

Topic : Environmental Appraisal

**\*\*Concept of Environment:**

Environment literally means the surroundings ,external object ,influences or circumstances under which someone or something exists.

**\*\*The environment of any organisation is," the aggregate of all conditions events and influences that surround and affect it".**

-the process of strategy formulation starts with and critically depends on the appraisal of the external and internal environment of an organisation.

-there are several sectors into which the external/ general environment could be the classification of the general environment in two sectors helps in organisation to cope with its complexity to comprehend the different influences operating environment and to relate the environmental changes 28 strategic management in organisation may divide its environment into sectors capable of being analysed conveniently. These 8 sectors of the environment are:

- Market environment
- Technological environment
- supplier environment
- economic environment
- regulatory environment
- political environment
- socio cultural environment
- International environment

Let's discuss in detail about these environmental sectors

**\*\*Market environment**-the market environment consists of the factors related to the the groups and other organisation that compete with and have an impact on an organisation's markets and business. Some of the important factors and influences operating in the market environment are as follows:

1. **Customer factors** such as the needs preferences perception attitude values bargaining power buying behaviour and satisfaction of customers.
2. **Product factors** such as the demand image features utility function design price promotion etc.
3. **Marketing intermediary factors** such as levels and quality of customer service middleman distribution channel Logistics etc.

4. **Competitive related factors** such as the different types of competitors entry and exit of major competitors nature of competition and the relative strategic position of major competitors.

**\*\*Technological environment**-the technological environment consist of those factors that are related to the the knowledge applied and the material and machines used in the production of goods and services which have an impact on the business of an some of the important factors and influences operating in the technological environment are as follows:

1. **Sources of Technology** like company source external source and foreign source cost of Technology acquisition collaboration and transfer of Technology.
2. **Technological development**: change and rate of change of Technology and Research and Development.
3. **Impact of technology**: on human beings the man machine system and the Environmental effects of Technology.
4. **Communication and infrastructural Technology** in Management.

**\*\*Supplier environment**: the supplier environment consists of factors related to the cost reliability and availability of the factors of production or services that have any impact on the business of an organisation.

Some of the important factors and influences operating in the supplier environment are as follows:

1. **Cost availability and continuity of** supply of raw materials and components.
2. **Cost and availability of** finance for implementing plans & project.
3. **Cost reliability and availability of** energy e used in the production.
4. **Cost availability dependability of** human resource.
5. **Cost availability and the existence of** sources and nice for the supply of plants in machinery spare parts and after Sales Service.
6. **Infrastructural support and ease of** availability of the different factors of production the bargaining power of suppliers and the existence of substitutes.

**\*\*Economic environment**: the economic environment consists of macro level factors related to the means of production and distribution of wealth which have an impact on the business of an organisation. some of the important factors and influences operating in the economic environment are:

1. The economic stage at which a country exist at a given point of time.
2. The economic structure adopted such as capitalistic socialistic or mixed economy.

3. Economic policies such as industrial monetary and physical policy.
4. Economic planning such as five years plan annual budgets and so on.
5. Economic Indices like national income distribution of income rate and growth of GNP per capita income disposal personal income rate of Savings and investment value of export and import the balance of payment and so on.
6. Infrastructural factors such as financial institution banks modes of transportation communication facilities and so on.

**\*\*Regulatory environment:** the regulatory environment consists of factors related to planning promotion and regulation of economic activities by the government that have any impact on the the business of an organisation. Some of the important factors and influences operating in the regulatory environment are as follows:

1. The constitutional framework Directive principles fundamental rights and division of Legislative powers between Central and state government.
2. Policies related to licensing monopolies and financing of industries.
3. Policies related to distribution and pricing and their control.
4. Policies related to imports and export.
5. Other policies related to the public sector small scale industry sick industries development of backward areas control of environmental pollution and consumer protection.

**\*\*Political environment:** the political environment consists of factors related to the management of public affairs and their impact on the business of an organisation. Some of the important factors and influences operating in the political environment are:

1. The political system and its features like the nature of political system ideological forces political parties and centres of power.
2. Political structure its goals and stability.
3. Political processes like the operation of the party system elections funding of elections and legislations with respect to economic and industrial promotion and regulation.
4. Political philosophy government role in business and its policy and interventions in economic and business development.

**\*\*Socio cultural environment:** the socio cultural environment consists of factors related to human relationships within a society the development forms and functions of such relationship and the learnt

and shared behaviour of groups of human beings which have a bearing on the business of an organisation. Some of the important factors and influences operating in the social environment are:

1. Demographic characteristics such as population its density and distribution changes in population and age composition interstate migration rural urban mobility an income distribution.
2. Social cultural concerns such as environmental pollution corruption use of mass medium the role of business in society and consumerism.
3. Social cultural attitudes and values such as expectation of society from business social customs belief rituals and practices changing Lifestyle.
4. Family structure and changes in it attitude towards and within the family and family values.
5. The role and position of men women children adolescence And The aged in family and Society.
6. Educational levels awareness and consciousness of rights the work ethic of the member of society and the attitude towards minority and disadvantaged group.

**\*\*International environment:** the international environment consists of all those factors that operate at the transnational cross cultural and across the border level which have an impact on the business of an organisation. Some of the important factors and influences operating in the international environment are as follows:

1. Globalisation its process content and direction.
2. Global economic forces organisation blocks and forums.
3. Global trade and Commerce it process and trends.
4. Global financial system sources of Financing and accounting standards.
5. Jio Political situation alliances and strategic interest of nation.
6. Global Markets and competitiveness.
7. Global Legal system education and arbitration mechanism
8. Global information system communication network and media.
9. Global technological and quality system & standard.

#### **Environmental scanning:**

**\*\*Factors to be considered for environmental scanning:** these factors are as follows-

1. **Events** are important and specific occurrences taking place in different environmental sectors.
2. **Trends** are the the general tendencies for the course of action along which events takes place.

3. **Issues** are the current concern that arises in response to events and trends.
4. **Expectations** are the demands made by interested groups in the light of their concern for issues.

**Approaches to environmental scanning: the three important approaches are as follows:**

1. **Systematic approach:** under this approach information for environmental scanning is collected systematically. Information related to markets and customers the changes in legislations and regulations which have a direct impact on UN organisations activity government policy statement pertaining to an organisation's business and industry so on could be collected continuously to monitor changes and take the relevant factors into account. Continuously updating such information is necessary not only for strategic management but also for operational activities.
2. **Ad Hoc approach:** using this approach an organisation may conduct special service and studies to deal with specific environmental issues from time to time. Search studies may be conducted for instance when an organisation has to undertake special projects evaluate existing strategies or devise new strategies. Changes and unforeseen development may also be investigated with regard to their impact on the organisation.
3. **Processed form approach:** to adopt this approach an organisation uses information in a processed form available from different sources both inside and outside the organisation. When in organisation uses information supplied by government agencies for private institutions it uses secondary sources of data and the information is available in a process form.

**\*\*\*\*Since Environmental scanning is absolutely necessary for strategy formulation organisation use different practical combinations or approaches to monitor their relevant environment. These approaches may range from an informal assessment of environmental factors to a highly systematic and formal procedure.**

**Sources of information for environmental scanning;**

**-Secondary sources of information** such as different types of Publication. These could be newspapers magazines journals books trade and industry Association newsletter government Publications annual report of competitors etc.

-Mass media such as radio television and the internet.

-Internal sources like company documents management information system database company employees and so on.

-External agencies like customers marketing intermediaries suppliers trade Association government agencies and so on.

-Formal studies conducted by employees market research agencies Consultants and educational institutions.

-Spying and surveillance through Ex employees of competitors industrial agencies or by planting moles in Rival companies.