

Approaches to the Environmental Scanning Process

Environmental Scanning Meaning

In any business organization, there is an internal and external environment. They comprise all the factors that can affect the business of a company in any way. And they also present opportunities for the business to grow and threats that may harm the business. So these environments need constant monitoring. This is where environmental scanning comes into the picture.

Environmental scanning meaning is the gathering of information from an organizations internal and external environment, and careful monitoring of these environments to identify future threats and opportunities. It is the analyses of all factors that may affect the future of the organization.

Now that we know the environmental scanning meaning, let us see the purpose. The purpose of this process of environmental scanning is to provide the entrepreneur with a roadmap to the changes likely to happen in the future. So this way they can adapt the business to overcome the threats and capitalize on the opportunities coming their way.

Basics of environmental scanning as part of the strategic planning process

Environmental scanning is a process that systematically surveys and interprets relevant data to identify external opportunities and threats that could influence future decisions. It is closely related to a S.W.O.T. analysis and should be used as part of the strategic planning process.

Components of external scanning that could be considered include:

- **Trends:** What trends are occurring in the marketplace or industry that could affect the organization either positively or negatively?
- **Competition:** What is your competition doing that provides them an advantage? Where can you exploit your competition's weaknesses?
- **Technology:** What developments in technology may impact your business in the future? Are there new technologies that can make your organization more efficient?

- **Customers:** How is your customer base changing? What is impacting your ability to provide top-notch customer service?
- **Economy:** What is happening in the economy that could affect future business?
- **Labor supply:** What is the labor market like in the geographies where you operate? How can you ensure ready access to high-demand workers?
- **Political/legislative arena:** What impact will election outcomes have on your business? Is there impending legislation that will affect your operations?

Each organization must identify what external factors are most impactful to make the environmental scan a useful tool.

The next step is to conduct an internal scan of the organization. Review the company's vision, mission and strategic plan. Examine the organization's strengths and weaknesses. Consider where the company is now and where it plans to be in five or 10 years. Interview or survey leaders of the company.

Once an organization has gathered information about the external world, its competitors and itself, it should then develop strategies to respond to impacts when the need arises.

When conducting an environmental scan, a variety of methods should be used to collect data, including reviewing publications, conducting focus groups, interviewing leaders inside and outside the organization, and administering surveys.

Environmental scanning is an important component of strategic planning as it provides information on factors that will affect the organization in the future. The information gathered will allow leadership to proactively respond to external impacts.

Importance of Environmental Scanning

1) SWOT Analysis

As we saw previously in the environmental scanning meaning, it is a complex process. The close study of the internal and external environment of an organization will reveal some very valuable

information, i.e. the strengths, weaknesses, opportunities, and threats of a company. Let us take a brief look.

- **Strength:** After analysis of the internal environment of a company, we will be able to identify the strengths that give the company a competitive advantage. The entrepreneur can use this information to maximize these strengths and earn more profits.
- **Weakness:** Study of the internal environment also point out the weaknesses of the company. For the growth and stability of the company, these identified weaknesses must be corrected without delay.
- **Opportunity:** Analysis of the external environment helps with the identification of possible opportunities. The entrepreneur can prepare to capitalize on these.
- **Threats:** Analysis of the external environment will also help in the identification of any business threats from competitors or any other factors. The company can come up with a strategy to diffuse such threats or minimize its impact.

2) Best Use of Resources

Environmental scanning helps us conduct a thorough analysis and hence leads to the optimum utilization of resources for the business.

Whether it is capital resources, human resources or other factors of production, their best use and utilization is very important for any business.

Environmental scanning will help us avoid any wastages and allow for the most effective and economical use of these resources.

3) Survival and Growth of the Business

It is a very competitive world and for any business to survive and thrive it is a difficult task. But if the business employs all the techniques of environmental scanning it can gain a significant advantage.

It will allow the firm to prepare for future threats and opportunities while at the same time eliminating their weaknesses and improving on their strengths.

4) Planning for Long Term

A business must have a plan for both short term and long term. The planning of long-term objectives can only occur after proper analysis and environmental scanning meaning. This will help the entrepreneur plan the necessary business strategy.

5) Helps in Decision Making

Decision making is the choice of the best alternative done by management. Environmental scanning allows the firm to make the best decision keeping in mind the success and growth of the business. They point out all the threats and weaknesses. And they also identify the strengths of the firm.

Approaches to Environmental Scanning

The experts have suggested three approaches, which could be adopted for, sort out information for environmental scanning.

1. Systematic Approach:

Under this approach, information for environmental scanning is collected systematically. Information related to markets and customers, changes in legislation and regulations that have a direct impact on an organization's activities, government policy statements pertaining the organization's business and industry, etc, could be collected continuously updating such information is necessary not only for strategic management but also for operational activities.

2. Ad hoc Approach:

Using this approach, an organization may conduct special surveys and studies to deal with specific environmental issues from time to time. Such studies may be conducted, for instance, when organization has to undertake special projects, evaluate existing strategy or devise new strategies. Changes and unforeseen developments may be investigated with regard to their impact on the organization.

3. Processed-form Approach:

For adopting this approach, the organization uses information in a processed form available from different sources both inside and outside the organization. When an organization uses information supplied by government agencies or private institutions, it uses secondary sources of data and the information is available in processed form.

Sources of Information

A company can obtain information from different sources, but it should be ensured that the information is correct. The correct source should be tapped for specific information for more accuracy. Information received from secondary sources may sometimes even misguide strategy managers.

Hence it is important that information should be verified for correctness before it is processed and decisions are taken based on it.

The various sources from where information can be gathered include:

1. An internal document viz, files, records, management information system, employees, standards, drawings, charts, etc.
2. Trade directories, journals, magazines, newspapers, books, newsletters, government publications, annual reports of companies, case studies, etc.
3. Internet, television, radio news etc.
4. External agencies like customers, suppliers, inspection agencies, marketing intermediaries, dealers, advertisers, associations, unions, government agencies, share holders, competitors, etc.
5. Market research reports, consultants, educational institutions, testing laboratories etc.
6. Spying considered as a powerful way of extracting information from other companies.

It is found that chronological order of information is also quite important for strategy managers. Usually information received from government agencies is quite complex since processing takes more time. The information received from competitors is quite expensive but it is usually fresh and is quite useful.

Techniques Used for Environmental Scanning

The techniques used for environmental scanning may be either very systematic to intuitive. Selection of a technique depends on data required, source of data, timelines of information, relevance, cost of information, quantity, quality and availability of information, etc.

Some of the methods widely used can be categorized as follows: Scenario Writing, Simulation, Single Variable Extrapolation, Morphological Analysis, Cross Impact Analysis, Field Force Analysis, Game Theory, etc. The techniques are either statistical or mathematical in nature. However, judgmental and institutive techniques are also widely used.

The entire process consists of following steps:

1. Major events and trends in environment are studied.
2. A cause and effect relationship established with regard to events and trends for long and short term. This is done through brain storming in a group.
3. Diagrams showing interrelationships amongst various factors are prepared and an attempt is made to quantify the results.
4. The study is reviewed by a group of experts who deliberate on each aspect and on the possible strategies that may be decided.