

# Environmental Scanning

## \* Meaning :->

Environmental scanning means an examination and study of the environment of a business unit in order to identify its survival and prosperity chances. It includes analysis of internal as well as external environment. In short, the process by which organizations monitor their relevant environment to identify opportunities and threats affecting their business is known as environmental scanning.

## \* Definition :

"Environmental scanning is a process of gathering, analyzing and dispensing information for tactical or strategic purposes"

## \* Purpose of Environmental Scanning :

- Effective utilisation of resources
- Constant monitoring of resources
- Strategy formulation
- Identification of threats and opportunities
- Useful for the managers.
- Prediction of future.

## \* Sources of Information for Environmental Scanning:

### 1. Verbal Information:

- Collected by analysts through interaction with different groups of people outside the organization.

For example, they attend seminars and workshops on emerging issues; interact with customers, suppliers, employees, etc.

### 2. Written or Secondary Information:

- This information can be accessed through published and unpublished sources.

For example, information related to government plan and policies can be collected through government publication such as Economic Surveys, journal, newspaper, etc.

### 3. Internal Sources:

- When an organization uses information from their own database.

- In the large organizations, a planning department is setup to collect and retrieves information on various aspects.

- This information database is used by the policy and decision makers at appropriate time.

#### 4. External Sources :

Sometimes managers take helps of various outside agencies for collecting relevant information for environment analysis.

E.g., a organization can hire a BPO firm for collecting ~~ex~~ customer feedbacks.

#### \* Techniques of Environment Scanning :

##### 1. ETOP :

Environmental threats and opportunities profile provides summarized view of environmental factors and their impact on business organization.

ETOP is prepared generally in following manner :

- Listing of environmental factors and events (general as well as relevant environment factors).
- Assess the impact of each factor
- Overall summary

##### 2. SWOT Analysis :

It is a systematic identification or analysis of "Strengths Weaknesses Opportunities and Threats" that exist internal or external to the organization and the strategy that reflects the best match between them.

It bases on the assumption that an effective strategy maximises a business's strengths and opportunities and at the same time, minimises its weaknesses and threats.

### Components of SWOT Analysis :

#### • Strength :

→ It refers to the capacity by which business gains competitive advantage over its competitors.

→ For example, superior research facilities are strength for a business firm. These facilities can be used for developing innovative products at cheaper cost.

#### • Weakness :

→ Weakness refers to limitations or weak areas of firm internal environment.

→ For example, overdependence on a single supplier, limited product line, lack of funds may be limitations or weaknesses of a business.

#### • Opportunity :

→ Favourable conditions in the external environment of business.

> A company can earn extra profits by availing the environmental opportunities.

Threat:

> The unfavourable conditions in external environment are threats for a business

It creates risk for an organization

For Example, the growing competition in the industry, change in government policies and changes in fashion may be threat for business.

PESTLE Analysis:

PESTLE stands for Political, Economic, social, Technological, Environmental and Legal.

It is a strategic arrangement technique that provides a useful framework for analysing the environmental pressures on an organization.

Political Factors:

The political factors include the present political situation of a country.

It may also include international political conditions that may have a bearing on the business.

• Economic Factors :

These factors include all the determinants of the economy and its state, and direction.

• Social Factors :

This set of factors includes the social, behavioural or attitudinal characteristics of a business's current or prospective clients

• Technological Factors :

The advancement in technology are greatly influencing businesses. Performing environmental analysis on these factors shall help business in staying up to date with the changes.

• Environmental Factors :

Every business unit uses environmental resources. It therefore owes an environmental responsibility.

Assessment of environmental factors is equally important for the success of an organization.

• Legal Factors :

The legal factors include the legislative forces which may have a direct or indirect bearing on the business.