Acquire information to guide business decision-making.

2.02

Define the term environmental scanning.

Environmental Scanning

An analysis and evaluation process that businesses use to understand their current environment.

Identify environments that businesses should scan to obtain marketing information.

Internal Environments

- Financial Resources
- Human Resources
- Location
- Company Image
- Research and Development
- Production
- Marketing

External Environments

   ଔ Demographics—The physical and social characteristics of the population

   ଔ Society and Culture

      ଔ Society—The community of people living in a particular region and having shared customs, laws, and organizations

      ଔ Culture—consists of the beliefs, behaviors, objects, and other characteristics common to the members of a particular group or society. Through culture, people and groups define themselves, conform to society's shared values, and contribute to society

External Environments Continued

ﾟ Economy—Activities related to the production and distribution of goods and services in a particular geographic region; The correct and effective use of available resources.

ﾟ Competition—Brand competition; Competition between two similar products; Competition for substitute products; and Competition among all businesses for scarce customer dollars

ﾟ Government—The governing body of a nation, state, or community; the system by which a nation, state, or community is governed

ﾟ Technology—The application of scientific knowledge for practical purposes, esp. in industry; machinery and equipment developed from such scientific knowledge

Discuss the purpose of environmental scanning.

Why Scan?

The aim is to identify trends, gaps, events, developments, and issues that will impact the businesses.

Discuss factors involved in conducting an environmental scan.

℆

 In general the factors are classified in factors influencing the demand/need for services (and products),

 the supply of inputs to the project/organization concerned,

 the competition and collaboration and general policy factors. The factors are also classified with respect to the positive (+) or negative (-) influence on the organization and whether or not the factor can be influenced or just be appreciated (known and understood).

The factors which need to be considered for environmental scanning are

events, trends, issues and expectations of the different interest groups.

Issues are often forerunners of trend breaks. A trend break could be a value shift in society, a technological innovation that might be permanent or a paradigm change.

Issues are less deep-seated and can be 'a temporary short-lived reaction to a social phenomenon'. A trend can be defined as an 'environmental phenomenon that has adopted a structural character'.

Kroon,J. (1995), "General Management" (2nd Edition), *Pearson South Africa*, p. 76

Examples of Market Trends

- Changing customer needs, such as increasing or decreasing product or service usage
- Changing demographics, such as the trend for children to stay at home longer
- Pricing, such as a market trend to discounting
- Technology, such as the increasing use of online purchasing
- Economy, such as interest rate changes
- Global factors, which are changes in the world economy
- Social factors which are changes in social behavior such as online networking
- Communication/Media such as the increased use of social media by certain customers
- Cyclical such as housing demands will affect the construction market

http://www.m4bmarketing.com/market-trends-small-business/

Internal Analysis

Internal Analysis

The internal analysis is a comprehensive evaluation of the internal environment's potential strengths and weaknesses. Factors should be evaluated across the organization in areas such as:

- Company culture
- Company image
- Organizational structure
- Key staff
- Access to natural resources
- Position on the experience curve
- Operational efficiency
- Operational capacity
- Brand awareness
- Market share
- Financial resources
- Exclusive contracts
- Patents and trade secrets

Demographics

Examples:
- Age
- Gender
- Income
- Employment status
- Family status
- Education
- Geographic location
- Religious affiliation
- Race/Ethnic origin

Demographics Continued

ରେ Businesses must pay close attention so that they can identify trends in demographic data.

ରେ Current trends in the U.S.:

     ଓଃ Aging of the population

     ଓଃ Increased populations of minority groups

Society and Culture

∞
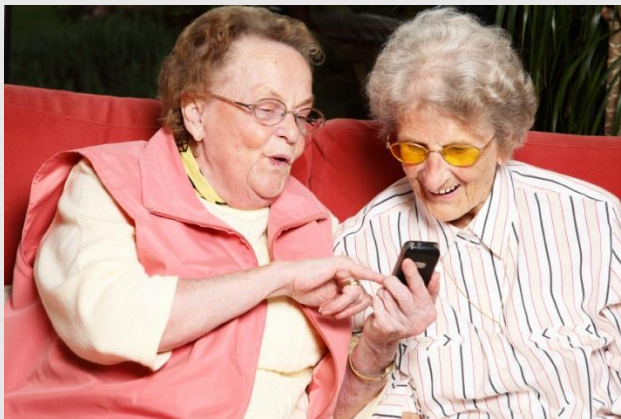
ও What do customers value?

ও What are their attitudes toward the world around them?

ও Our society is transforming at a rapid rate.

ও Successful businesses stay on top of changes so they can remain sensitive to customer needs and wants.
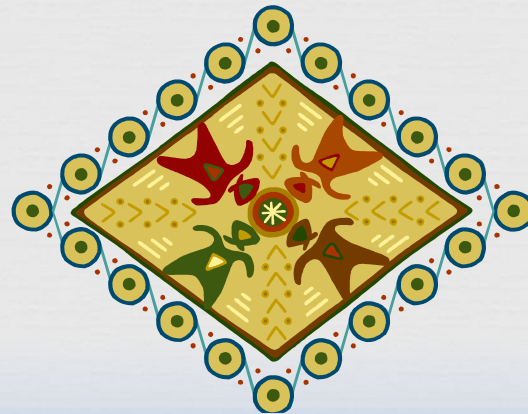
Society and Culture Continued

❧

☙ Examples of social trends that affect business decision making:

  ☙ Changing family roles:

   ☙ More working moms

   ☙ More single parents

   ☙ More two-income households

   ☙ More diverse attitudes about what a family is

   ☙ More diverse attitudes about roles within families

Society and Culture Continued

ॐ Need for convenience

   ॐ People are busier than ever.

   ॐ Customers are often willing to pay more for products that save them time or fit into their hectic schedules.

   ॐ Examples:

      ॐ Frozen dinners

      ॐ Drive-thrus

      ॐ 24-hour gyms

Society and Culture Continued

∞

Concern for fitness and health—has affected businesses in all industries

Going "green"—customers are concerned about the environment but also about their wallets

Economy

- People must have money and be willing to spend it.
- Stage of the business cycle (prosperity, recession, recovery, etc.)
- Inflation
- Interest rates
- Unemployment rates
- Investor confidence
- Tax rates
- Currency exchange rates
- Foreign economic conditions

Competition

- Brand competition
  - Competition between two similar products
  - Example—Chevy v. Ford; Pepsi v. Coke
- Competition for substitute products
  - Competition between two different products that satisfy the same need
  - Example—movie theaters vs. bowling alleys
- General competition—competition among all businesses for scarce customer dollars

Government

Changing laws and regulations, such as:
- Minimum-wage laws
- Environmental-protection laws
- Worker-safety laws

Monetary and fiscal policies

Import/export restrictions and regulations

Government relations with specific industries (Example: subsidies for agricultural businesses)

Marketing-specific legislation

State and local laws

Political climates and stability in foreign markets

Technology

Technology

- Perhaps the most rapidly changing category of information
- Falling behind on technology has been the downfall of many businesses.
- High-tech businesses aren't the only ones that need to monitor technology.
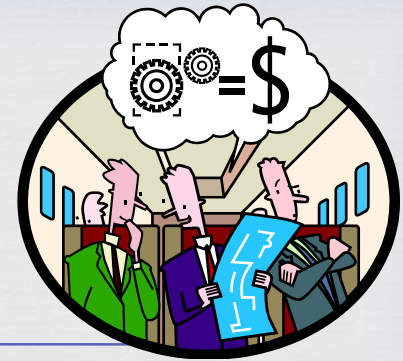
# Explain reasons for conducting an environmental scan.

Reasons

 Regular monitoring of the environment provides you the capability to formulate essential adjustments in the organization's reaction to the factors that can turn out to be the difference between success and failure.

 An environmental scan is conducted to collect data to answer questions about the *present* and *future*.

 Aids in anticipating changes

 Answers the question, "Where are we now?"

 Provides a starting point for businesses' planning of goals, objectives, and actions that answer the question, "Where do we want to be?"
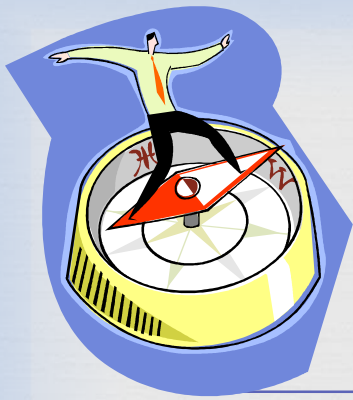
Reasons Continued

- Fast changes in today's market and recent and emerging business practices make it is easy for an organization to fall behind

- To keep up in areas such as technology, regulations, and various rising trends

- Reduces the possibility of being blindsided

- By understanding two elements: external influences and the organization's internal practices, an organization can take action in a more suitable and efficient manner

http://www.123helpme.com/organizational-environmental-scanning--view.asp?id=164873

Describe tools that are used to conduct environmental scans.

Tools

 SWOT—Strengths, Weaknesses, Opportunities, and Threats
  (specific analysis of your own business)
 STEEP—Social, Technological, Economic, Ecological, and Political
  General awareness of the industry or service area you operate in
 PEST– Political, Economic, Social, and Technological
  Classic situational analysis headings, guaranteed to prompt nods of approval when used in business presentations. You may see 'Environmental' used instead of 'Economic' depending on the context. Either version is actually a very useful analysis and interpretation tool for business and marketing situations. PEST is sometimes extended to 'PESTELI' in which the headings: Ecological (or Environmental), Legislative (or Legal), and Industry Analysis are added, and other variations.

Other Tools

- Surveys
- Questionnaires
- Focus groups
- Informal conversations
- Newspapers, magazines, trade journals
- Television news and programming
- Market research studies
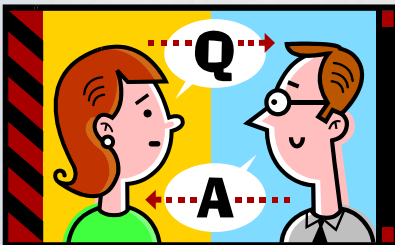
Sources for Conducting an Environmental Scan

Ↄ Interviews with business officers, owners, managers

Ↄ Comments made by business officers, owners, managers

Ↄ National and local newspapers

Ↄ Trade publications

Ↄ Business magazines

Ↄ Websites: Hoover's, Morningstar, brokerage firms, credible financial sites

Ↄ Observations

Ↄ Research findings

Ↄ Input from professional organizations

Discuss the use of environmental scans to facilitate management decision making.

Environmental Scanning is a method that allows decision makes to both understand the external environment and the interconnections of its various sections and to translate this understanding into the business' planning and decision-making.

Scanning provides strategic intelligence useful in determining organizational strategies.

The goal of environmental scanning is to alert decision makers to potentially significant external changes before they crystallize so that decision makers have sufficient lead time to react to the change.

Continuous scanning is required if decision makers are to understand, anticipate, and respond to the threats and opportunities posed by changes in the external environment.

Morrison, J.L. (2005, March 9). *Environmental scanning*. Retrieved April 11, 2011, from http://horizon.unc.edu/courses/papers/enviroscan/

Demonstrate procedures for conducting an environmental scan.

Steps

❧ **Step One:** Identify the purpose, participants and time commitments.

❧ **Step Two:** Carry out the scanning activities.

❧ **Step Three:** Analyze and interpret the strategic importance of issues and trends.

❧ **Step Four:** Select issues and trends for further action.

❧ **Step Five:** Report and disseminate the results.

❧ **Step Six:** Scan on a continuous basis.

Step One: Identify the purpose, participants and time commitments.

ෙ What is the purpose of the environmental scanning?

ෙ Who will participate in environmental scanning?

ෙ What specific tasks will they be responsible for?

ෙ What are the time commitments?
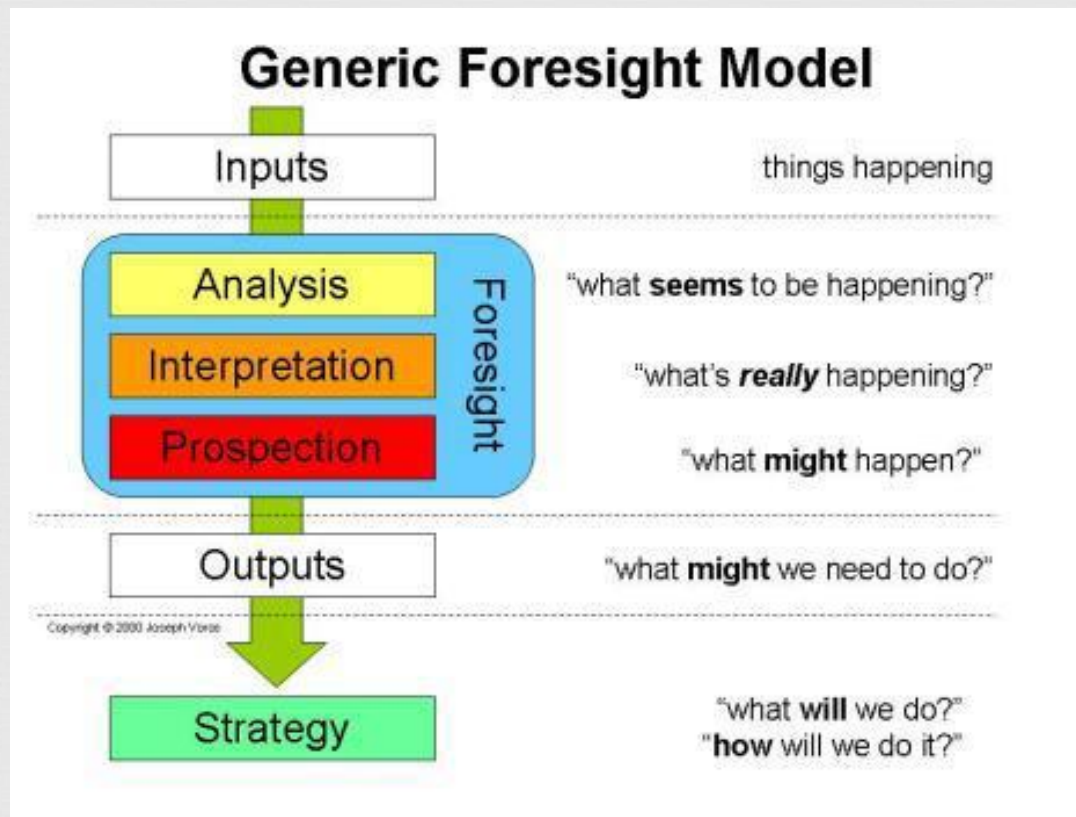
Step Two: Carry out the scanning activities.

❧

- SWOT, STEEP, and/or PEST Analyses
- Surveys
- Questionnaires
- Focus groups
- Informal conversations
- Newspapers, magazines, trade journals
- Television news and programming
- Market research studies

Step Three: Analyze and interpret the strategic importance of issues and trends.

ೞ What is the current external environment? What are the implications of these issues for business?

ೞ What key forces in the business's environment need to be addressed and which ones are less important?

ೞ What trends and issues are affecting business?

ೞ What is the impact of the trends on business?

ೞ How might the environment change in the future?

ೞ How will businesses' decisions and actions influence this environment?

ೞ How do customers, interest groups, community organizations, agencies or governments impact the environment?

ೞ What factors are within a business's control and which are beyond its influence?

ೞ What could a business do to affect the impact of these factors?

Step Three Continued

Generic Foresight Model

Step Four: Select issues and trends for further action.

Ꮳ�还

- ᏣᏅ Not all issues and trends can be addressed at once.
- ᏣᏅ Prioritize for selection:
  - ᏣᏅ Is it relevant to your business?
  - ᏣᏅ Will it give you an advantage?
  - ᏣᏅ Will the results be significant, noteworthy, a major or minor consequence?
  - ᏣᏅ Is it feasible and realistic to achieve the results in the selected areas?
  - ᏣᏅ Will addressing a particular issue maximize the reach and spread of the goal?
  - ᏣᏅ Is the issue / problem urgent?

Step Five: Report and disseminate the results.

ଓ The report should synthesize and summarize the environmental scan for key decision–makers. The report should include a summary of key trends in the short-, medium-, and long-term with a sense of prioritization that will present a clear and concise picture of the environment for your business and the possible decisions, strategies, plans, and resources that will likely be required to deal appropriately with these trends.

ଓ The report should summarize and clarify whether the business's current strategic direction, mandate, complement of programs and services, and capacity are adequate to address the pressures of the environment in the short- and medium-term. A key question being answered is: what would it take to make your business more profitable? Does your business have the ability to clearly deliver on its stated strategies? Are new strategies or approaches required to better deliver on stated commitments?

Environmental Scan Report

ೞArea of Analysis

ೞIssue(s)/Trend(s)

ೞBrief Analysis

ೞSource(s)

ೞImpact of Trend(s)

ೞProposed Action(s) to Take

Step Six: Scan on a continuous basis.

❧

- It's not a one-time activity, or even a once-a-year activity.
- It must be conducted on a continuous basis since the environment is dynamic and new trends can arise at any time.
- Scanning on a continuous basis allows your business to:
  - Act quickly
  - Take advantage of opportunities before competitors do
  - Respond to threats before they can cause damage

Performance Activity

ᘒ Conduct an environmental scan to identify ways in which economic, legal, political, socioeconomic, global, and technological environments are impacting local businesses.

ᘒ Conduct both primary and secondary research to determine how these different factors are affecting the businesses, as well as how the businesses are responding to those factors.

ᘒ Develop a written report detailing your findings, and insert your report into your VIP portfolio. Review and update your findings quarterly.