ENVIRONMENTAL SCANNING

- Environment is surrounding around the business with which business is able to move / function smoothly and regularly and continuously.
- Here scanning means looking into all aspects of environments parts. Here environmental analysis enables a business firm to identify its strengths weaknesses, opportunities, and threats.
- The proper evaluation or analysis of the environment helps a firm to formulate effective strategies in various areas of its functions. The significance of environment scanning will be explained as under.

IMPORTANCE OF ENVIRONMENTAL SCANNING

i)   **Identification of strengths:**

The analysis of the internal environment helps to identify the strength of the firm and every organization puts all efforts to maintain and improve its strengths.

For example, every business will see that how we maintain competent & dedicated employees. What will be ways with which we can pursue good HRP & HRD and what will be the methods with which we may have good & improved & latest technology etc?

ii)   **Identification of weaknesses:**

The business analysis gives an idea about business weaknesses. The weaknesses are barriers in the process of development. Therefore every organization try to point out its drawback and will try to improve it. Then the weakness may be in terms of its technology, HR, lack of finance, or in any other areas**.**

iii)   **Identification of opportunities:**

Opportunities generally reside outside the business. Therefore, external environment analysis helps to point out and use for business benefits. The business also undertakes all those efforts to grab those opportunities.

For example, if govt. gives concession or subsidies. Then businesses may cut the prices of their products and may gain a large sell advantage of products.

iv)   **Identification of threat:**

The business may have threats from its competitions or rivals and others. Therefore, environmental analysis helps to identify those threats and helps to defuse them before their effects on business or its functioning.

v)   **Effective planning:**

Environmental scanning help to business in the preparation of the effective plan. The planning is the guide of the business or so it is to be prepared defect-free. The environmental analysis does that and helps businesses.

vi)   **Survival and growth of the business:**

Survival and growth are two basic objectives of any business. Without the attainment of these two, there is no meaning to the existence of the business. So, analysis of the environment ensures the existence of these two objectives and according to the business unit.

vii)   **Facilitates organizing of Resources:**

Business units need different resources, it includes natural, physical, Human resources, etc. These resources are limited in number. Therefore, it should be used in a very conscious way. The analysis of the environment enables the business to organize all these resources in a required and logical manner**.**

viii)   **Flexibility in operations:**

A study of the environment enables a firm to adjust its activities depending upon the changing situation.

ix)   **Corporate image:**

Corporate image means to create a mental picture of the firm in the minds of the customer. Due to the analysis of the environment, there is an overall improvement in the performance of the business, and its effect is there is a good image of the business among all i.e., customer dealer, suppliers, etc.

x)   **Motivation to employees:**

Because of environmental analysis, there are good decisions, improved performances, and introduction of new HR policies, employees in the organization are motivated.

COMPONENTS OF ENVIRONMENTAL SCANNING

1. **Internal Environmental Components-** The components that lie within the organization are internal components and changes in these affect the general performance of the organization. Human resources, capital resources and technological resources are some of the internal environmental components.

2. **External Environmental Components:** The components that fall outside the business organization are called external environmental components. Although the components lie outside the organization, they still affect the organizational activities. The external components can be divided into microenvironmental components and macro environmental components.

Microenvironmental components include competitors, consumers, markets, suppliers, organizations, etc. Macro environmental components include political, legal, economic, cultural, demographic and technological factors.

TECHNIQUES OF ENVIRONMENTAL SCANNING:

There are various techniques of environmental scanning. Some of the important techniques are explain as follows:

1. **SWOT Analysis-** SWOT analysis is an acronym for Strengths, Weaknesses, opportunities and threats analysis of the environment. Strengths and weaknesses are considered as internal factors whereas opportunities and threats are external factors. These factors determine the course of action to ensure the growth of the business.

2. **PEST Analysis-** PEST stands for Political, economic, social and technological analysis of the environment. It deals with the external macro-environment.

3. **ETOP-** ETOP stands for the Environmental Threat Opportunity profile. It helps an organization to analyse the impact of the environment based on threats and opportunities.

4. **QUEST-** QUEST stands for the Quick Environmental Scanning technique. This technique is designed to analyse the environment quickly and inexpensively so that businesses can focus on critical issues that have to be addressed in a short span.