space. New promotional campaigns with couponing and incentives to purchase defused the impact of new competitor product launch. Minimized sales loss.

3. **Software enhancement.**
   Internal understanding. Our in-house EDI order entry system is superb and is the most efficient tool available.
   CI research findings. The competitor sourced a new, more automated order entry software product outside the US. It is operating more efficiently and the competitor is starting to use it as a value proposition.
   Impact. The company purchased the new software, and operating costs have dropped by $5M; there were fewer errors on orders, which minimized having to correct mistakes in the field. This helped increase customer satisfaction.

Determining value

Essentially two approaches determine the value of competitive intelligence: direct client input, or the creation of credible assumptions. With direct client input, have the client identify the impact to calculate benefits. Silber provides a few key principles to consider when calculating ROI, and we find they apply to determining ROI on CI (Silber 2002 p3). These are:

- What the client considers to be valid data *is* valid data.
- Gather the data for each element of the ROI formula from the clients themselves.
- Estimates are OK if they are acceptable to the client and come from the client.

While the client should be accountable for providing feedback concerning the impact of CI, it is the CI professional's responsibility to lead the client to determine the ultimate impact and value of a project by guiding them with the right questions.

Perhaps one of the best examples of an internal client or user stating the value that competitive intelligence provides occurred at SCIP's Ninth Annual International Conference in April 1994 when the NutraSweet Company Chairman and CEO Robert Flynn asserted in his keynote address that he could place a monetary figure on the value of CI. In a 1996 *Competitive Intelligence Review* article based on his keynote, he stated:

> *I am a firm believer that CI has helped us make more good decisions at the NutraSweet Company, and few bad ones. I can even put a put a price on it. CI is worth up to $50 million per year to our company. That is a combination of revenues gained and revenues 'not lost' to competitive activity. I believe in CI, our senior managers believe in it, and together we have created a company culture that supports it. That is the only way competitive intelligence can provide value – with the complete backing of the company's decision makers.*(Flynn 1996, pS23)

Is anyone in the company really going to say that the CEO's perception of CI's value is wrong? The same holds true regardless of who the intelligence end user is. If the end user believes that the value they received provided an impact, especially if the end user is a C-suite executive, then most people will accept that person's estimated value of the intelligence. After all, the end client is the one whose opinion matters the most.

However, what if the client doesn't provide input? This happens for any number of reasons. The intelligence practitioner must then determine the value by using what they know about the client to develop conservative, reasonable (and, according to Mahoney, believable and defendable) assumptions.

The role of the company CFO

The harm of not establishing return on intelligence investment is evident, yet the process of determining it can feel overwhelming. But help is available from an individual who should become a close competitive intelligence ally: the company chief financial officer (CFO).

Make an effort to work very closely with the CFO or, more likely, one of the analysts within the financial group who works closely with the CFO and knows what the CFO tends to believe or accept as valid ROI assumptions. For example, financial analysts often work with brand teams to provide forecasting for new products in established markets and for markets not yet created, and for established products in current markets. They forecast long-term revenue projections every day by assigning assumptions to their forecasting model. How often are they contacted and their inputs applied to intelligence?

To increase the probability of obtaining the required competitive intelligence resources and to avoid heavy budget cuts in bad economic times, work with company financial analysts to help create conservative, reasonable, believable, and defendable assumptions. If presented in the way that the CFO prefers to see them – and CI's contribution or impact is not overstated – these assumptions will help prove the value of intelligence for the company.

3. DELIVER HIGH-IMPACT REPORTS THAT DEMONSTRATE VALUE

Even if the intelligence professional knows what to measure and how to assess the impact of that measurement, what difference does this make? Consider an annual performance review. Metrics are clear, and the person's performance is assessed against those measurements, and then what? Is the review document just filed in a drawer without anyone looking at it? No, the review is reported to the person, HR, and maybe others.

Furthermore, think about publicly-held companies. They have metrics; the stakeholders (Wall Street) assess how they are peforming against those measurements, and then what? The companies report those findings. What if they didn't report the findings? Would knowing the measurements and even assessing them matter if they didn't report them to anyone?

In a similar way, the intelligence practitioner must produce several different kinds of reports to catch the attention of clients so they fully understand the value intelligence contributes to their decision-making and the company. However, based on our observations, only a very small percentage of intelligence professionals produce regular reports to their clients and senior management that demonstrate CI's value. This is an overlooked opportunity. Here are some of the best types of reports that demonstrate that value.

Executive flash report

A quarterly executive flash report (EFR) highlights key components of the CI function. EFRs help to consistently draw attention to the value and impact intelligence has on the organization. This report can be just one page or slide, but it should contain the key points that Sidebar 5 illustrates:

SIDEBAR 5: EXECUTIVE FLASH REPORT KEY POINTS

- CI Function produced an ROI of X%, which includes direct impact of $Y million.
- X# of CI projects produced indirect impact on $Y millions worth of decisions.
- X of Y projects had a direct impact on major decisions.
- Increased demand for CI services from X current clients to Y.
- CI project requests expanded from X# of departments to Y#.
- Current requests coming from [name departments].
- X% of current clients were repeat clients; gained Y new clients.
- Internal client scorecards (CSCs) rate satisfaction with CI research at X% or above.

The EFR is a concise report that provides the top-line benefits that intelligence provides the company and demonstrates the growing need for it from various end users.

	Pro No.	Dept	Client	Client Score Card	Internal/ External $ Costs	Direct Impact	Indirect Impact	Testimonials/ Quotes
	201	R&D	R. DeNiro	4.5	$25,000	Helped us land a $1M contact	Helped to identify unmet market needs and ID 100s of new potential clients	"The research got us one new client so far that we would have missed"
	202	HR	C. Diaz	4.7	$50,000	$4M sales force cost avoidance	Saved time and money related to recruiting, hiring and training	"Launching another sales team would have been a waste of money"
	203	OPS	M. Freeman	5.0	$100,000	Not clearly identified by client	$5M in cost savings by upgrading order entry software	"I didn't even know that kind of software was available"
	204	MKTG	J. Nicholson	4.3	$175,000	Contributed to brand making $3M/month	Extended resources dedicated to brand to continue incremental growth of earnings	"If we had acted on the rumors, we would have lost a bundle"
	205	Sales	J. Roberts	4.6	$50,000	$2M in savings	Cost savings and higher productivity by modifying sales structure and compensation plan	"Changing the structure based on competition's model was essential"
Total	5	5	3 new clients 2 repeat clients	Avg. 4.6	$400,000	$10 million	CI impacted decision involving millions of dollars	
Estimated ROI (benefit/cost x 100) from Direct Impact = 2500% OR for every $1 invested the return was $25								

Figure 1: Example of Master ROCI® Summary

Master ROCI® Summary

A Master ROCI® Summary report provides more specifics on projects, clients, departments, dollars spent, types of projects, types of impact, and ultimately ROI using the formula *Benefits/Costs X 100*. It can also contain a column or footnote clarifying assumptions made for certain returns, or include the percentage that intelligence took credit for given a certain ROI.

Here's an example: the company saved $1M dollars, of which the decisions made based on CI accounted for 20%, or $200,000, of the savings, according to the decision maker. See Figure 1 for a sample of a Master ROCI® Summary. This report should be prepared quarterly or semi-annually.

CI annual report

This annual report pulls together everything concerning the intelligence activity. It conveys a summary of all key projects for each of the different clients, departments, brands and regions, and includes each of the prior quarterly EFR and ROI summary sheets distribution.

Provide all three reports – the executive flash report, master ROCI® Summary, and CI annual report – to all intelligence clients and to the CEO and CFO. Together, these reports demonstrate that competitive intelligence:

- Provides valuable input on specific business topics to create the insights that senior management uses in decision making.
- Improves the planning process, which enhances forecasting, maximizes assets, and improves resource allocation to optimize overall company financial performance.

This crucial annual report is not very time consuming to assemble as it a compilation of earlier reports that already demonstrated value. Since all the ROCI® estimates either came from the CI end users directly or were based on acceptable and credible assumptions, typically very little, if any, push back occurs concerning the final conclusion of CI's annual value. This document also outlines budgetary requests for the coming year, based on the evidence provided that demonstrated the high return the CI unit provided for the dollars the company invests.

The CI annual report illustrates exactly how widespread the use of intelligence is within the organization. If the practitioners know the company's desired rate of return and can exceed it, this significantly increases the likelihood that resources for the next year will be approved. Without the CI annual report, no other document pulls together all of the work the intelligence unit completed throughout the year.

4. CREATE A SUPPORTIVE INTELLIGENCE CULTURE OF EXCELLENCE

Even after all these elements are in place, an essential part of the framework is still missing: a competitive intelligence culture. Its existence is critical for successful implementation of this framework. The quality and depth of this culture depends on its staff's ability to develop business/client relationships.

What can an intelligence practitioner do to build a CI-supportive culture to allow the intelligence group to reach its desired future? Here are six key action steps to accomplish this goal:

1. Have at least one C-suite champion.
2. Educate people regularly on what CI *is* and *isn't*.
3. Brand and internally market the intelligence unit.
4. Know and profile the function's clients.
5. Diagnose what is missing to gain acceptance.
6. Regularly share intelligence successes with stakeholders and other personnel, and convey its benefits.

While a few companies truly have a global, supportive intelligence culture, the vast majority do not. The company may project an image of supporting CI, but the actions of decision makers demonstrate otherwise. CI still remains a misunderstood discipline. Until there is greater acceptance of what it is and what it can do for a company, challenges remain in fully integrating CI into the company's culture. Nevertheless, without this acceptance, intelligence will continue to face uphill battles.

For a company to fully embrace CI and have it embedded as part of its culture, the function must ideally have multiple C-suite leaders who are willing to support the unit. Wherever possible, obtain the CEO's endorsement. Also, regularly educate everyone in the company about competitive intelligence (or whatever the function is labeled) to remove the negative myths of spies, espionage and midnight rendezvous sometimes erroneously associated with it.

	Position	Department/ Function	Project History	Communication Style	Goals and Objectives	Personal Preferences	Comments
R. DeNiro	VP	R&D	8 projects [List all projects & dates]	Driver	Launch 3 new products Be first to market	Email Face-to-face Brief Reports	Funny Smart Demanding
C. Diaz	Manager	HR	2 projects [List all projects & dates]	Expressive	Increase employee retention by 5% Improve employee satisfaction	Face-to-face or webinar presentations Prefers qualitative data	Friendly Precise Hates missed deadlines

Figure 2: Sample Client Profile

Branding the intelligence function is an excellent way to build it into the culture. At a minimum, this should include creating a logo, defining a vision and mission statement, and clarifying the purpose and values by which the unit operates. In addition, implementing a mini-marketing plan to promote the services internally helps integrate intelligence into the culture. The two most critical activities that create a CI-supportive culture are profiling the end users or clients, and diagnosing what is missing to gain acceptance.

The more that is known about the intelligence clients, the stronger the relationship can become. To enhance the development of these relationships, profile the clients. Using a simple spreadsheet to guide profiling, obtain information directly from the client or indirectly during interactions with them so that the intelligence can be better adapted to their specific personality and desires (see Figure 2).

Identify a common unchanging purpose

Several approaches can determine why a company is not as intelligence-friendly as desirable. We strongly suggest applying a model Patrick Lencioni describes to help defuse the problems that prevent the intelligence function from being perceived as a more significant contributor to the company's success. Lencioni defines these dysfunctions as:

- Absence of trust
- Fear of conflict
- Lack of commitment
- Avoidance of accountability
- Inattention to results (Lencioni 2002 p174)

Take the time to learn more about these dysfunctions, and assess which ones are most critical to building individual relationships or changing the company culture to be more CI-supportive.

One common challenge to correcting these dysfunctions is that many intelligence managers avoid conflict. This is shortsighted – effective execution of their responsibilities inherently creates conflict. One reason people in general are not good at handling conflict is because we don't have what Matthew Kelly in his book, *The Seven Levels of Intimacy*, calls a common, unchanging purpose (Kelly 2005).

Some people believe they have a great relationship with others because they have a common interest with them. However, common interest alone is not enough to build any type of solid relationship, because if their interests change the relationship changes. In developing a common intelligence culture and strong relationships are built on common interests and **trust**. What is needed is a common and unchanging purpose to build that trust.

We live in a changing business environment. What is the intelligence function's common, unchanging purpose? Why does the CI group exist? One unchanging common purpose of this group is to help its internal clients and the company become successful by providing decision support; therefore, the CI group and its practitioners become successful. If this is not done, the relationship suffers.

Once they identify that common, unchanging purpose, then healthy conflict can occur and the need to debate moves from arguing against each other to defending the common, unchanging purpose. Having this purpose leads us away from minimalism and a poor intelligence culture and directs us toward accountability and actionable high-impact results with a positive, intelligence-embracing culture.

PULL IT ALL TOGETHER

Combining all of these elements – clear expectations on what to measure, helping the client determine the impact of completed projects, delivering a high-impact report that shows the benefits of CI – creates the core components that prove competitive intelligence's value. If we can do this and help establish an unchanging common purpose and build a solid CI culture, we have created a strong, high performance ROI model to use (see Figure 3).

Applying this framework will help renovate the way in which others perceive and support the inteligence function. Here is what Jan Herring had to say about the ROCI® model:

> *The modified ROCI concept, in my estimation, is totally new and practical. It will require some work to put it in practice, but I believe it should work for the majority of those that are willing to give it a serious try. ROCI® offers a flexible, user-oriented way of engaging both the CI users and producers in evaluating CI's value throughout the intelligence cycle.*

Some readers may not think this model will work. Others may think that is actually pretty simple. The former would be wrong, the latter correct. The strength of this framework is in its simplicity. An intelligence professional might already be implementing parts of this framework, but all four components must be implemented and fulfilled to optimize its power. We have conducted multi-day workshops and have seen how the ROCI® framework performs in companies. When executed properly, this model produces amazing results and changes in the perceptions of the CI functions. These results are increasingly being observed in the market research function as well.

Here's one recent example. At the end of 2009, we worked with a multi-national client in the industrial/manufacturing industry that had their budged slashed and the CI staff cut from six to two people. The entire function was on the verge of being eliminated. We introduced the ROCI® framework in January 2010 and monitored their efforts, providing them guidance as they implemented the different elements.

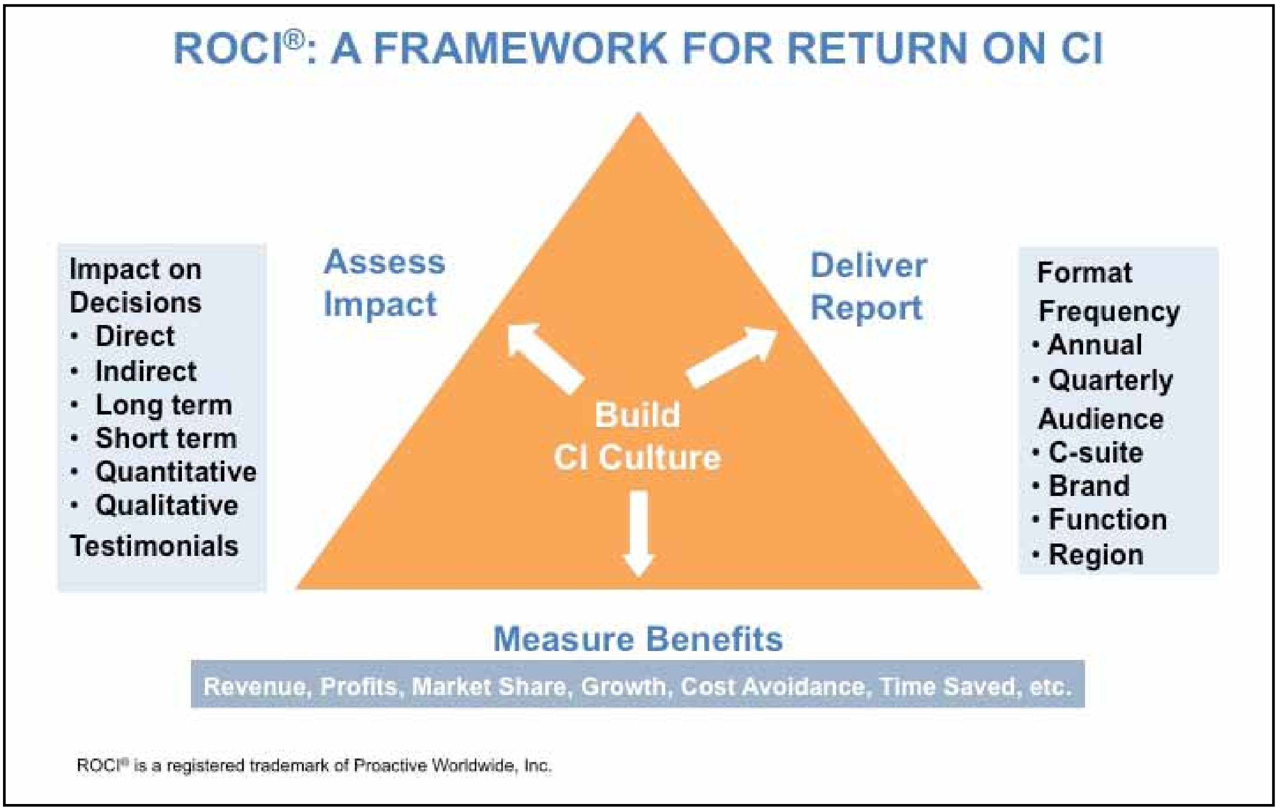

Figure 3: ROCI® – return on competitive intelligence

At the end of 2011, the intelligence staff consisted of eight people, with a budget of over $3 million. The projects done for C-suite personnel doubled, and six different departments (compared to two at the start) now utilize the CI group. The team only takes on projects that have an impact on the company – it no longer handles the 911 requests and the fire drill-type projects that don't produce outputs that make the company better. And finally, the person leading the intelligence function received a $15,000 bonus in 2011, compared to no bonus in 2009. Although other organizations may have different results, and the effort requires intensive work, we do know that similar results are indeed possible.

SUMMARY

We hope we have inspired intelligence professionals to provide their own ROI to their senior managers. Consider the benefits to individual CI professionals, their group, and the company when intelligence can measure its benefits, assess its impact, and deliver purposeful reports, along with creating a culture that supports its activities and outcomes.

It's as simple as following this 6-point framework to demonstrate the value of competitive intelligence:

- Identify annual goals/objectives of the client.
- Establish what to measure (as specified by the client).
- Determine the impact each project will have on the decision.
- Report quarterly on the value of projects conducted.
- Present ROCI® to all clients so they know how they fit in.
- Cultivate a CI culture of excellence.

Remember, when determining what to measure in intelligence, assessing its impact, reporting on its value, and creating a CI culture of excellence, the ultimate "Holy Grail" is you, the CI professional. Only you can make all of this happen, if you are up for the challenge of creating your own CI legacy.

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