

Chapter 13

Shadowing



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Short Description

- Shadowing is a new analytical technique that monitors competitors or markets in a high degree of detail to learn how a specific competitor might think, reason, and react.
- It means learning as much as possible about a competing firm's managers in order to predict what they might do.
- The competitive knowledge afforded by shadowing will allow a firm to make inferences regarding intentions of rivals.



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Background

- Shadowing is the commercial application of a concept long used by opposition politicians in the British parliamentary system.
- Shadowing is useful when the following conditions prevail within a firm:
 - Managers have become complacent.
 - A firm has become strongly committed to a set of assumptions underlying its historic strategy.
 - The strategy planning process has largely degenerated into a routine.
 - Little effort is being expended to search for new marketplace opportunities.



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Background

- Shadowing can address secondary, non-direct competitors, or 'invented' competitors.
- When a cross-functional team focuses on information about a competitor or market, a shadow team is formed.
- The objective of shadowing is to learn everything about a competitor:
 - its people, processes, networks, services, so that a firm can begin to think, reason and react like the competitor.



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Strategic Rationale and Implications

- Shadow teams:
 - Perform as a think tank.
 - Use analytical, team dynamic and communications techniques.
 - Closely monitor the organizational structure and design of rivals.
 - Are intimate with every element of rival firm.
 - Are able to predict the strategic intentions of competitors.



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Strategic Rationale and Implications

- Two approaches to shadowing:
 - *Shadow planning*
 - This technique involves the continuous monitoring of all of the relevant components of a rival's strategy.
 - *Developing a shadow market plan.*
 - This technique differs from the previous one in that it is a one-off project with a limited timeframe for completion.
 - Its objective is to develop an accurate proxy for the actual marketing plans of rivals.



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Strategic Rationale and Implications

- To fully leverage the power of shadowing within a firm, it is important to integrate the internal and external view of corporate strategy by :
 - Testing the validity of the firm's own marketing strategy.
 - Identifying potential weaknesses of rivals which the firm may exploit.
 - Protecting against weaknesses in the firm's current and future strategies.
 - Predicting the contingent reaction of competitors to the firm's planned marketing strategies.
 - Identifying potential new competitive threats.



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Strengths and Advantages

- Removal of blindspots.
- Become a firm's eyes and ears on a whole range of strategic and competitive matters and are in a position to help with:
 - Facilitating new product development.
 - Adjusting existing products and services.
 - Interpreting market signals.
 - Investigating rumors.
 - Identifying new technology.



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Strengths and Advantages

Characteristics	Contributions
Cross functional	Multitude of knowledge from both internally and externally to the organization.
Think-tank team	Able to interpret and analyze competitive information.
Investigators of information	Discover strategic relevance, conduct comparative study.
"Devil Advocate" role	Break assumptions and biases regarding the firm's view of the competitor.
Facilitates organization learning	Improves the firm's ability to respond effectively to the competitive environment. Cross sharing of information.
Strategically focused	Answers 'so what' issues not just tactical responses.

Source: Adapted from Rothberg, H.N. 'Fortifying Competitive Intelligence with Shadow Teams', *Competitive Intelligence Review*, 1997, 8(2), page 4.



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Weaknesses and Limitations

- New strategic direction may blindside shadow team members who are assuming that rivals are operating from established strategy.
- Blind application of shadowing does not handle discontinuity well.
- Shadow teams may fail due to issues such as the firm's culture, politics, and senior management for following reasons:
 - Composition: forcing and politics.
 - Direct supervisor's lack of support.
 - Lack of ongoing training.
 - No exposure to senior management.



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Process for Applying the Technique

- Shadow Team Members Require:
 - Access to senior management.
 - Guidelines to be agreed upon by senior management.
 - Ability to be independent, self-starting, fearless.
 - Investigative and reporting skills.
- Teams Require:
 - A clear, unifying purpose.
 - Ongoing training and coaching.
 - Work that is meaningful with collective products and challenging performance criteria.
 - Challenging goals.



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Process for Applying the Technique

- Pay Special Attention to a. Team Composition, b. Structure, and c. Performance Goals.
- A. Team composition:
 - Intellectual capability
 - Results oriented
 - Interpersonal skills
 - Planning and organizing
 - Team-oriented
 - Maturity
 - Presence



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Process for Applying the Technique

- B. Team Structure
 - Small yet provide a representation of the required skills.
 - Composed of the best and brightest in a firm.
 - Volunteers who take on this work in addition to their usual responsibilities.
 - A facilitator serves as an administrative and communication hub and as a liaison.



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Process for Applying the Technique

- C. Performance goals:
 - The teams operate within a learning climate.
 - Teams are comprised of diverse and cross-functional people who reflect the texture of the company.
 - There are clear, meaningful, and measurable goals.
 - Appropriate tools and training are available.
 - There is exposure to senior executives and executive strategic decision makers.
 - There is management support.



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Process for Applying the Technique

- Once teams are in place, the process of shadowing can be commenced.
- In general, the process is characterized by collection, analysis, and recommendations.
- First step is to learn as much as possible about rival firms:
 - Examine the personnel changes.
 - Monitor firings and resignations.
 - Full text of news releases and speeches.
 - Local press coverage in newspaper/ business magazines.



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Process for Applying the Technique

- First Step Cont'd
 - Trade shows
 - Corporate literature
 - Online databases
 - Technological tracking
 - Background checks
 - Management personality profiling
 - Debriefing
 - Regulatory tracking
 - Financial statement analysis



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Process for Applying the Technique

- Once information has been collected, analyzed, and internalized, the shadow team should assume the role of strategic challenger.
- Process should be updated regularly.
- Must divorce yourself from the firm's own decision making processes, frameworks, and blindspots.
- If there is no one in the firm to do this, external analysts should be considered.
- See book for list of pros and cons, but generally in-house is preferable.



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Process for Applying the Technique

- Developing a shadow market plan:
 - Is a document that captures all of the knowledge obtained and has been analyzed to derive insight.
 - Purpose is to provide a proxy of marketing or business plans of rivals.
 - Views the resources, competencies, capabilities, processes, strategies, strengths, weaknesses, opportunities, and threats from the perspective of rivals.
 - A useful supplement to the shadow analysis plan is to conduct a reverse shadow market plan.
 - Continuously monitor rivals and revise the shadow plans as required.



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Case Study

- A hypothetical example is outlined below which shows how the process of shadowing could improve strategic decision making at a large insurance firm.
- Suppose that the objective of the shadow team was to develop a shadow market plan for a large competing insurer, Mega insurance.
- *Specified Objective* — delineate the analysis into the potential expansion of commercial lines by Mega Insurance in the Mid-Atlantic market.



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Case Study

- *Sources of information:*

- Mega filings with the Securities Commission;
- Trade publications of industries to which Mega sells insurance;
- Commonly reported Mega press release;
- Full texts of Mega press releases;
- Regional business publications;
- Newspapers covering city in which Mega headquarters is located;
- Internet marketing and financial reports of Mega by securities analysts;
- Coverage of Mega's new facilities in computer industry trade publications;
- Interviews of Mega executives in local business publications;
- Evidence of zoning for new Mega facilities at relevant municipalities;
- Evidence of expansion from industrial development authorities;
- Mega's own website; and
- Internet sources.



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Case Study

- **Inferences**

- Mega is planning to initiate a new commercial line starting in Ohio.
- Mega has engaged a contractor to build a new office in New Jersey.
- Mega has recently recruited an executive from a rival firm to manage the NJ office.
- Marketing materials distributed by Mega to target customers reveal distribution, target market, and sales of new commercial lines.
- Shadowing uncovers the planned grand opening of the NJ office to coincide with the market launch.
- Management profiling reveals background, experience, and past successes and failures of the new NJ office executive.



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Case Study

- Confirmation
 - These sources and inferences are then confirmed and cross-referenced with existing information of Mega's strategy, past affiliations, and actions in the Mid-Atlantic market area.
 - Next, tentative conclusions are meshed with environmental analysis of the market conditions.



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Case Study

- Tentative conclusions:
 - A shadow market plan is built consisting of several prominent strategies including the following.
 - Mega is planning a major expansion of its commercial lines.
 - A regional marketing approach will initiate the product launch under the auspices of the new executive in the NJ office.
 - The pioneering product will be the new commercial line.



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Case Study

- Monitoring
 - The same sources discussed above are used to monitor the progress of Mega's shadow market plan. In addition, several additional sources are added such as:
 - Monitoring new policies and rates of the new commercial line via records at state insurance offices in Mid-Atlantic States and;
 - Determining the target market from advertisements placed in regional business publications.

• Source: Adapted from: Vella, C.M. and J.J.Jr. McGonagle,

• *Improved Business Planning Using Competitive Intelligence*, 1988, Quorum Books, Westport: CT.



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- **FAROUT Summary**

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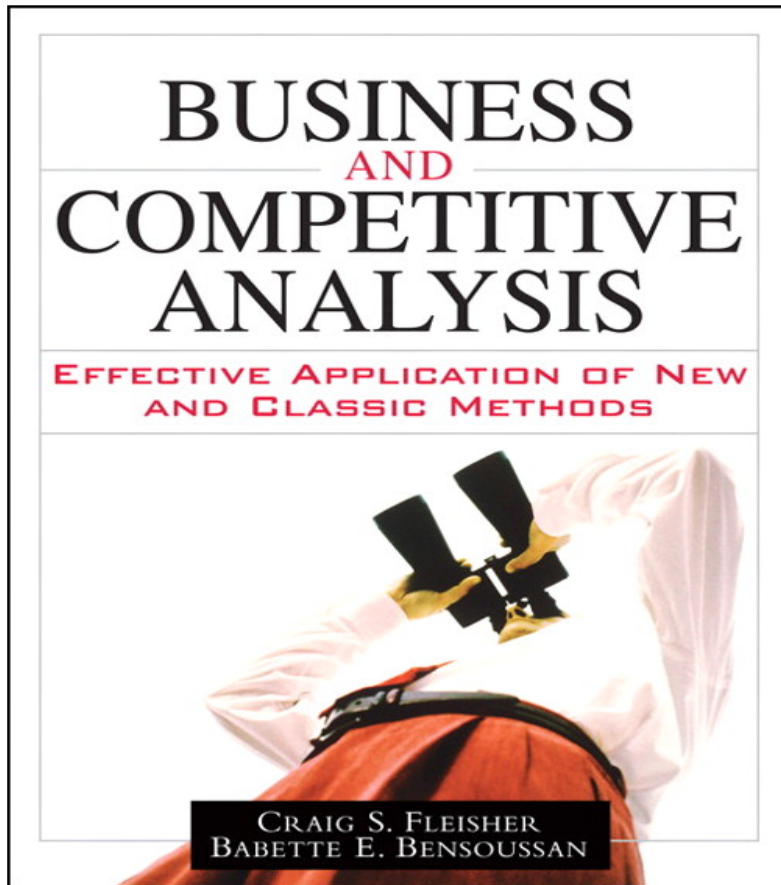


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Related Tools and Techniques

- Blind-spot Analysis
- Competitor Profiling
- Functional Capability and Resource Analysis
- Growth Vector Analysis
- Management Personality and Profiling
- Scenario Analysis
- Strategic Group Analysis
- SWOT Analysis
- Value Chain Analysis

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For More About **Shadowing** and
23 Other Useful Analysis
Methods, see:

Fleisher, Craig S. and Babette E.
Bensoussan

*Business and Competitive
Analysis: Effective Application of
New and Classic Methods*

FT Press
FINANCIAL TIMES

Upper Saddle River, NJ
2007