

Environment Scanning

- The word scanning means to look carefully into or to examine. The term Environmental Scanning in business means to “Carefully analyze the various factors influencing the business”.
- Environmental Scanning is a continuous process. It is a process by which the organizations monitor their relevant environment to identify opportunities and threats affecting their business.

According to **B.W.Denning** “The advocates of systematic corporate planning (strategic management process) base their case on the view that the determination of the future can be improved by a systematic analytical approach which reviews the business as a whole in relation to the environment.”

Need of Environment Scanning

- **Effective Utilization of Resources:**

The key to business success is the most effective utilization of resources. Companies which fails to do so are doomed to failure.

- **Helps in Converting threats into Opportunities:**

Environmental scanning allows the strategies to anticipate opportunities and plan alternative responses to these opportunities. Environmental scanning helps in preventing the threats or develop strategies that can turn threats to opportunities for the benefits of organization. If all the companies were able to do that, then every company would have earned good profits, growth and reputation.

- **Useful for the managers:**

A business manger should be able analyze the environment to grasp the

- **Strategic Management Starts with Environmental Scanning:**

Environmental scanning is the starting point of strategic management. strategy formulation and strategy implementation are the outcome of environment scanning. To implement the strategy, the first thing is formulation of strategy. Again this strategy formulation is based on what impact the environment has on organization in terms of opportunities and threats.

- **Constant Monitoring of the Environment:**

Environmental scanning provides a clear idea about the existing environment. Without environment scanning it would not be possible to know the change in customers tastes=, preferences, competitors moves, latest policies etc.


opportunities or face the threats.

- **Narrowing Down the Opportunities:**

An in-depth and meaningful environmental scanning assists the strategists to reduce the range of available alternatives and eliminate options that are totally inconsistent with the forecast opportunities or threats. Of these alternatives and options, which is the viable and promising has to be traced out.

Process of Environment Scanning





Environmental analysis process is not static but a dynamic process. It may differ depending on the situation. However general process with few common steps can be identified as the process of environmental analysis they are:

- **Identifying Environmental Factors:**

All strategist should identify all the relevant factors that might affect their business. In this process, one should first know what the internal areas (internal structure, culture, labour management) of the business are. Similarly, a business daily interacts with the close environmental components outside the business such as customers, competitors. Furthermore, general factors such as political, legal, economic etc. are to be identified.

- **Scanning and Selecting Relevant Key Factors:**

Out of all the business environmental factors, a strategist should focus on the relevant factors for analysis. This step basically avoids the overload of unnecessary information.

■ **Defining Variables for Analysis:**

Selected environmental factors are to be further specified into the variables. For example, political situation can be measured using few variables such as instability, reliability and long term effect. Economic environment might cover many variables such as per capita, GDP etc.

■ **Using Different Methods, Techniques and Tools:**

Some of the major methods of analysis can be Scenario building, Benchmarking, Network methods.

Scenario presents overall picture of its total system with affecting factors. Benchmarking is to find the best standard in an industry and to compare the one's strength and weakness with the standard.

Network method is to assess organizational system and its outside environment to find out the SWOT of an organization.

Some of the techniques are Survey, Brainstorming, Historical Enquiry.

Analysis tools can be statistical such as general descriptive tools as mean, median, mode, frequency. Finance & accounting use mostly profitability, leverages and other similar financial tools for analysis.



- **Forecasting Environmental Factors:**


Collecting relevant information and to identify the variables are basics of analysis. Analyzing the past information to predict the future is the main objective of this step.

- **Designing Profile:**

After analyzing the environmental factors they are recorded into the profiles. Such profile record each component or variable into left side and their positive, negative or neutral indicators including their statement in the right side.

Internal areas are recorded in Strategic Advantage Profile (SAP) and external areas are recorded in Environmental Threat and Opportunity Profile (ETOP).

Strength, Weakness, Opportunity and Threat (SWOT) profile can be designed combining both of these two profiles into one.



Strategic Position and Report Writing:

After preparing the profiles strategists prepare formal report that describes the business environment. The report might present issues and best strength of business environment. Based on this report future strategies can be made effectively.

SWOT Analysis

A SWOT analysis is structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective.

