Boards want — and rarely receive

By Leonard M. Fuld, Fuld & Company

Sometimes there is a blood-brain barrier between decision-makers and the intelligence that informs their decisions. This barrier was painfully obvious to me last year when my firm interviewed fourteen outside board members of major global corporations with revenues into the many billions of dollars.

Outside directors are often ignorant of part or all of their company's operational details, as well as of its strategies (McGovern et al., 2004). They also lack awareness of the competitive knowledge that may exist within the company on whose board they serve. They fly in for a day or two to digest data and discuss issues, including those of corporate governance – a discussion item that perhaps occupies a disproportionate amount of their valuable meeting time.

THE SARBANES-OXLEY IMPACT

One board member we interviewed spoke about the burden Sarbanes-Oxley has placed on the boards he serves. "Sarbanes-Oxley is only about the numbers, not about the customers or about a competitor," he stated. "In the last few years boards have not become more productive, they've become more careful."

This board member may have been one of the more articulate respondents. He did accurately pinpoint a key problem uncovered by the survey: board members lack good information, the time to digest it, and unfettered access directly into the corporation to corroborate a fact or an assumption. Not necessarily a three-strikes-and-you're-out situation (my apologies for using an American baseball-ism), but a difficult situation for board members nevertheless.

Sarbanes-Oxley is only part of the problem in supplying board members with adequate knowledge. Critical issues may come to their attention too late. According to an active and involved board member of a major global airline, competitive news often appears suddenly when there is a crisis; otherwise, specific competitive intelligence never seems to appear on the agenda.

"They [the executives at the airline] don't tell us about most competitive threats unless they are imminent," he commented. "We would hear if Jet Blue was going to enter the market but not the long-term threats… even though they may be doing this analysis internally."

WHY ARE BOARD MEMBERS SO FRUSTRATED?

"If intelligence was air, then many directors would be suffocating for lack of it." This statement sums up the frustration that is just beginning to bubble to the surface among many of the seasoned executives-cum-board members I spoke with.

This was an experienced group. Just over two-thirds serve on one to three boards, while approximately one-third serve on three to six boards. Over 90 percent have been on a particular board for more than two years and some for over a decade. In addition, most are or were CEOs at other Fortune 1000 companies.

Board members are generally an "information-hungry" group, but they lack much of the rudimentary competitive knowledge they need to govern. Board members want broader information than would a typical product manager or even a company executive. They generally need strategic insight. None of this desire necessarily translates into their

SIDEBAR: AFTERTHOUGHTS AS FORETHOUGHTS

HOW DO YOU SELL YOUR INTERNAL INTELLIGENCE SERVICES TO THE BOARD – OR DO YOU?

I am not sure you can "sell" intelligence to a board, at least not directly. Executives may not want the board to hear it all, because it becomes a lot of noise, information overload. Remember, board members are not on site. In fact, meetings may be held far away from your home office, where you, the competitive intelligence manager, may work.

You have little chance to sell a board member, period. Your only chance is to interest your own regular customers, senior management. Management will likely become your representative to the board and can determine what type of intelligence various members would feel is important. (As the directors themselves underscored, long-term, strategic intelligence is in short supply.)

IS THIS A "MARKET" YOU WANT TO SERVE?

Not a small question. I believe most competitive intelligence departments have a difficult time keeping up with the daily demands of their regular customer base. Your customers already include your product managers, strategists, marketers, and various C-level executives across the company. My initial thoughts: Only mature, successful intelligence departments should undertake to serve this new "market segment."

I have witnessed too many competitive intelligence departments fail because they have overpromised or underperformed. Intelligence is like any other service business. It takes a lot to keep your customers happy. Serving even a few dozen key managers and executives demands a great deal of intellectual and emotional horsepower – and diligence. While serving a group of people who meet only a few times a year may seem a lot easier than dealing with daily requests and demands, it may not be. Second, as with any new market, you must dedicate someone or at least some time to scoping this market, knowing the customers and their needs. You do not want to waste countless hours cranking out analyses this group does not need.

In short, I recommend that only intelligence groups that have existed and succeeded for at least three years even consider jumping into serving a company board. If you decide to take the leap, assign someone to stay with the task. Budget and plan for the "sell" and for the delivery of the intelligence. You are launching a service to a new market segment. Treat it with this type of seriousness.

WILL EXECUTIVES FEEL THREATENED BY A MORE INTELLIGENCE-SAVVY BOARD?

Some might, but do not guess at the answer. Rather, ask your president or CEO, or find someone else who can answer the question. But I believe that most executives will not feel threatened. I believe that boards have not asked for intelligence only because they are not aware that the companies on whose boards they sit have such dedicated services. Board members have lots of responsibilities, not least among them a fiduciary fiscal responsibility, particularly in light of the time-consuming Sarbanes-Oxley law. While competitive intelligence may be important, its cause can become lost among the other distractions in the meeting room.

WHAT KIND OF INTELLIGENCE DO BOARD MEMBERS WANT AND NEED?

They want cogent analyses, supported by data – perhaps data they do not already know. Generally speaking, you will find among board members individuals who have lots of C-level expertise, as well as deep knowledge of your industry and market. Do not give them a "summer rerun" assessment. Find out what they need and deliver it. But make sure you really know what they need. They generally will not have patience for anything else. You can bet they do not want piles of printouts or news summaries of the last three months.

awareness of or expressed need for competitive intelligence. Sarbanes-Oxley has only made it more difficult for board members to focus on competitive issues, as the threat of audits and the need for increased accountability absorb their time and energy. Instead of looking outside and being able to influence competitive strategy, they spend their time looking inward, focused on governance. More specifically, here's what we found:

- Directors tend to go outside for information and rely on their own resources to do so. They read newspapers, related trade literature, and the like but receive little analysis from within the company. However, this activity seems to fall short, as they are generally not satisfied with relying on their own resources.
- Most directors stated that companies on whose boards they sit do not have a competitive intelligence group or department.

- Directors are somewhat satisfied with the short-term intelligence available to them (intelligence on events that may take place within the coming year).
- Directors are extremely dissatisfied with long-term intelligence at their disposal (intelligence on events that may take place one to three years out).
- Most feel that they have enough information to govern (but perhaps not enough to compete).

CI? WHAT'S THAT?

From a board member's vantage point, CI is just two letters someone randomly connected. Directors have heard of intelligence -- overall, that is. By and large they have not heard of competitive intelligence departments. Most were ignorant of the fact that their boards could likely find a "competitive intelligence group" within their company if they thought it important. I'm not sure they do.

I presented the results of this survey at the annual 2005 SCIP conference in Chicago, where over 90 percent of the audience work for Fortune 1000 companies. The audience erupted with questions. How could the board not be aware of us? The reality: Most competitive intelligence practitioners have never presented in front of the board. Their jobs have been to serve the operating officers of the company, not the board. Yet the board could learn a great deal from the knowledge and on-the-ground insights many of these competitive intelligence groups can offer. The problem (as some in my audience speculated) was not a lack of competitive knowledge, but the fact that senior executives simply were not allowing these intelligence groups access to the board, thus blocking the flow of intelligence.

THE ELEPHANT IN THE ROOM

While most directors have limited time to analyze a company's competitive arena, they are hungry for more analysis that would make them more effective. Such analysis would allow them to become more decisive or ask better questions of a company's executives. At the moment, most of the competitive discussion among board members and executives appears informal at best. In reality, all they need is access to knowledge that already exists. Most directors rely on public news announcements and their own "gut feel," but most are not comfortable with this relatively superficial knowledge pool.

I believe this preliminary study poses many critical questions for those organizing competitive intelligence within a company.

- How do you sell your internal intelligence services to the board – or do you?
- Is this a "market" you want to serve?
- Will executives feel threatened by a more intelligence-savvy board?

The knowledge gap outside directors face can affect their ability to govern with adequate foresight. They need better competitive overviews of their industries. They need better, longer term intelligence than they currently receive. Intelligence needs to jump the blood-brain barrier.

The most important question, the elephant in the room, is really this: What are the implications of an ignorant board for your company's future, and how can you improve its competitive knowledge?

Directors need intelligence, no doubt about it. Will you be the ones supplying it?

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Leonard Fuld is president and founder of Fuld & Company, a leading consulting firm in the field of competitive intelligence, with offices in Cambridge, Massachusetts, USA, and London, UK. He is a SCIP Meritorious Award recipient. Leonard is author of three best-selling books on competitive intelligence. His new book, The Secret Language of Competitive Intelligence (Crown Business/ A division of Random House, Inc.), is being released in May 2006. Leonard can be reached at lfuld@fuld.com