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**SUB: STRATEGIC MANAGEMENT**

**M.COM SEM IV**

**TOPIC----ENVIRONMENTAL SCANNING**

Environmental scanning is the monitoring of environmental factors to face opportunities and threats. Monitoring the environment is called as “environmental search” and identifying opportunities and threats based on it is called as “ environmental diagnosis.” Environmental scanning can also be defined as “environmental appraisal” or “environmental analysis.”

# FEATURES OF ENVIRONMENTAL SCANNIN

**1.It is Holistic Exercise:** It is not partial study but the total study of all the environmental components. Since it is imperative to know opportunities and threats, there is need for analysing these factors and components together. Those components are not independent but interdependent. Some components speak of only threat or opportunities while some may speak of both threat and opportunities. Hence there is need for overall study togrther in order to trace the threats and opportunities.

**2.It is an Exploratory Process:** This process is exploratory or ‘heuristic’.The monitoring of environment is related with not only the present developments or details of components but most strategic part is concerned with exploring the unknown future. It is a process of moving from the known to the unknown. The crux of the problem is what could happen and not what will happen per see. Thus, it is a mental process involving sound judgement and juggling of impinging variables based on fertile imagination. It is an exercise of “nine-dot” puzzle.

**3.It is Continuous Process:** It is a continuous process that never ends. It is not ‘stop and go’ but going on for ever. It is like playing with different colours and finding the impact of each colour giving different shades, hues and combination meant for future reference.

**4.It is Indispensible;** It is so basic and strategic that strategic management swears by environment scanning. Without environmental scanning, it is almost impossible for the organisation to trace the opportunities and associated threats and the strategy formulation and implementation which speaks of future. The task of strategic management is to develop the alternative solutions. Hence, environmental scanning is almost indispensible because a strategist can not just proceed without environment scanning.

# OBJECTIVES OF ENVIRONMENTAL ANALYSIS;

**(a)Understanding the Environment :** Environmental appraisal enablesthe firm to get clear idea about the existing competitors, their current operations and future plans. This is inevitable if the firm has to formulate strategy to counteract the competitor’s moves.

**(b).Input-Output Relationship:** A firm, in order to function must procure various inputs such as human, capital, managerial and technical from the environment. These inputs are then converted in to goods and services and made available to those living in the environment.

**(c).Appropriate Strategy Formulation:** Environmental analysis helps in developing strategies and long-term policies of the firm, by analysing opportunities and threats to the business.Mere collection of data is not enough. The information collected must be used in strategic decision making.

**(d).To Predict Future Developments:.** Environment appraisal enables the management yo predict future developments to make the invisible more visible and , thusm lessen the uncertainty about the future in the face of spectacular, powerful and rapid environmental changes.

**(e).Optimum Utilization of Resources:** It helps in effective utilization of the company’resources, because it provides:

(i).A framework for identifying and analyzing strengths, weaknesses, opportunities and threats.

(ii).An impetus to analyze a situation and develop suitable strategies and tactics.

(iii).A basis for assessing core capabilities and competencies.

**(f).Other Objectives:**

(i).To keep oneself dynamic in the management of the organisation.

(ii).To understand the transformation of the industry environment.

(iii).To develop the action plans to deal with the technological changes which can affect the organisational performance.

(iv).To make one aware of the environment organisation linkage.

**TECHNIQUES OF FORECASTING ENVIRONMENTAL FACTORS**

**It depends on the following point**

(i).The type and extent of data available.

(ii).The extent of accuracy required or expected.

(iii).The budget available for the purpose of forecasting.

(iv)The environmental factor in particular to be forecasted.

(v).The time within which forecasting and hence planning or decision-making has to be done.

(vi).The quality of work –force available with the organisation for the purpose forecasting.

**Technique used for forecasting:**

**(i).Survey method**

**(ii)Historical Method**

**(iii).Analysis of Time Series**

**(iv)Extrapolation Method**

**(v)Regression Analysis**

# LIMITATIONS OF ENVIRONMENTAL ANALYSIS

# 1.Unexpected Events: Environmental analysis cannot eliminate uncertainty, as the environmental analysis does not foretell the future. By environmental analysis, uncertainties can be minimized.

# 2.Not a Sufficient Guarantor: It is not a sufficient guarantor of organisational effectiveness. It is only one of the inputs in the strategy development and testing.

# 3.Inaccurate Data: The result of environmental analysis will be reliable only when the data used in forecasting is correct. But it is quite possible that data used in forecasting is inaccurate. It may reduce the effectiveness of environment analysis.

# 4.Too Much Information: Too much information iscollected through environmental scanning. When there is overloading of information, one is likely to get confused and lost.

# 5.Overcautious Approach: Success lies in adventure and strategic risk taking. It includes those who hesitate to step forward. Environmental analysis often makes an individual too cautious in his approach and he is likely to be overtaken by events . So, this analysis should be strategically done.

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