



CI Corner

David Lithwick & Enrico Codogno

This issue looks at two interesting analytical techniques
– PEST and Blind Spot analysis.

Dear CI Corner: A colleague mentioned that his company does PEST as well as Blind Spot analysis when assessing their competitors. What does each of these terms mean? **Analytical**

Dear Analytical:

PEST analysis gives an overview of the different macroenvironmental factors that your competitor would take into consideration – the political, economic, social and technological factors that make up the acronym. Political factors include employment laws, environmental regulations, tax policy and trade restrictions. Economic aspects of PEST cover such factors as economic growth, interest rates, exchange rates and inflation rates, while social aspects include population growth rate and age distribution. Technological factors consider elements such as R&D activity, automation and the rate of technological change.

Blind Spot analysis uncovers flaws in the process of your competitor's strategic decision-making caused by bias and misinterpretation. Most strategy models rely on rational and objective behaviour and ignore the mental filters through which individuals process information.

This can result in the making of flawed decisions without the company even knowing it. Below are sources of blind spots.

Invalid Assumptions: Competitors may make assumptions that are incorrect. Corporate myths and taboos, for example, may be woven into the culture of the firm, influencing decisions and affecting the way things are done but with no basis in fact or logic.

Winner's Curse: It is common at auctions for people to pay too much. The

met but professional pride or fear of accountability prevents admission of error. Instead of cutting losses and exiting or amending the faulty strategy, resource allocation is escalated in the hope that such an action will solve the problem.

Overconfidence: It is natural for leaders to be confident in their own abilities. Overconfidence, however, leads to blind spots, without senior management even being aware of it. It is especially dangerous when a leader who uses shortcuts in order to keep focus on

Tip – Assume that for every hour you spend sourcing CI, you'll need to spend an additional four to five hours analysing the data.

same sort of thing often occurs in business acquisitions and other aspects of strategy such as geographic expansion, increasing market share, and entry into new areas of business. It is falsely assumed that the long-term advantage always outweighs short-term cost.

Escalating Commitment: This form of bias appears when expectations are not

action in a complex and challenging environment also makes superficial judgments in strategic decision-making.

Information Filtering: Raw data is naturally filtered as it passes through your competitor's organization so that, by the time it reaches decision-makers, it has been fundamentally altered and may even be wrong.

A monthly column devoted to answering questions relating to competitive intelligence

CI Corner is written by David Lithwick and Enrico Codogno. David is a senior partner at Market Alert and can be reached at (416) 932-9820 or david@marketalert.ca. Enrico is with the Customer Foresight Group, Limited; he can be reached at (416) 651-0143 or enrico@customerforesight.com.