

## ETOP a Diagnosis tool

### Meaning

ETOP analysis is a management tool that analyses environmental information and determines the relative impact of threats and opportunities for the systematic evaluation of the environment. Environment scanning is the process of gathering, analyzing and dispensing information for tactical or strategic purposes.

ETOP process involves dividing the environment into different environmental sectors and then analyzing the impact of each sector on the organization.

ETOP gives a clear picture to the strategies about each aspect of the business environment, the various individual factors within each sector which affect the business favorably or otherwise.

Environmental Threat & Opportunities Profile (ETOP)		
ENVIRONMENTAL SECTOR	NATURE OF IMPACT	IMPACT OF THE SECTOR
ECONOMIC	↑	Burgeoning middle class, rising disposable incomes, lifestyle changes.
MARKET	→	Several major players, lots of small players and a large unorganised sector, margin pressures.
GLOBAL	↓	Global slowdown, cheaper imports, US\$, crude prices.

Environmental Threat & Opportunities Profile (ETOP)		
ENVIRONMENTAL SECTOR	NATURE OF IMPACT	IMPACT OF THE SECTOR
POLITICAL	↓	Coalition compulsions, lack of direction, instability.
REGULATORY	→	Too many controls, inspector raj, documentation and licensing, reservations for SSI etc.
SOCIAL	↑	Changing attitudes, acceptance of new social values and norms, new ideas and liberal outlook.

Environmental Threat & Opportunities Profile (ETOP)		
ENVIRONMENTAL SECTOR	NATURE OF IMPACT	IMPACT OF THE SECTOR
TECHNOLOGY	↑	Cheaper technology development, skilled and trained indigenous talent.
SUPPLIERS	→	Too few vendors, new suppliers reluctant to enter the market. Pricing and scheduling issues.

Some of the key elements for increasing the flexibility are as follows:

- (a) The strategy for flexibility must be stated to enable managers adopt it during unique situations.
- (b) Strategies must be reviewed and changed if required.
- (c) Exceptions to decided strategies must be handled beforehand. This would enable managers to violate strategies when it is necessary.

(d) Flexibility may be quite costly for an organization in terms of changes and compressed plans; however, it is equally important for companies to meet urgent challenges.

## **Advantages of ETOP**

### **1. Problem Domain**

ETOP analysis can be applied to an organization, organizational unit, individual or team. In addition, the analysis can support a number of project objectives. For example, the ETOP method can be used to evaluate a product or brand, an acquisition or partnership, or the outsourcing of a business function. In addition, ETOP analysis can be beneficial in evaluating a particular supply source, a business process, a product market or the implementation of a particular technology.

### **2. Application Neutrality**

ETOP analysis is conducted by specifying an objective and conducting a brainstorming session to identify internal and external factors that are favorable and unfavorable to the objective's achievement. This approach remains the same whether the analysis supports strategic planning, opportunity analysis, competitive analysis, business development or product development processes.

### **3. Multi-Level Analysis**

You can gain valuable information about your objective's chances by viewing each of the four elements of the ETOP analysis – strengths, weaknesses, opportunities and threats – independently or in combination. For example, identified threats in the business environment, such as new government regulations regarding a product design or the introduction of competing products, might alert the business owner that a proposed investment in a new manufacturing production line should be more carefully evaluated.

In addition, an awareness of a company weakness such as a lack of qualified employees might suggest a need to consider outsourcing particular functions. In turn, opportunities such as the availability of low-interest loans for startups might encourage the entrepreneur to pursue the development of a new product to meet a rising customer demand. In contrast, identified

strengths, such as extensive experience in an industry experiencing rapid international growth, might suggest the need to partner with foreign companies.

#### **4. Data Integration**

ETOP analysis requires the combination of quantitative and qualitative information from a number of sources. Access to a range of data from multiple sources improves enterprise-level planning and policy-making, enhances decision-making, improves communication and helps to coordinate operations.

#### **5. Simplicity**

ETOP analysis requires neither technical skills nor training. Instead, it can be performed by anyone with knowledge about the business in question and the industry in which it operates. The process involves a facilitated brainstorming session during which the four dimensions of the ETOP analysis are discussed. As a result, individual participants' beliefs and judgments are aggregated into collective judgments endorsed by the group as a whole. In this way, the knowledge of each individual becomes the knowledge of the group.

#### **6. Cost**

Because ETOP analysis requires neither technical skills nor training, a company can select a staff member to conduct the analysis rather than hire an external consultant. In addition, ETOP is a somewhat simple method that can be performed in a fairly short time.

### **Disadvantages of ETOP**

#### **1. No Weighting Factors**

ETOP analysis leads to four individual lists of strengths, weaknesses, opportunities and threats. However, the tool provides no mechanism to rank the significance of one factor versus another within any list. As a result, it's difficult to determine the amount of any one factor's true impact on the objective.

#### **2. Ambiguity**

ETOP analysis creates a one-dimensional model which categorizes each problem attribute as a strength, weakness, opportunity or threat. As a result, each attribute appears to have only one influence on the problem being analyzed. However, one factor might be both a strength and a weakness. For example, locating a chain of stores on well-traveled streets that grant easy access to customers might be reflected in increased sales. However, the costs of operating high-visibility facilities can make it difficult to compete on price without a large sales volume.

### **3. Subjective Analysis**

To significantly impact company performance, business decisions must be based on reliable, relevant and comparable data. However, ETOP data collection and analysis entail a subjective process that reflects the bias of the individuals who collect the data and participate in the brainstorming session. In addition, the data input to the ETOP analysis can become outdated fairly quickly.