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Department of Commerce
M.Com Semester II

Paper Name: Strategic Management
Paper Code: CCCOM202
Unit I: Introduction
Topic: Environment Scanning- Meaning and Techniques

Environment Scanning:

Imagine you're a captain navigating a ship. Before you set sail, you need to understand the weather, the water currents, and potential obstacles to ensure a safe journey. Similarly, in business, environment scanning involves looking at the outside world to understand factors that might affect your company's success.

Environment scanning is a crucial component of strategic management that involves systematically analyzing the external and internal factors that can impact an organization's performance and decision-making.

Techniques of Environmental Scanning

Various techniques are used for environment scanning, including ETOP, PEST, and SWOT analysis. Let's delve into each of these techniques with examples:

(a) ETOP (Environmental Threats and Opportunities Profile)

Think of ETOP as a checklist of things that could help or harm your business. Just like how a farmer considers both good weather (opportunity) and pests (threats) for a good harvest, ETOP helps a company identify opportunities to grow and threats to avoid. ETOP analysis focuses on identifying the key external opportunities and threats that an organization might face in its business environment. It helps in understanding the competitive landscape and the potential areas for growth and challenges.

Illustrations:

Opportunity: A growing interest in healthy eating could be an opportunity for a health food company to introduce new products.

Threat: New regulations on pollution could be a threat to a factory that doesn't follow environmentally friendly practices.

Let's consider a retail company operating in the fashion industry.

Opportunities: The company identifies an increasing trend towards sustainable fashion, which could be a growth opportunity by offering eco-friendly products.

Threats: Economic instability could pose a threat as it might lead to reduced consumer spending on luxury items like clothing.

(b) PEST Analysis

PEST is like looking at different angles of a situation. It stands for Political, Economic, Social, and Technological factors. Imagine you're buying a new phone. You'd consider the government regulations affecting the phone (political), your budget (economic), whether your friends use similar phones (social), and the latest features (technological). PEST analysis examines the macro-environmental factors that can impact an organization. It looks at political, economic, social, and technological trends and their potential effects on the business.

Illustration 1: In business

Political: New taxes on imported goods might affect a company that relies on foreign suppliers.

Economic: A recession could impact people's spending habits and affect a luxury brand's sales.

Social: Changing attitudes towards eco-friendly products could influence companies to adopt sustainable practices.

Technological: Advances in automation could change how factories operate and impact jobs.

Illustration 2: A technology company in the smartphone industry.

Political: Changes in international trade policies can affect the company's supply chain and manufacturing costs.

Economic: Economic downturns can lead to decreased consumer purchasing power, impacting the demand for high-end smartphones.

Social: Shifting consumer preferences towards privacy and data security can influence product development.

Technological: Rapid advancements in mobile technology might require the company to continuously innovate to stay competitive.

(c) SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)

SWOT analysis is a comprehensive framework that evaluates an organization's internal strengths and weaknesses along with external opportunities and threats. It provides a holistic view of the strategic position.

Illustration: An automobile manufacturer.

Strengths: Strong brand reputation, advanced manufacturing facilities.

Weaknesses: High production costs due to outdated machinery, limited electric vehicle offerings.

Opportunities: Growing demand for electric vehicles, expansion into emerging markets.

Threats: Increasing competition from new entrants, stricter environmental regulations.

In practice, these techniques are often used in combination to provide a more comprehensive understanding of the environment. For instance, PEST analysis can help identify trends and issues, which are then used to generate the opportunities and threats in SWOT analysis. The insights from ETOP analysis can be integrated into SWOT analysis to enhance strategic decision-making.

It's important to note that environment scanning should be an ongoing process, as the business environment is dynamic and constantly changing. Regularly updating these analyses helps organizations adapt to new circumstances and make informed strategic choices.

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