

THE INSIGHT DISCIPLINE

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AMA Leadership Series

THE INSIGHT DISCIPLINE

Crafting New Marketplace
Understanding that Makes a
Difference

By

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United Kingdom – North America – Japan
India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2020

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83982-733-4 (Print)

ISBN: 978-1-83982-730-3 (Online)

ISBN: 978-1-83982-732-7 (Epub)



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AMA INTRODUCTION TO BOOK SERIES

Welcome to marketing in the twenty-first century – the age of data, social, mobile, automation, and globalization. The field is changing so quickly, it’s difficult to keep up. There is increasing uncertainty about the profession’s mission and responsibilities. Meantime, the demands marketers face are ever more complex and critical.

This is why the American Marketing Association (AMA) has engaged some of the world’s most innovative professionals, academics, and thought leaders to create *The Seven Problems of Marketing* – a seven-book series that introduces and explores a new set of organizing and actionable principles for the twenty-first-century marketer.

Each book in the series takes a deep dive into one problem, offering expertise, direction, and case studies while striking a balance between theory and application. The goal is to provide a contemporary framework for marketers as they navigate the unique challenges and vast opportunities of today’s dynamic global marketplace.

Here are the seven problems addressed in the series:

Problem 1: Effectively targeting high-value sources of growth.

Problem 2: Defining the role of marketing in the firm and C-suite.

Problem 3: Managing the digital transformation of the modern corporation.

Problem 4: Generating and using insight to shape marketing practice.

Problem 5: Dealing with an omni-channel world.

Problem 6: Competing in dynamic, global markets.

Problem 7: Balancing incremental and radical innovation.

Importantly, the books in this series are written by and for marketers and marketing scholars. All of the conceptual and analytical frameworks offered are born from practice. The authors have applied their tools and methods in client settings, allowing them to test and refine their ideas in the face of real-world challenges. You'll read true stories about how marketers have used innovative thinking and practices to overcome seemingly impossible dilemmas and bring about game-changing success. Theories are explored in a way that busy marketers can understand viscerally. Client stories have been incorporated to illustrate how to apply the analysis frames as well as deal with application and practice-based issues.

Our fundamental aim with this series is to hone the practice of marketing for the twenty-first century. The AMA has asserted that there is a critical tension within every enterprise between “best” and “next” practices. Marketers often choose best practices because they are safe and proven. Next practices, which push boundaries and challenge conventions, can be riskier. Few enterprises, however, transform themselves and achieve breakout performance with best practices alone. The next practices discussed in this series are often responsible for driving outperformance. The books in this series are designed to engage you on two levels: individually, by increasing your knowledge and “bench strength,” and organizationally, by improving the application of marketing concepts within your firm. When you finish each book, we are confident you will feel energized and think differently about the field of marketing and its organizing principles. Through the explanation of theory and compelling examples of its application, you will be empowered to help your organization quickly identify and maximize opportunities. After all, the opportunity to innovate and make an impact is what attracted most of us to the field of marketing in the first place.

Russ Klein
CEO, American Marketing Association

BOOK SERIES OVERVIEW

In 2016, the AMA established its first-ever intellectual agenda. This intellectual agenda focused on complex, challenging, and difficult-to-solve problems that would be of interest to both academics and practitioners. A working team of scholars and practitioners, selected by AMA leadership, identified seven big problems of marketing as the foundation of the agenda. These problems were ranked from a much longer list of challenges. These seven big problems shared three attributes: they were pressing issues that confronted every organization, they were C-suite level in scope, and they could not be solved by one article or book. Indeed, the team felt that each problem could trigger a decade-long research agenda. A key purpose of the AMA intellectual agenda was thus to stimulate research, dialogue, and debate among the entire AMA membership.

The purpose of the AMA book series is to shed a deeper light on each of the seven problems. In particular, the aim of the series is to enable readers to think differently and take action with regard to these big problems. Thus, the book series operates at two levels: individually, increasing your knowledge and bench strength, and at the organization level, improving the application of marketing concepts within your firm.

Given the nature of these problems, no single book or article can fully address the problem. By their very nature these problems are significant, nuanced, and approachable from multiple vantage points. As such, each of the books provides a single perspective on the issue. This single perspective is intended to both advance knowledge and spark debate. While the books may emerge from academic literature and/or managerial application, their fundamental aim is to improve the practice of marketing. Books selected for the series are evaluated on six criteria.

1. Seven Big Problems Focus

Each book is focused on one of the seven big problems of marketing. These problems identify key conceptual issues in the field of marketing that are the focus of emerging academic research and that practitioners are actively confronting today.

2. *Audience*

The book is written primarily for an audience of thoughtful practitioners. Thoughtful in this context means that the practitioner is an active reader of both professional articles and books, is dedicated to enhancing his/her marketing knowledge and skills, and is committed to upgrading the organization's marketing culture, capabilities, and results. A secondary audience is academics (and students) and consultants.

3. *Integrative Framework*

The book provides an integrated framework that frames the problem and offers a detailed approach for addressing it.

4. *Field-based Approach*

The authors have applied their frameworks in client settings. These client settings enable authors to test and refine their frameworks. Conceptual and analysis frameworks are enlivened via practice and case examples that demonstrate application in the field. Named and/or disguised client stories illustrate how to apply the analysis frames, how to deal with application issues, and other practice-based issues.

5. *Academic Literature*

The integrative frameworks should be new to the marketplace. The conceptual frameworks should extend existing thinking and the analysis frameworks should provide new ways to conduct marketing-related analysis.

6. *Readability*

The book should be intelligible to the average reader. The concepts should be clearly defined and explained, and cases written so that a reader can understand the content on a first read. On behalf of the AMA, I am excited to bring these books to market. I am anxious to hear your feedback – both positive and challenging – as we move the field forward.

Bernie Jaworski
AMA Book Series Editor

PREFACE

For more than 30 years, literally around the world, I've participated in and observed corporate teams conduct many forms of marketplace or environmental analysis. The analysis typically focuses on change in and around one or more of the classic business domains: customers, competitors, suppliers, technologies, industries, government and regulatory agencies, social values, and politics. And, frequently, the analysis involves many individuals, consumes significant resources, and extends over a considerable time.

Increasingly I've been plagued by one question: why do so many analysis teams extract so little of value from the reams of data, spreadsheets, and findings they generate? If you've worked in corporate settings for a few years, few of these observations will be a surprise to you:

- A massive amount of time is spent conducting market analysis, customer analysis, technology analysis, competitor analysis, and industry analysis (the list goes on), but little insight is created that rises above the incessant array of tables, figures, and spreadsheets.
- Analysis frameworks are continuously augmented, enabling a greater array of descriptive outputs and findings, yet genuine insight seems as far out of reach as ever.
- The “big data” juggernaut results in many analysis projects becoming scavenger hunts for data patterns; the report card regarding decision value is mixed at best.
- A stunning onslaught of software makes it possible to visualize analysis outputs and findings in ways that were simply unimaginable a few years ago, yet in the view of many business executives I encounter the provision of new marketplace understanding lags considerably behind.
- All too often, where the analysis outputs are rich in new understanding of the external world, for example, why competitors are shifting their

strategies, they're not integrated into a set of key insights that can spur fresh thinking or new ways of addressing decisions or challenging action streams.

- Bright and capable “analysts” and analysis teams generate what they consider key findings, but they're unable to discriminate between what's important for the business and what isn't.
- Executives and leaders are at a loss as to how to upgrade the quality and value of the outcomes of all the analysis work being conducted around them and for them.
- Everyone feels at liberty to use the word *insight*; no wonder the word no longer has any distinctive meaning in most organizations.
- A stunning amount of time (our most valuable asset) is simply wasted in what passes for analysis.

PURPOSE

The purpose of this book is to address the frustrations at the heart of these observations, by helping you to:

- Gain a deep conceptual and practical understanding of insight.
- Adopt analysis and organization methods that support the development and use of insight.
- Build an insight-driven culture.

Some specific goals aim to:

- Depict what marketplace insight is and what it isn't.
- Describe the four high-level phases of insight work.
- Illustrate the types and levels of insight and show how they're connected.
- Provide analysis frameworks to execute specific tasks in crafting insights.
- Demonstrate the four key stages of insight analysis.
- Explain how the six insight factors influence all facets of insight work and how to use them to enhance the quality of your insights.

- Identify common analytical errors that inhibit insight work and learn how to avoid them.
- Provide you with game plans to motivate, oversee, and leverage insight work.

AUDIENCE

This book is for anyone who wants to extract maximum value from analysis work, including:

- Analysis leaders.
- Analysis teams.
- Functional professionals, such as those in competitor intelligence, market research, industry analysis, and technology assessment.
- Project and other work groups.
- Executives and managers.
- Management consultants and professional researchers.
- Professional, educational, and training organizations.
- Academics.

STRUCTURE

Chapters 1 and 2 introduce the notion of the insight discipline and the four phases of insight work: preparing for insight work; crafting change insight; developing implication insights; and determining business implications. They explain why insight work requires a deliberate and methodical approach.

Chapters 3 through 6 cover the first two phases of insight work. They detail the 4S cycle: structuring (preparing for insight work), sniffing (drawing preliminary inferences), shaping (crafting suggested change insights), and stipulating (accepting change insights as an input to decision-making). These chapters illustrate the deliberations that contribute to effective execution of the 4S cycle and what it takes to build an organizational capability in each S.

Chapters 7 and 8 focus on the final two phases of insight work. They detail the methods involved in transitioning from change insight to implication insight and how the insight discipline enhances the analysis typically deployed in determining business implications – ultimately what the organization should do.

Chapters 9 and 10 address how and why emotions influence insight work, particularly the 4S cycle, and what you can do to establish and sustain an insight culture.

Liam Fahey
Needham, MA
May 15, 2018

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 a large conglomerate, which I'll call CommodityCo.¹

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.

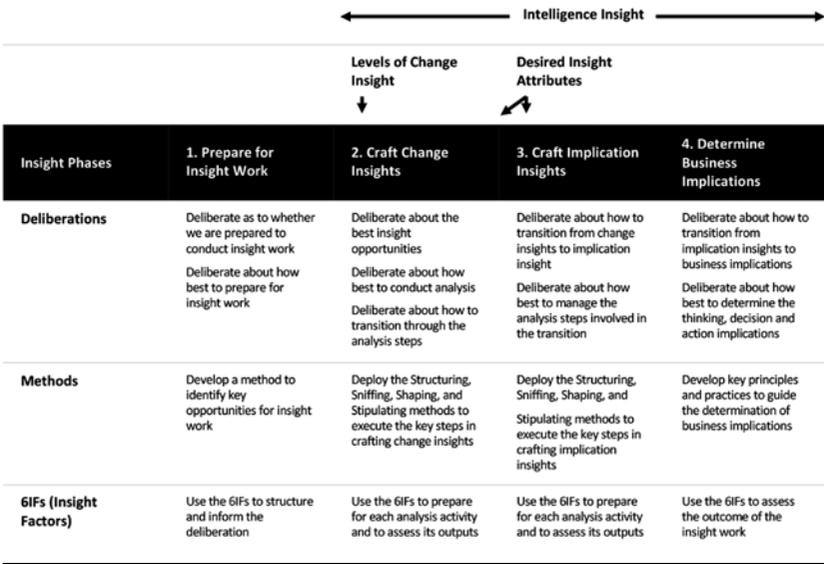
The analysis team drew two broad implications that ran counter to the company's prior way of operating: CommodityCo needed to change its product development process to develop products more quickly and it required a new, go-to-market approach tailored to customer segments.

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 marketplace² 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

Fig. 1.1: A Disciplined Approach to Insight Work.



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 (Fig. 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.

The executive's questions further illuminate that insight is about understanding change³ 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.⁴

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 models⁵ 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.⁶ 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.⁷ 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.⁸

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 into marketplace change to business implications (a combination I call intelligence insight)?⁹

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.¹⁰ But other domains may have significant potential to affect your business' 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.¹¹ 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.¹²

The Insight Funnel

The insight funnel (Fig. 1.2) provides a framework to address these tendencies. It identifies different but interrelated levels of change insights (domain, competitive space, and 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 (Fig. 1.3).

Fig. 1.2: The Insight Funnel: Insight Levels and Relationships.

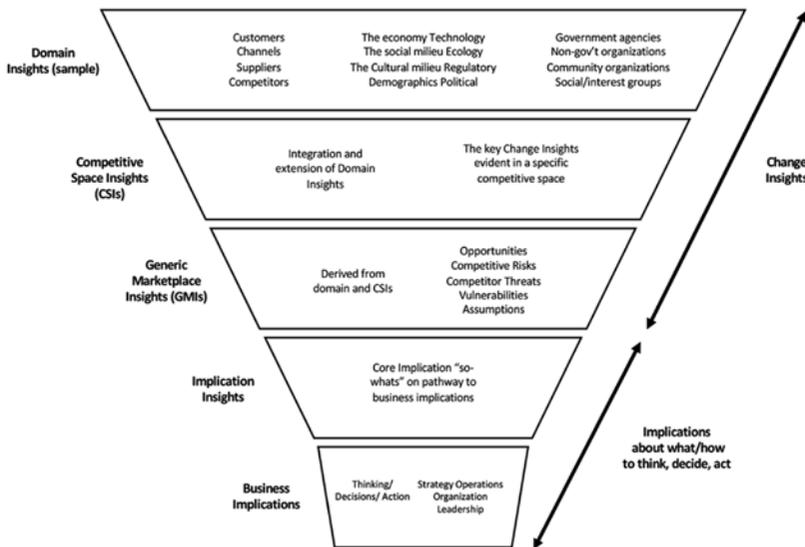
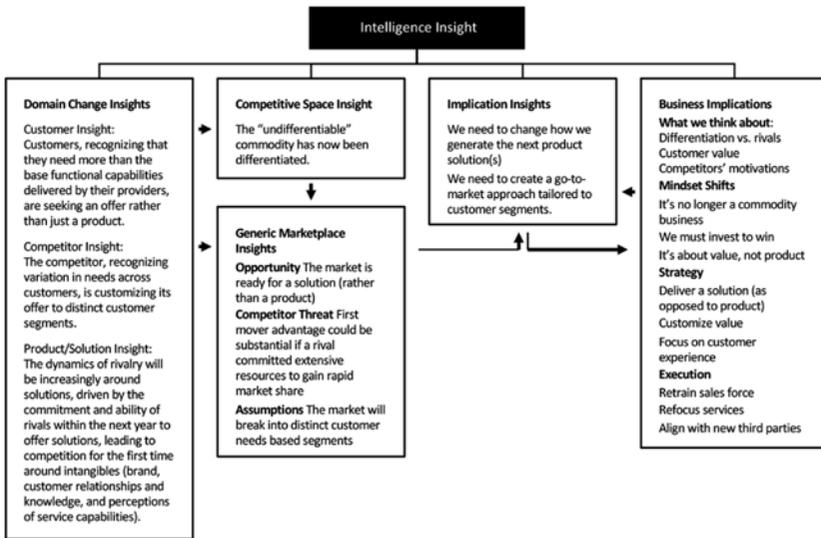


Fig. 1.3: Intelligence Insight: The CommodityCo Case.



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 Fig. 1.2. Three key domain insights – customer, competitor, and product/solution, emerged in the CommodityCo case (Fig. 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.
- Lengthy, inconclusive deliberations about which domain change is more important.