**Week 2: Environmental Analysis**

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Renaissance Learning is an education software provider for kindergarten through twelfth grade. They specialize in providing quizzes and custom content for the students, and then exposing reporting solutions to the teachers.

# Creating value, sustain competitive advantage through environmental scanning strategy

Educational software is a highly competitive environment, containing both for and non-profit organizations. Additional complexity is encountered as the company needs to be adaptive to changes in regulation and student performance standards. To accommodate these challenges the business needs “to use external environmental analysis (Hitt, Ireland, & Hoskisson, 2014).” This process involves four phases: scanning, monitoring, forecasting, and assessing.

The company needs to scan for notifications of change to their environment. This occurs through many channels such as: attending professional conferences, interviewing customers, or subscribing to mailing lists. At Renaissance, there are several teams of employees which report to sales and marketing departments, who focus on this area.

When the business discovers an update of interest, the leadership team will assign an employee to monitor and report on the progress. The assignee will compile status reports, or perhaps spearhead a broader customer outreach.

The results of this work will be used to forecast the influence on the business, enabling the company to be more respond to trends more quickly. If the company fails to embrace a critical trend change in time, they risk losing their completive position. Others will jump at this weakness and steal market share.

Just as it is important to follow trend changes, it equally important to ignore low value updates to the environment. The firm must assess the expected value or risk of the change and plan accordingly. Using the strategy management process during the assessment phase, can assist the company in making the right choice (Hitt, Ireland, & Hoskisson, 2014). The strategic management introduces additional performance feedback information, which can highlight the true value in additional investments into the change.

# Evaluate the company's external environment.

Economic

Renaissance generates the bulk of their revenue by selling software licenses to public school districts in the United States. Improving schools and educating students is a bipartisan topic which reduces the political risk of the business. Their clients can easily seek funding through the many parents within their communities.

Political/Legal

While it is easy to justify the purchasing of their software, the business is not immune to political and legal risks. For example, the Trump administration has recently appointed Betsy DeVos to head the department of education. She will have a different opinion on standards and learning objectives, compared with her predecessors. This can lead to more or different regulation.

Physical

The company offers their software solutions as hosted services on the Internet. This reduces their risk of positioning stores in the wrong locations. It also reduces their risk to shocks of an individual state or cities population dropping.

Demographic

With a business model that targets the K-12 audience, there is risk that the number of students will decline. If the population was too age, like Japan, it could hurt the size of the market (Hitt, Ireland, & Hoskisson, 2014).

Another demographic trend would be the primary language of the students. In 2010, the business identified a trend of Spanish speaking students in southern states. This led the company to create their “STAR Spanish Reading” product, which targeted this new audience.

Sociocultural

Helping to improve student’s ability to: read and understand mathematics, is an area that nearly all sociocultural groups support. However, different groups have strongly different opinions of how that should be accomplished. The business needs to be aware of different groups and ensure marketing conveys a positive message. If not, they run the risk of PTA groups protesting the product and requesting a competition solution.

Technological

In the early days of Renaissance, computers were not prevalent nor was the Internet. This reduced the potential audience of customers for the product. During the 90s and early 2000s the technology improved, and larger schools could purchase hardware to host the systems. Now it is very common for students to have access to smart devices and access content anytime of the day. The content can also be delivered significantly cheaper in the modern era, which enables it to be more rich and interactive.

Global

The business is poorly diversified across the global markets, and needs to make improvements here. For example, providing software for children in Europe and Asia would increase the market size. As the market size increases, so does the potential to profit and generate revenue for the shareholders.

# Assess the company's general environment.

Overall the business is well positioned to continue making high returns for years to come; as the environment is both growing and the products are well received. Their primary focus is selling directly to school districts, which are funded through governmental grants.

The business is also rich is intangible resources, such as a strong brand which is well received by the customers.

# Evaluate the organization's industry operating environment.

The educational industry is flourishing, which is both good and bad for Renaissance. Due to the increase of interest, there is likely to be an increase to the number of competitors. Many of these competitors, such as Kahn Academy, offer similar services for free. Over time this can lead to a commoditization of the industry and lead to reduced margins.

Modern technology, such as cloud computing, are removing high fixed cost barriers that previous kept out new entrants to the problem space. This enables businesses to be more agile and release new features quickly and respond to changes faster.

# Conclusions

Business does not take place inside of a vacuum, which requires the leadership teams to understand the external environment that drives their decisions. Successful companies will seek to be proactive instead of reactive, which can be accomplished by: scanning, monitoring, forecast, and assess changes around them. The results of this process can be fed into the strategic management process, to further focus on creating value for the customer.

There are many aspects to the environmental of the organization, such as: economic, political, and demographics too name a few. As these areas change there are risks and rewards for the company to seek out. However, it requires a clear understanding of how these systems interact with the business. For example, a growth in Spanish speaking students led to the STAR Spanish Reading product.

Renaissance is well positioned to execute within this environment as they as a well-established brand, and have long term relationships directly with the school districts. The company needs to be causious competitors do not pop up within their prosperous industry. It is becoming both more lucrative and cheaper for new entrants as time continues onward.

# References

Hitt, M., Ireland, D., & Hoskisson, R. (2014). *Stategic Management: Concepts and Cases.*