

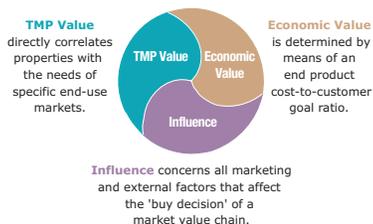
## Corporate Needs 2005

This issue concerns three very important needs that many companies are facing in 2005 and are expected to face for many years to come. The three needs involve:

- 1. Market Behavior:** Many businesses want to be able to accurately forecast the future behavior of specialized markets. Their goals are: to understand trends, to be among the first to discover new opportunities, and to produce accurate market data that can help their planning processes.
- 2. New Products:** Many businesses want to be able to increase the success rate of their new products. Their goals are: to develop detailed specifications for new products, audit technologies to understand the preferred route to manufacture their new products, and R&D portfolio management.
- 3. Competitive Intelligence:** The most pressing need seems to concern deciphering competitors' manufacturing costs; however, many businesses are also interested in optimizing their own manufacturing processes and deciphering competitors' marketing and pricing strategies.

Companies not only recognize the need to solve these puzzles but they also realize that specialized expertise is required. Other reasons for seeking specialized expertise are that companies don't trust their objectivity and many companies want to remain anonymous. We have found that experiential modeling science is the only research methodology that can see through firmly entrenched paradigms.

### The Three Components of The Market Value System



### Market Behavior Needs

Companies want to understand market trends not only to be among the first to discover new opportunities but also to provide their businesses with the checks and balances

required to ensure that their short term business plans have taken all of the important market issues into consideration. Companies are looking for objectivity.

We frequently find that internal and external experts begin an experiential modeling session with a view of a market's behavior that is largely based on current thinking. By the end of the experiential modeling session, the experts frequently surface a completely different picture of future market behavior and they are confident that their new and more detailed view of market behavior describes the future and explains the past. Please see "Breakthroughs in Knowledge Management"

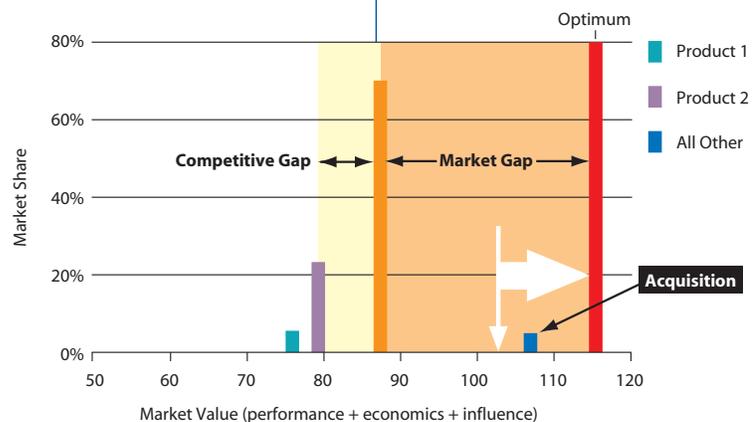
*acquisition targets that can, if acquired, help us achieve our long-term goals."*

*"We see several approaches to this market and every player is competing for the same business. We want to know which alternative will be the long term winner and why."*

*"We want to know how much market share we could expect to capture with this new product."*

Figure 1 below illustrates market value data that helped people see through their firmly entrenched paradigms. See "Breakthroughs in Knowledge Management" Volume 2, Number 5, May 2004 for the case history.

Figure 1: Market Share



Volume 3, Number 1, Winter 2005 for a discussion of experiential modeling.

**Some of the market behavior questions for which companies are seeking answers follow:**

*"What are the trends and changes in the market that are likely to affect our business?"*

*"We don't know why our customers buy our materials. Our sales department seems to throw our products over our customers' fences and the customers decide how to use them. We want to know why our customers buy our products."*

*"We don't have reliable market data. Can you help develop comprehensive market data that enables us to focus our sales effort?"*

*"We have decided that this market is strategic to our long-term future. We want to identify*

For years this company thought that the market wanted <90 market value; however, when the Market Value System revealed that the market actually wanted >115 market value the company realized that their ingrained view of the market was wrong. A new paradigm was established and the company moved aggressively to improve its business.

### New Product Needs

Companies that come to us with the need for new products are already investing a lot of resources in new product development. Their goal is to increase their product development success rate.

**Some of the new product questions for which companies are seeking answers follow:**

*"We created this business and today we're losing share to competitors who offer lower cost*

*alternatives. We have developed new products but our customers still prefer our old products and we don't understand why. We want to understand why our new products aren't succeeding."*

*"We are the world's leader in a specific healthcare market. Last year we introduced an addition to our product line in France. We thought that we would increase our market share and instead we cannibalized our own products. We want to understand what happened and why it happened."*

*"We want to accelerate our growth through innovation. A company-wide call for ideas has produced more than 100 business opportunities. Can the Market Value System help our businesses select the opportunities that have the highest potential and also are the most likely to succeed?"*

*"Our company has used "Stage Gate Development" for a number of years. Our need concerns the creation of more projects that ultimately pass through all of the gates. We know how to avoid failure. We don't seem to know how to succeed. Can the Market Value System help our innovation program?"*

Companies have found that the cost of R&D has become so high that it is difficult if not impossible to provide all of the funds that are needed to achieve their internal development goals. The answer is simple: Companies must increase the success rate of their investments in R&D.

Many companies tell us that only a fraction of their R&D projects ever produce a significant profit. This statistic ought to be viewed as a tremendous opportunity. If a company could double its new product success rate, it would be able to double its profits from new products without investing any more in R&D. To achieve the same result without improving their success rate, companies would have to double their R&D investment.

According to the Product Development & Management Association (PDMA), about 70% of leading US product developers use some form of Stage Gate Development. Created decades ago by NASA, Robert G Cooper has worked to popularize Stage Gate Development since 1988.

Stage Gate Development has had a great deal of appeal to management, because this process restricts investment in the next stage until management is comfortable with the outcome of the current stage. The objective of these processes is to assure product quality and control development costs.

We find that little or no attention is given to taking topics to developed ideas. This leads to poorly fleshed out topics entering Stage 1 (project scoping) of Stage Gate Development. This is the reason why so few projects ever sail through all of the gates and reach successful commercialization. Idea development is where KVC's Market Value System and experiential modeling science can make a big impact.

The Market Value System enables a team of professionals to create all of the knowledge blocks that they need to completely explain

future market behavior. The Market Value System is an innovation program that enables people to invent products and services that will be required by current and future markets. The Market Value System is the missing Stage 1 of Stage Gate Development.

### Competitive Intelligence Needs

In 2005, competitive intelligence is one of the most pressing needs that companies face. A company president recently directed his business managers to make competitive intelligence a core competency. His exact words were: "Every year during the planning cycle we ask ourselves how our costs compare to our competitors' costs and we never seem to know the answer. We must know where we stand. I want you to make competitive intelligence a core competency."

Competitive intelligence is a systematic and ethical program for gathering, analyzing, and managing knowledge that can affect a company's plans, decisions, and operations. Competitive intelligence deals with the following subjects:

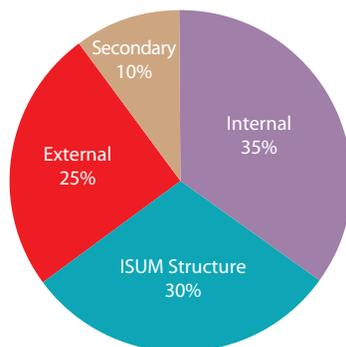
- Manufacturing Process Optimization
- Competitors' Strategies
- Competitors' Manufacturing Costs
- Competitors' Technology Developments

The prevalent thinking is that competitive intelligence is done by consultants who interview people (usually by phone) and prepare a report. This is not a company core competency.

As a core competency, competitive intelligence can enable senior managers in companies of all sizes to make informed decisions about everything from marketing, R&D, and investing tactics to long-term business strategies.

For competitive intelligence to be a core competency, a managerial accounting and engineering system is required. The managerial/engineering model should include knowledge and information from all sources. In addition, the model should be capable of sensitivity analyses and the evaluation of different technologies and strategies. Kesting Ventures® Corp's ISUM Competitive Intelligence System features this type of managerial/engineering model.

**The pie chart below** reveals the sources of the knowledge and information that



Kesting Ventures® Corp includes in its ISUM Competitive Intelligence System.

- 35% is obtained by means of internal experiential modeling sessions and searching out information that is typically buried in personal files.
- 30% is the result of calculations that are built into the ISUM structure.
- 25% is obtained by means of external experiential modeling sessions with panels of experienced professionals.
- 10% is obtained by means of secondary research and interviews.

Most competitive intelligence research is conducted by consultancies, which work independently of their clients. Most of their data is obtained by means of secondary research and telephone interviews. The confidence limits for this type of research are broad and the research must be repeated every few years.

Kesting Ventures® Corp's ISUM Competitive Intelligence System creates an engineering model and managerial accounting system that can be maintained on an ongoing basis.

Kesting Ventures® Corp. offers its ISUM Competitive Intelligence System clients a maintenance contract that maintains the system.

## breakthroughs

in knowledge management

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### About Kesting Ventures

Since 1984, the mission of Kesting Ventures Corp. has been to develop, improve, record and facilitate the problem-solving methodology required by R&D, marketing and commercial development specialists.

The powerful problem-solving methodology of Experiential Modeling embodied in KVC's Extend® and Start® Programs enable your organization to form specific operational plans for entire businesses, envision and then invent new products and technologies – even renew the growth of existing businesses.

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