

BUSINESS ENVIRONMENT

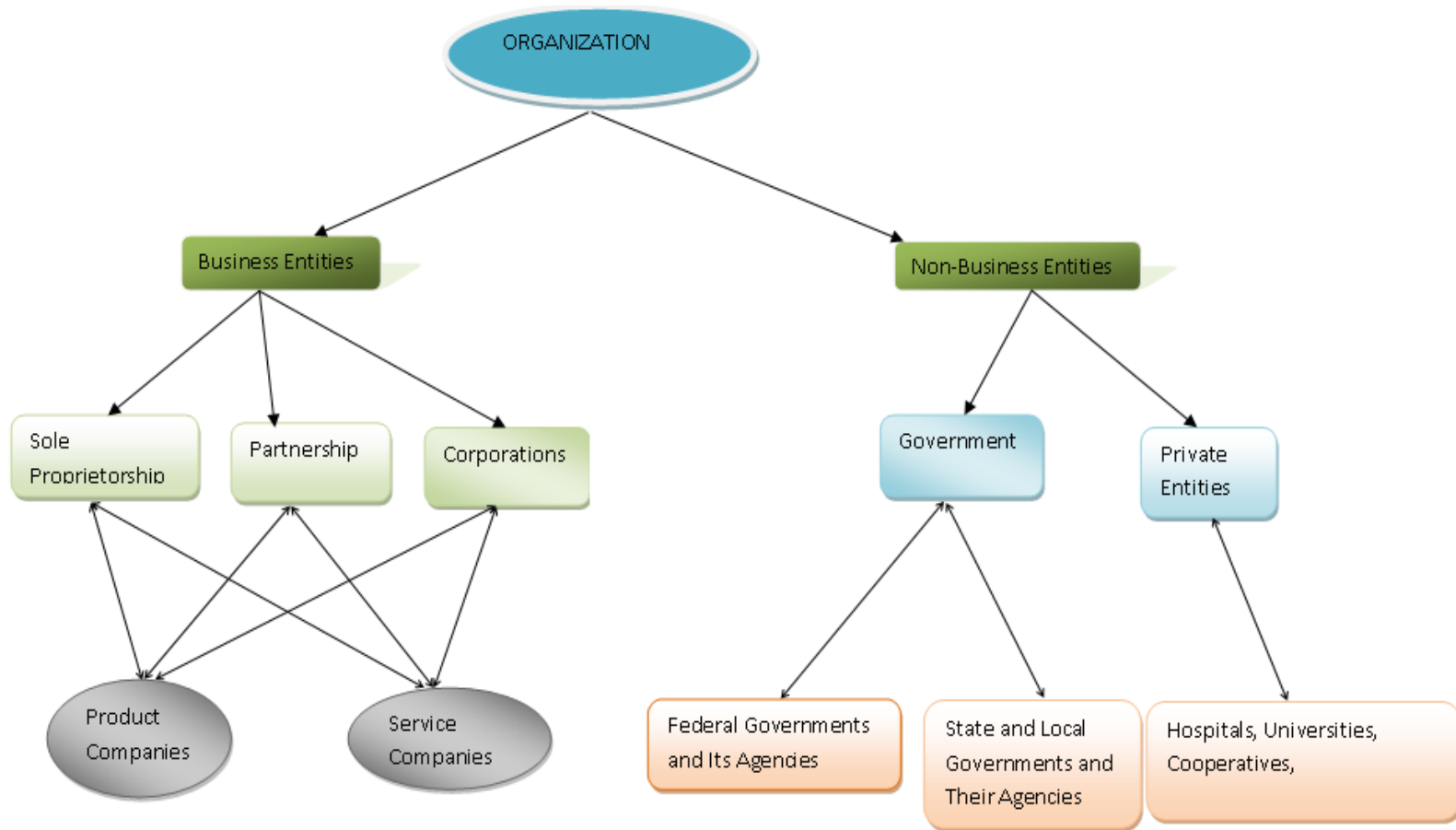


ORGANIZATIONS

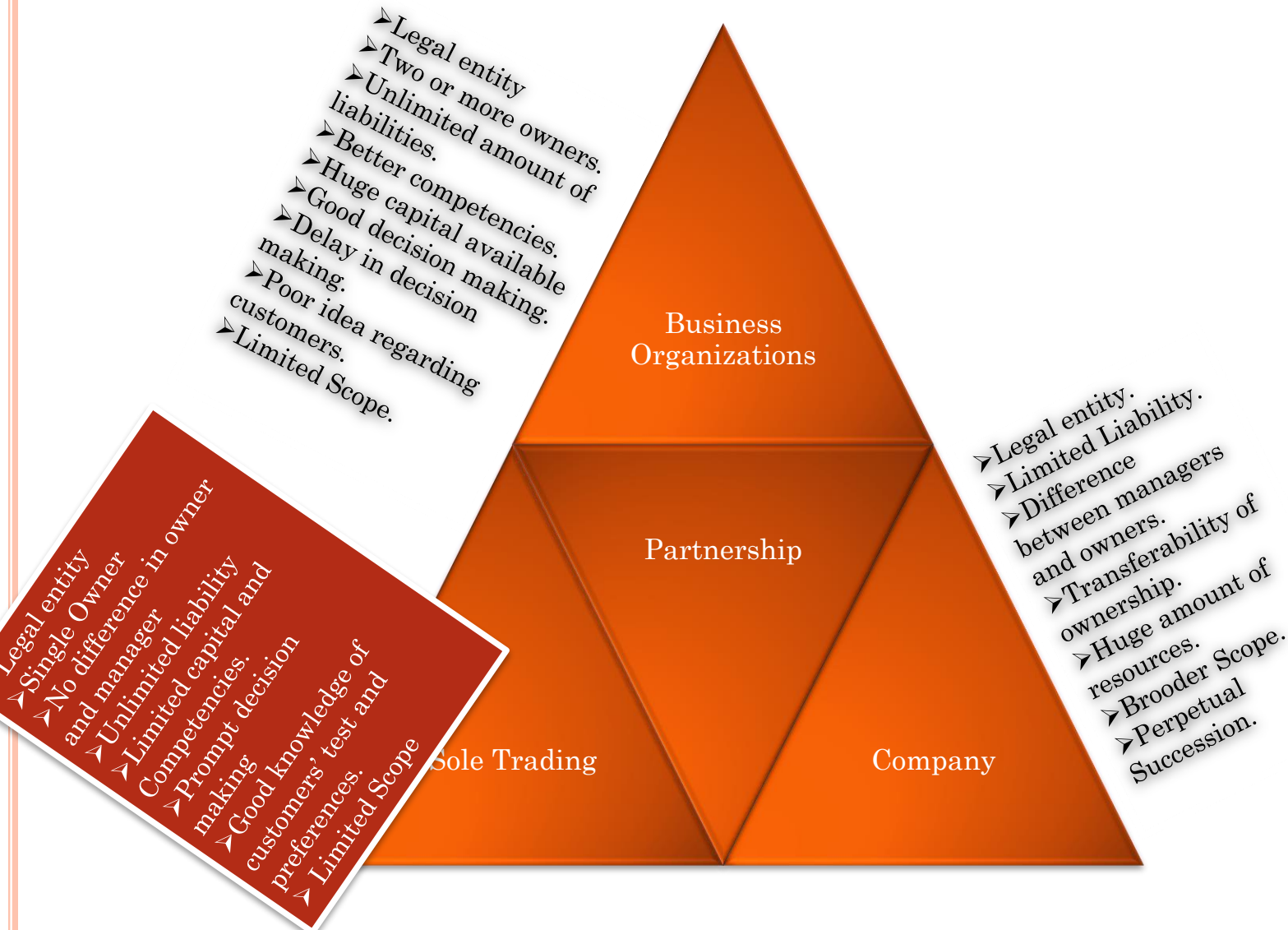
- An organization is a consciously coordinated social unit composed of two or more people that functions on a relatively continuous basis to achieve a common goal or set of goals (Robbins, 2000).
- A group of people working together in structured and coordinated fashion to achieve a set of goals (Griffin, 2008).
- Characteristics:
 - People
 - Common Goal
 - Hierarchy of authority
 - Division of labor
 - Social institutions
 - Structured and coordinated fashion
 - Transactional and transformation process
 - Environment



ORGANIZATION TYPOLOGY



CHARACTERISTICS



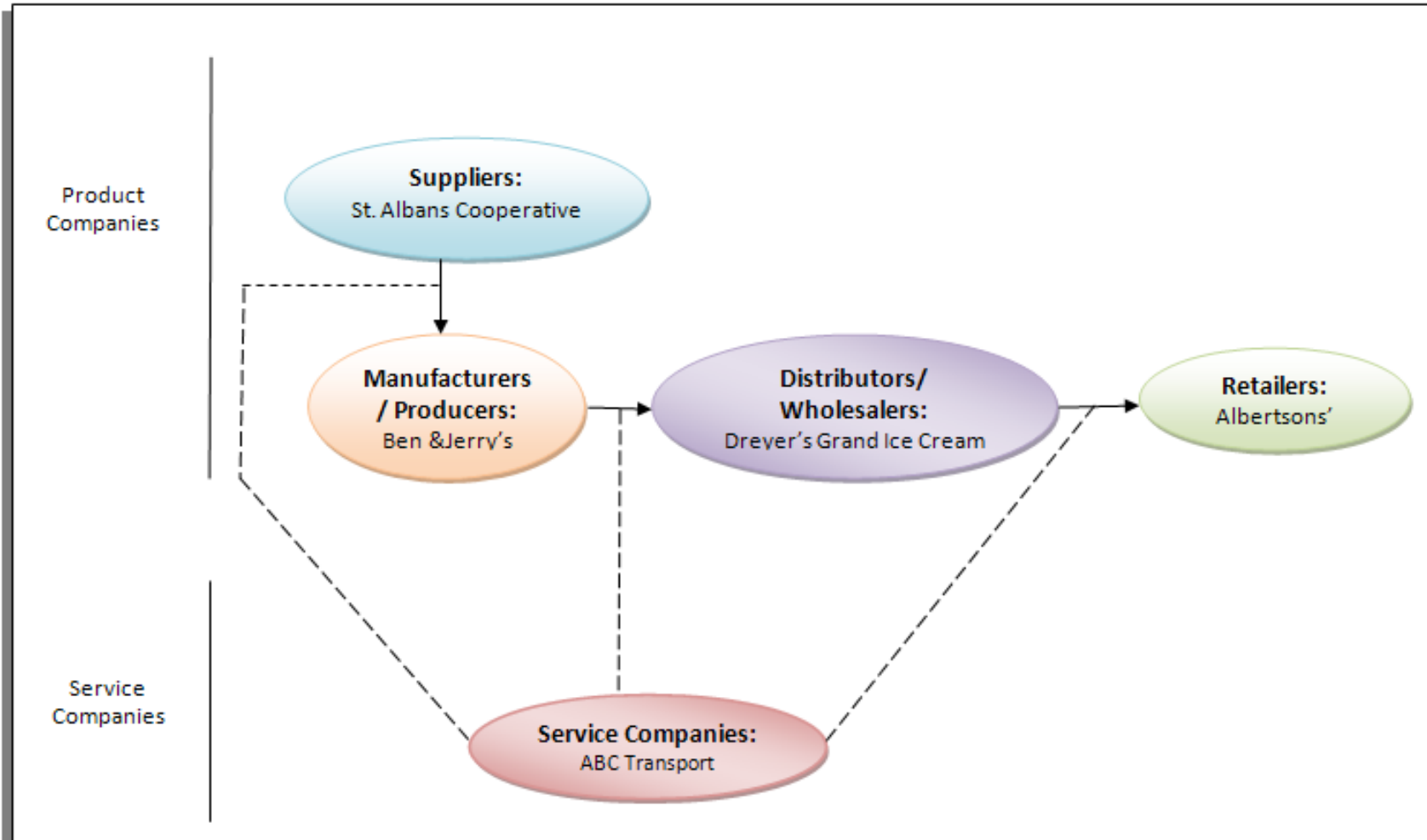
CONCEPT OF BUSINESS

- ✓ The state of being busy to carry out certain activities for profit.
- ✓ A business (also called a company, enterprise or firm) is a legally recognized organization designed to provide goods and/or services to consumers for profit. Businesses are predominant in capitalist economies.
- ✓ All the activities necessary to provide the numbers of an economic system with goods and services for profit(Norton and Porter, 2001).
- ✓ Any activities carried out to achieve the organizational destination in competitive context with scarce resources. The destination is profit in one or in other way.



TYPES OF BUSINESS

Types of Business



CONCEPT OF ENVIRONMENT

- ✓ Environment is the surroundings, influences and circumstances under which one's existence, growth and development take place (Literal Definition).
- ✓ Environment refers to all external forces which have a bearing on the functioning of business (Aswathappa, 2002).
- ✓ Environment refers to institutions or forces that affect the organization's performance (Robbins and Coulter, 2003).



WORLD AS AN ORGANIZATION IN ENVIRONMENTAL LOOK



BUSINESS ENVIRONMENT

- ✓ Business environment is the total of surroundings, influences, and circumstances where business exist and its growth & development take place.
- ✓ Business environment is the aggregate of all the conditions, events, and influences that surround and affect it (Davis, 1975).
- ✓ Business environment is the sum total of the environmental factors which provides an atmosphere for business (Michael, 2002).
- ✓ Business environment is sum total of all forces surrounding and influencing the life and development of a firm (Pant, 2007).
- ✓ Business environment refers to all the internal and external forces which influence the development, performance, and outcomes of a business (Agrawal, 2007).



BUSINESS ENVIRONMENT [TASK] (CONTD..)

- Competitors
- Customers
- Suppliers
- Strategic Partners
- Regulators

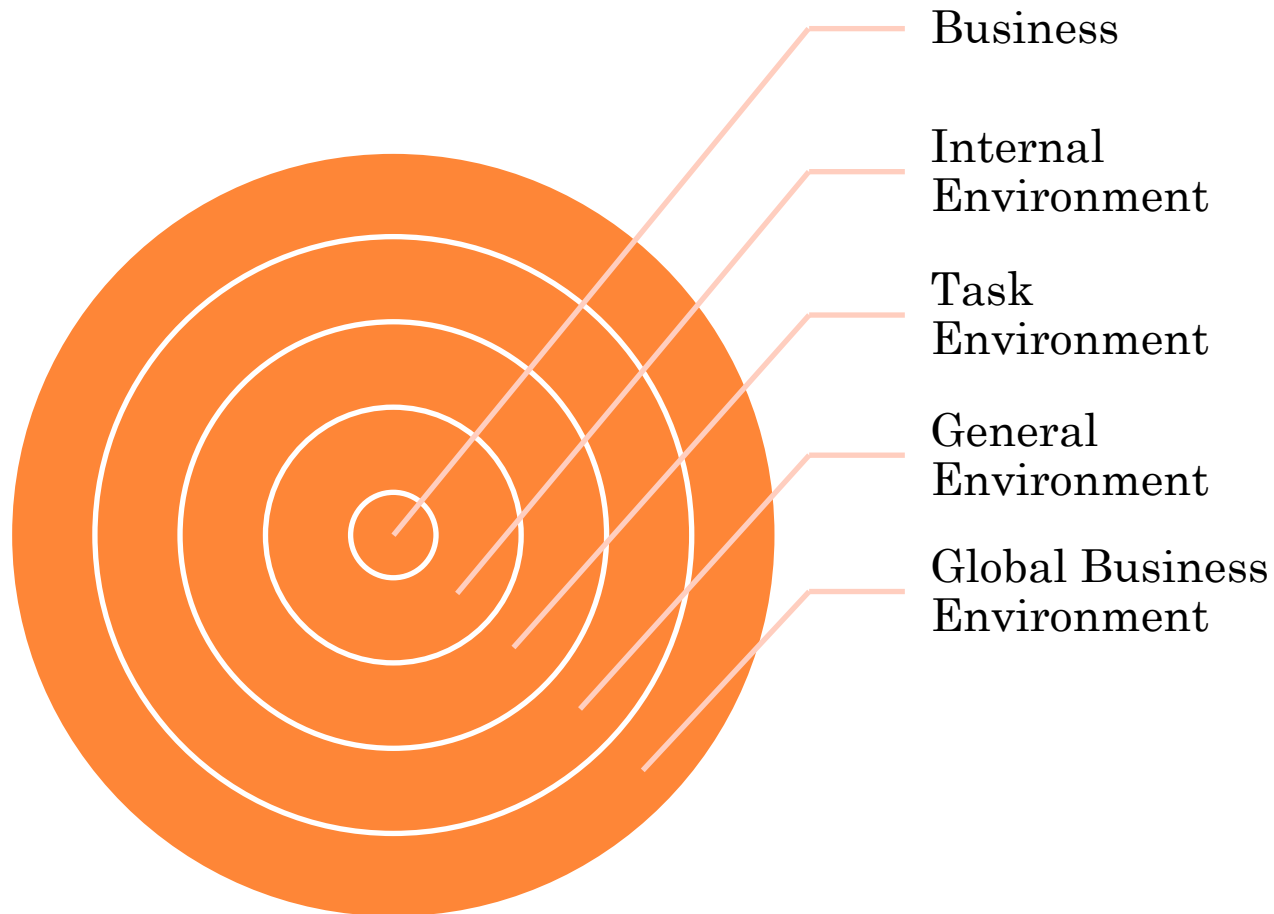


BUSINESS ENVIRONMENT [GENERAL] (CONTD..)

- **Technological Dimension**
- **Economic Dimension**
- Socio-cultural Dimension
- Political-Legal Dimension
- **International Dimension**
- **Natural/Ecological Dimension**



BUSINESS ENVIRONMENT

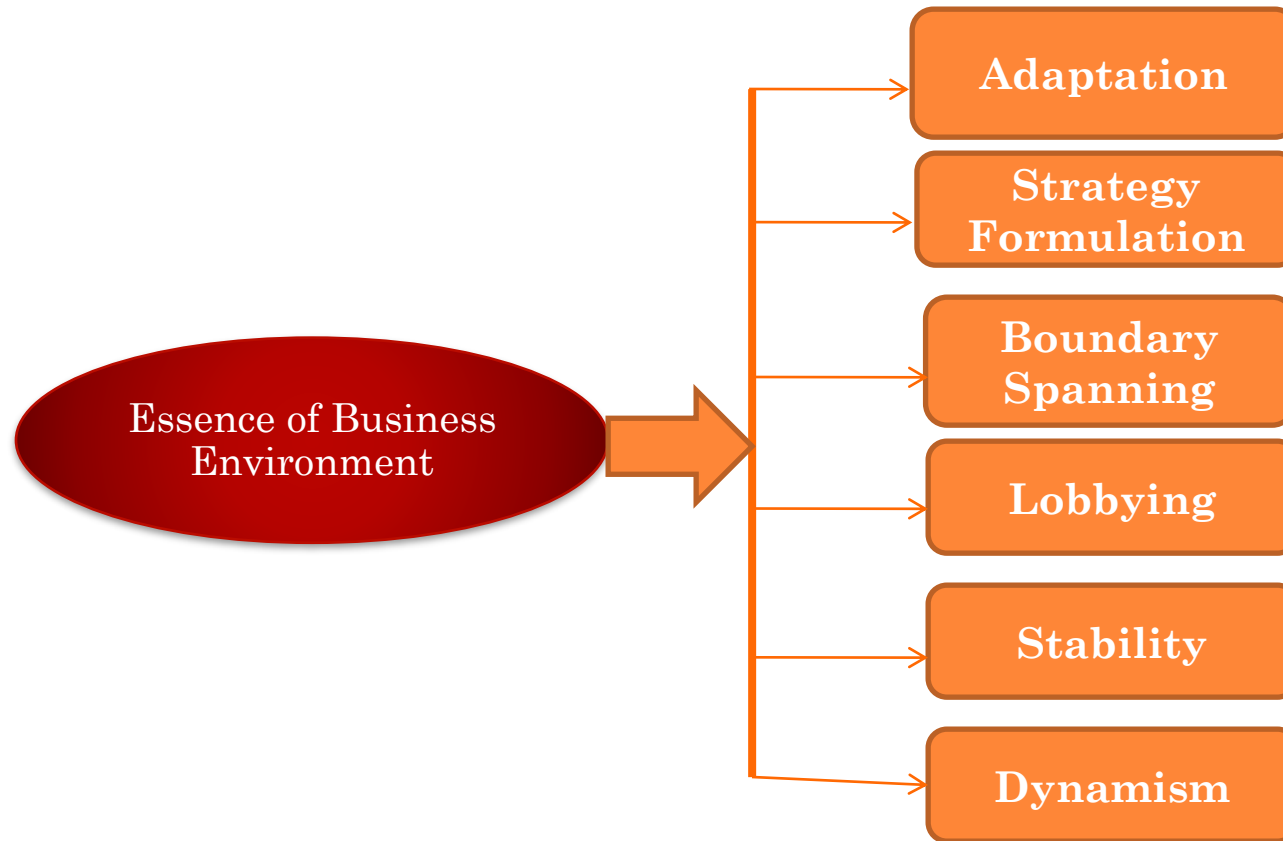


CHARACTERISTICS OF BUSINESS ENVIRONMENT

- ✓ Complex (=Uncertain)
 - Events, conditions and influences from various sources.
 - Prediction of such factors rightly is pretty difficult.
 - Provides risk from uncertainty.
- ✓ Dynamic
 - Fluid continuously.
 - Globalization
 - Rapid pace of technological development.
- ✓ Multi-faceted (Specific)
 - Perceived differently from individual to individual.
 - It is time, place and individual specific.
- ✓ Far Reaching Impact
 - Affects in goal achievement.
 - Provides SWOT.
- ✓ Symbiotic Relationship
- ✓ Total of external environment



ESSENCE OF STUDY OF BUSINESS ENVIRONMENT



ESSENCE (CONTD..)

- ✓ **Adaptation = Success**
 - Monitor in change and development
 - Trends and scenarios detection and analysis
- ✓ **Strategy Formulation**
 - Long-term vision and scope
 - Fosters strategic thinking
 - SWOT analysis
 - Strategic management
- ✓ **Boundary Spanning**
 - Competitors analysis
 - Strategic response to competitors
 - Strategic alliance formulation



ESSENCE (CONTD..)

✓ **Lobbying**

- Influential tactics to government and law
- Association through coalition
- Pressure group

✓ **Stability**

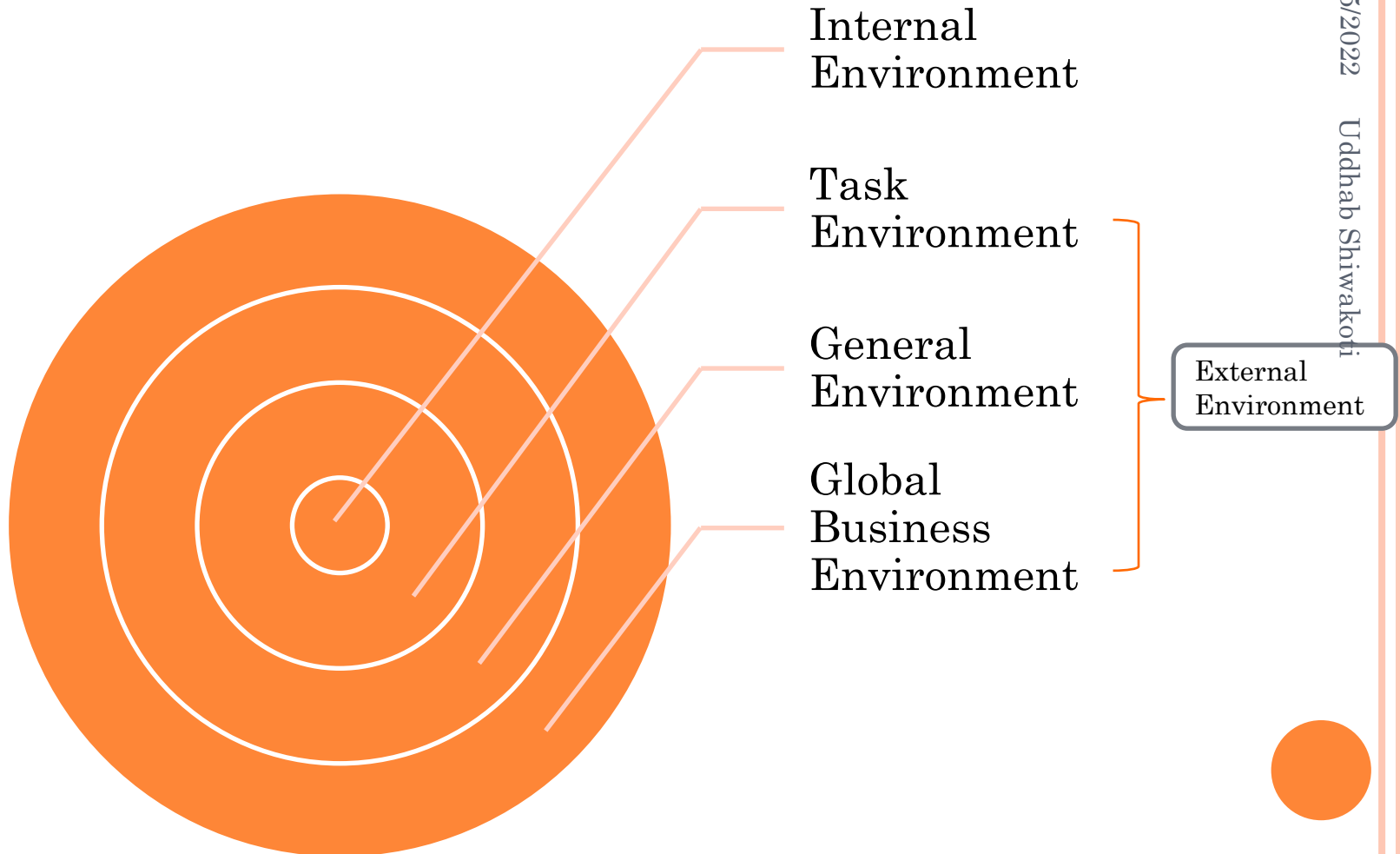
- Foresee the impact of environmental change
- Enable to formulate strategic as well as action plan

✓ **Dynamism** (energy and enthusiasm to make new things happen or to make things succeed)

- Enables environmental change
- Customers test and preference



COMPONENTS OF BUSINESS ENVIRONMENT



INTERNAL ENVIRONMENT (MICRO ENV.)

An organization's *internal environment* is composed of the elements within the organization, including owners, BODs, current employees, corporate structure, employees' union, and especially corporate culture, which defines employee behavior.

Although some elements affect the organization as a whole, others affect only the manager.

Hence, internal environment consists of conditions and forces within the business organization that have the great degree of influences over its performance and outcomes.

That's why, there are three factors affecting the business's operation and outcomes;



INTERNAL ENVIRONMENT (MICRO ENV.) (CONTD..)

1st: Firm's human resources; employees' education, skills, experiences and competencies.

2nd: Corporate structure including interdependence among units and technological characteristics.

3rd: Nature of the firm's products/services.

Characteristics

- Internal environment is controllable by the sound management of the firm.
- It provides strengths and weakness to the firm.



STRENGTH AND WEAKNESS MATRIX

Strengths	Weaknesses
<ul style="list-style-type: none">✓ Unique products/services.✓ Highly-motivated, enthusiastic workforce.✓ Good culture	<ul style="list-style-type: none">✓ Few outlets.✓ Brand not well known except in local community✓ Weak employment relation.



COMPONENTS OF INTERNAL ENVIRONMENT

- ✓ Organizational Structure and Design
- ✓ Corporate Culture
- ✓ Organizational Resources
- ✓ Owners
- ✓ Board of Directors (BOD)
- ✓ Goal, Policies, Mission, and Strategies



ORGANIZATIONAL STRUCTURE AND DESIGN

- Structure of an organization is the hierarchical arrangement of tasks and people.
- This structure determines how information flows within the organization, which departments are responsible for which activities, and where the decision-making power rests.
- Some organizations use a chart to simplify the breakdown of its formal structure.
- This **organizational chart** is a pictorial display of the official lines of authority and communication within an organization.



CORPORATE CULTURE

- ✓ The **corporate culture** is an organization's personality.
- ✓ Just as each person has a distinct personality, so does each organization.
- ✓ The culture of an organization distinguishes it from others and shapes the actions of its members. Employee

Components of Organization's Culture:

- Values
- Heroes
- Rites and rituals
- Social network



VALUES

- ✓ *Values* are the basic beliefs that define employees' successes in an organization.
- ✓ For example, many universities place high values on professors publications
- ✓ If a faculty member is published in a professional journal, for example, his or her chances of receiving tenure may be enhanced.
- ✓ The university wants to ensure that a published professor stays with the university for the duration of his or her academic career — and this professor's ability to write for publications is a value.



HERO

- ✓ A *hero* is an exemplary person who reflects the image, attitudes, or values of the organization and serves as a role model to other employees.
- ✓ A hero is sometimes the founder of the organization (think Sam Walton of Wal-Mart).
- ✓ However, the hero of a company doesn't have to be the founder; it can be an everyday worker.



RITES AND RITUALS

- ✓ *Rites and rituals*, the third component, are routines or ceremonies that the company uses to recognize high-performing employees.
- ✓ Awards banquets, company gatherings, and quarterly meetings can acknowledge distinguished employees for outstanding service.
- ✓ The honorees are meant to exemplify and inspire all employees of the company during the rest of the year.



SOCIAL NETWORK

- ✓ *Social Network*, is the informal means of communication within an organization.
- ✓ This network, sometimes referred as the company grapevine, carries the stories of both heroes and those who have failed.
- ✓ It is through this network that employees really learn about the organization's culture and values.



ORGANIZATIONAL RESOURCES

- ✓ Resources are the people, information, facilities, infrastructure, machinery, equipment, supplies, and finances at an organization's disposal.
- ✓ People are the paramount resource of all organizations.
- ✓ Information, facilities, machinery equipment, materials, supplies, and finances are supporting, nonhuman resources that complement workers in their quests to accomplish the organization's mission statement.



ORGANIZATIONAL RESOURCES

- ✓ The availability of resources and the way that managers value the human and nonhuman resources impact the organization's environment



OWNERS

- ✓ Owners of a business are the people who have contributed capital and resources.
- ✓ They can claim property rights to an organization.



BOARD OF DIRECTORS (BOD)

- ✓ BOD is the governing body elected by a corporation's stockholders and charged with overseeing the general management of the firm to ensure that it is being run in a way that best serves the stockholders' interest.
- ✓ Hence, it places influence over corporate functioning.



COMPONENTS (CONTD..)

- ✓ **Goal, policies, mission and**
- *Goal*: Organizational goal serves destination and direction of business.
 - It provides layout of business functioning.
- *Corporate policies* are guidelines that govern how certain organizational situations are addressed.
 - Just as colleges maintain policies about admittance, grade appeals, prerequisites, and waivers, companies establish policies to provide guidance to managers who must make decisions about circumstances that occur frequently within their organization.
 - Company policies are an indication of an organization's personality and should coincide with its mission statement.



COMPONENTS (CONTD..)

○ *Mission*

- An organization's **mission statement** describes what the organization stands for and why it exists.
- It explains the overall purpose of the organization and includes the attributes that distinguish it from other organizations of its type.
- A mission statement should be more than words on a piece of paper; it should reveal a company's philosophy, as well as its purpose.



MISSION.....

- This declaration should be a living, breathing document that provides information and inspiration for the members of the organization.
- This statement should answer the questions;
 - “What are our values?” and “What do we stand for?”
- This statement provides focus for an organization by rallying its members to work together to achieve its common goals.
- But not all mission statements are effective.
- Effective mission statements lead to effective efforts.
- In today's quality-conscious and highly competitive environments, an effective mission statement's purpose is centered on serving the needs of customers.



MISSION.....

- ✓ In today's quality-conscious and highly competitive environments, an effective mission statement's purpose is centered on serving the needs of customers.
- ✓ A good mission statement is precise in identifying the following intents of a company:
 - **Customers** — who will be served
 - **Products/services** — what will be produced
 - **Location** — where the products/services will be produced
 - **Philosophy** — what ideology will be followed



STRATEGY

- ✓ Corporate strategy is concerned with the overall purpose and scope of an organization and how value will be added to different parts (Business units) of an organization.
- ✓ It best serves for the way that business operate



TASK ENVIRONMENT

- ✓ It is the industry level environment which has relative closer effect to the business performance and outcomes than that of general environment.
- ✓ It includes the factors in the immediate competitive situation of particular organization.



TASK ENVIRONMENT

- ✓ Although it is complex in nature, it provides useful information more rapidly than the general environment does in the sense that the managers can identify environmental factors of specific interest to the organization, rather than having to deal with more abstract dimension of general environment.
- ✓ It is also known as competitive or operating environment.



COMPONENTS

- *Competitors*
- *Customers*
- *Strategic Partners*
- *Suppliers*
- **Regulators**



COMPETITORS

- ✓ An organization's competitors are those organizations that compete with its resources.
- ✓ They come up with similar or close substitute products/services with different strategies and tactics.
- ✓ Form of competitors can be industry or/and market competition and can take place in perfect competition, oligopoly or monopolistic market.
- ✓ Price and quality of competitive product pose threat from the competitors.



CUSTOMERS

- ✓ Customers are those who pay financial resource to acquire an organization's products/services.
- ✓ They are believed to be king of the markets.
- ✓ Hence, they are the focal point of business activities.
- ✓ Customers can be individual, business or institutional.



CUSTOMERS.....

- ✓ Their test and preference largely shape the business operation.
- ✓ Maximum possible quality and minimum possible price trade off is the great challenge for the firms in the market.



SUPPLIERS

- ✓ An individual/group/organization that produces resources for other organizations are suppliers.
- ✓ Suppliers come-up with raw-materials, semi-finished goods, final products, and utilities.
- ✓ The quality and price of firms' product providing competitive power depends upon suppliers' delivery.
- ✓ Similarly, different distribution channels, financial institutions, media, and market intermediaries are suppliers for different services.



STRATEGIC PARTNERS

- ✓ An organization working together with one or more other organizations in a joint-venture or similar arrangement are said to be in strategic partnership (strategic allies).
- ✓ Strategic allies enables to gain expertise, spread of risk, open new opportunities, and alike.



REGULATORS

- ✓ A unit that has the potential to control, legislate, or otherwise influence the organization's policies and practices.
- ✓ Regulatory agencies and interest groups most often directly come to effect the business performance and outcomes.



GENERAL ENVIRONMENT

- ✓ General environment consists surroundings and influences including economic, technological, socio-cultural, political-legal, and international dimensions which are beyond firms' control is known as general environment. This is also called macro or remote environment.

Characteristics

- ✓ It consists forces that are beyond the control of a firm.
- ✓ It provides opportunities as well as threats to the firm's operation.

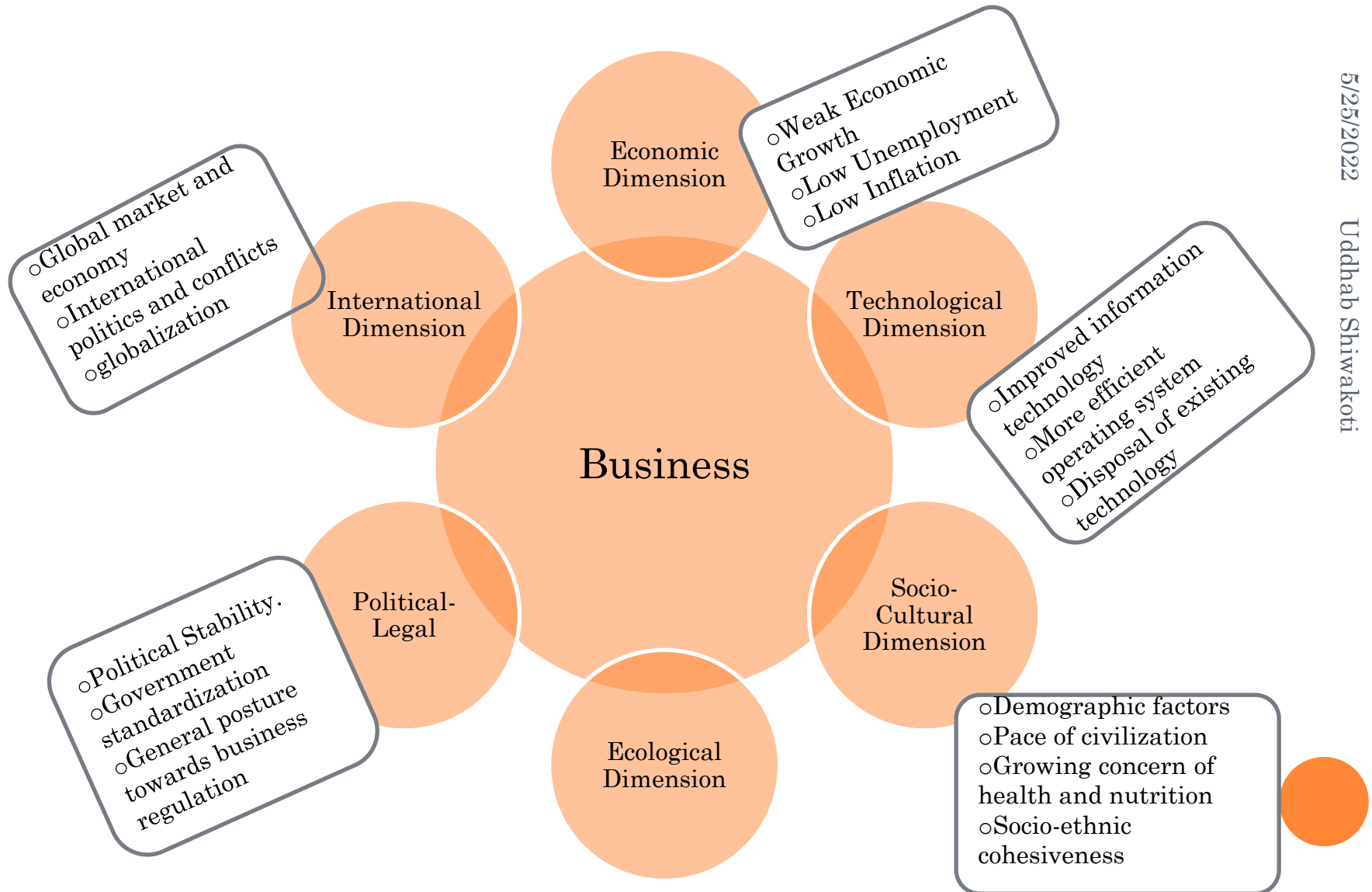


OPPORTUNITIES AND THREATS MATRIX

Opportunities	Threats
<ul style="list-style-type: none">✓ Political stability, stable legal requisites, and capitalistic economic model✓ Encouraging economic growth, development of trade and manufacturing, and infrastructure development.✓ Good socio-cultural development, pace of civilization, socio-ethnic cohesiveness.✓ Pace of technological development in light of quality and cost.✓ Globalization and regional trade agreement.✓ Encouraging global market and economy	<ul style="list-style-type: none">✓ Political instability, socialistic economy, and flexible legal requirements.✓ Decreasing or discouraging economic growth.✓ Social-conflicts and low pace of civilization.✓ Rapid pace of technological development, no or low market of disposal of existing technology, and its difficult assess.✓ Globalization and conflicting relationship between regional countries.✓ Discouraging global market and economy



COMPONENTS OF GENERAL ENVIRONMENT



TECHNOLOGICAL DIMENSION/ENV.

- ✓ Technology is a systematic application of scientific or other organized knowledge to practical tasks.
- ✓ The technological environment includes all the factors related to methods or procedures for converting resources into products or services.

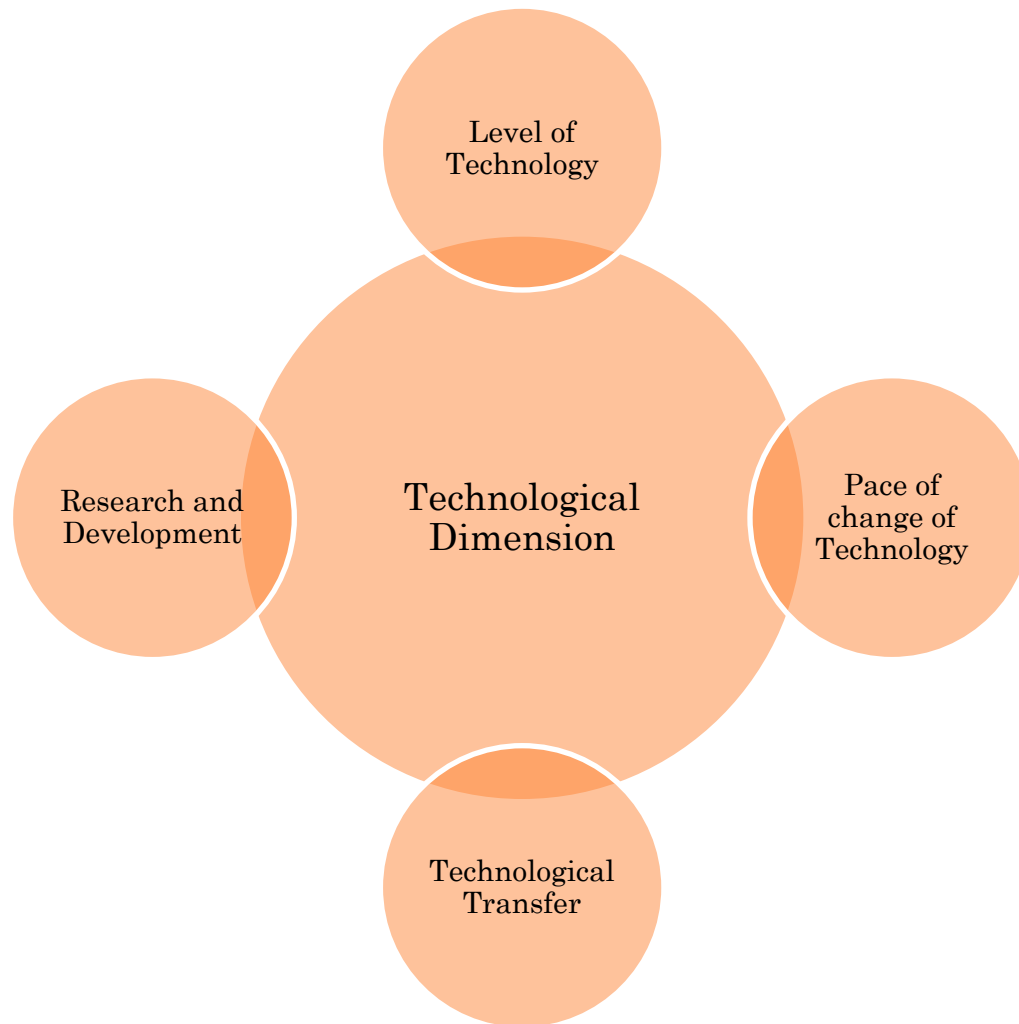


TECHNOLOGICAL DIMENSION/ENV....

- ✓ Factors in technological dimension are level of technology, pace of technological change, technological transfer, and research and development.
- ✓ Availability and accessibility of sophisticated technology directly benefits business by helping in innovative products and minimizing cost
- ✓ Outdated technology pose threat by increasing CPU and decreasing product's quality.



TECHNOLOGICAL DIMENSION/ENV.



ECONOMIC ENVIRONMENT/DIMENSION

- ✓ It is the sum total of economic factors that directly or indirectly effects the performance and outcomes of the business.
- ✓ In other words, it is the overall health and vitality of the economic system in which the business organizations operate.
- ✓ Economic system, economic policies, and economic conditions are the components of economic environment.

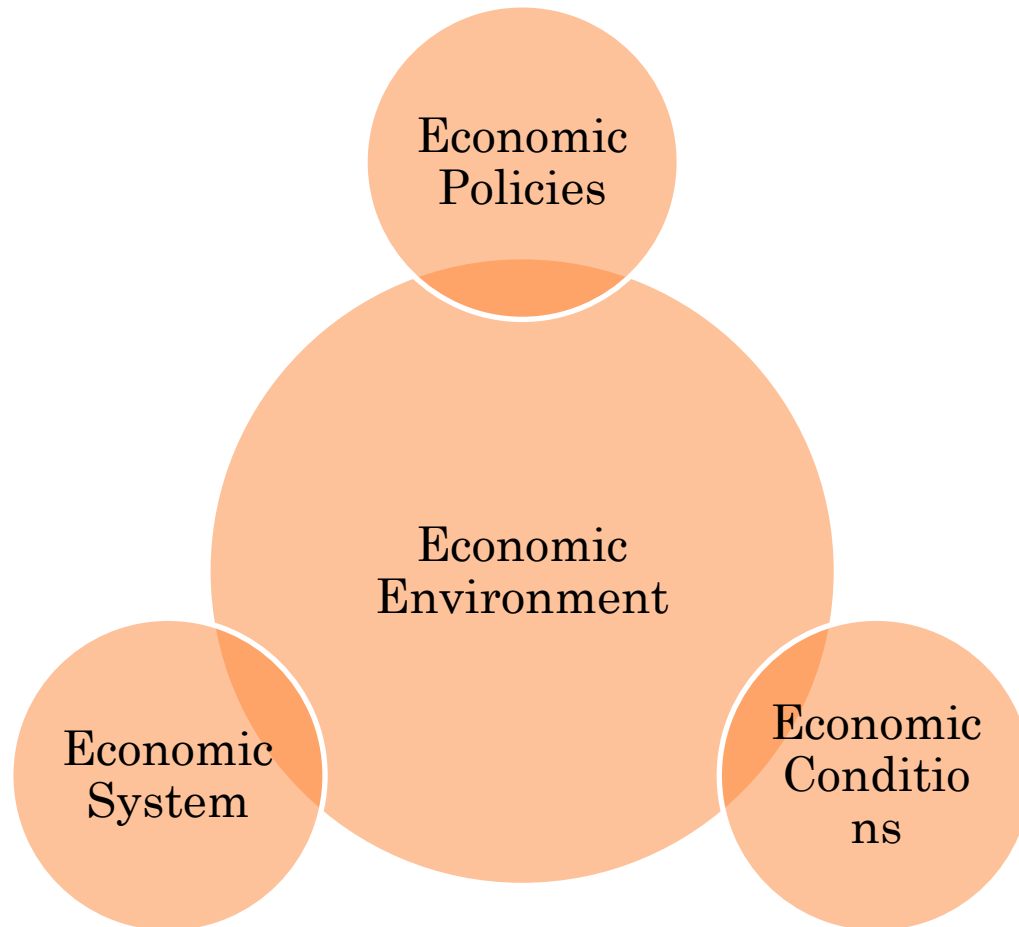


ECONOMIC ENVIRONMENT/DIMENSION....

- ✓ Sound economic system, business friendly economic policies, and good economic condition provides opportunities
- ✓ Poor economic system and condition as well as wrong economic policies threats to the business organization.



ECONOMIC ENVIRONMENT/DIMENSION

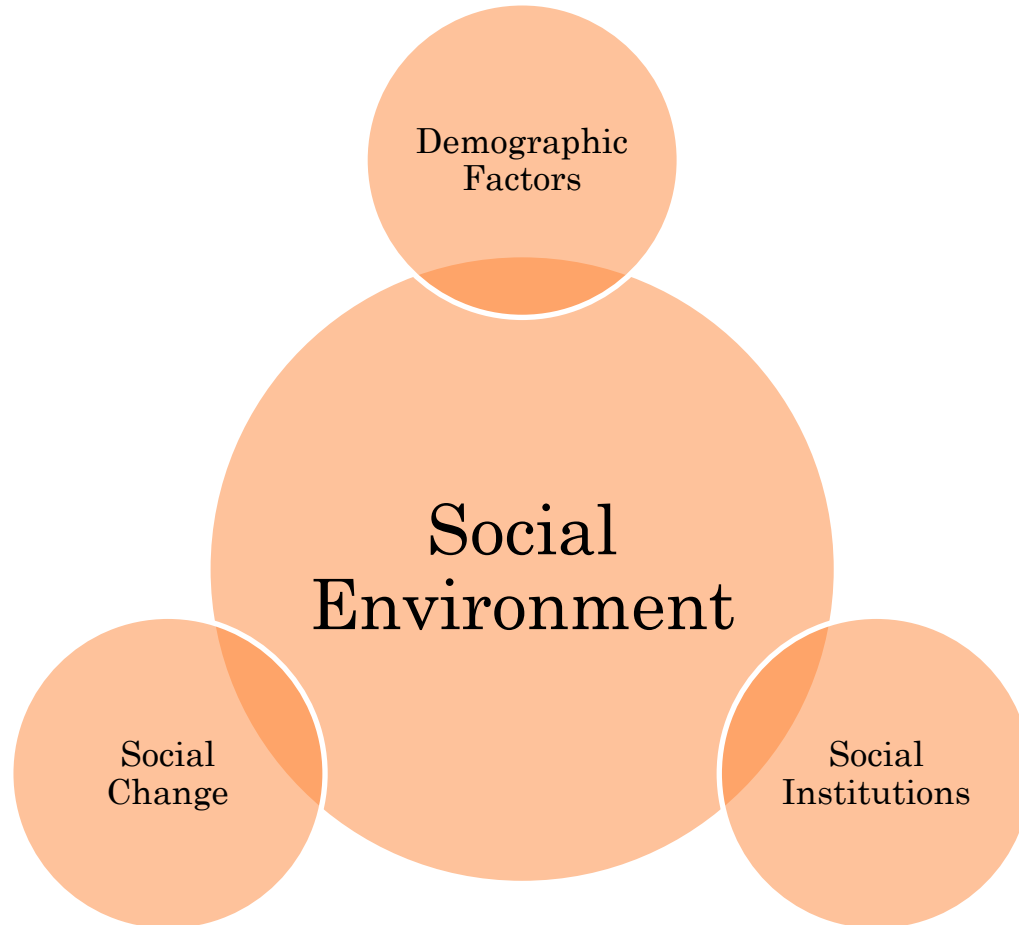


SOCIO-CULTURAL DIMENSION/ENV.

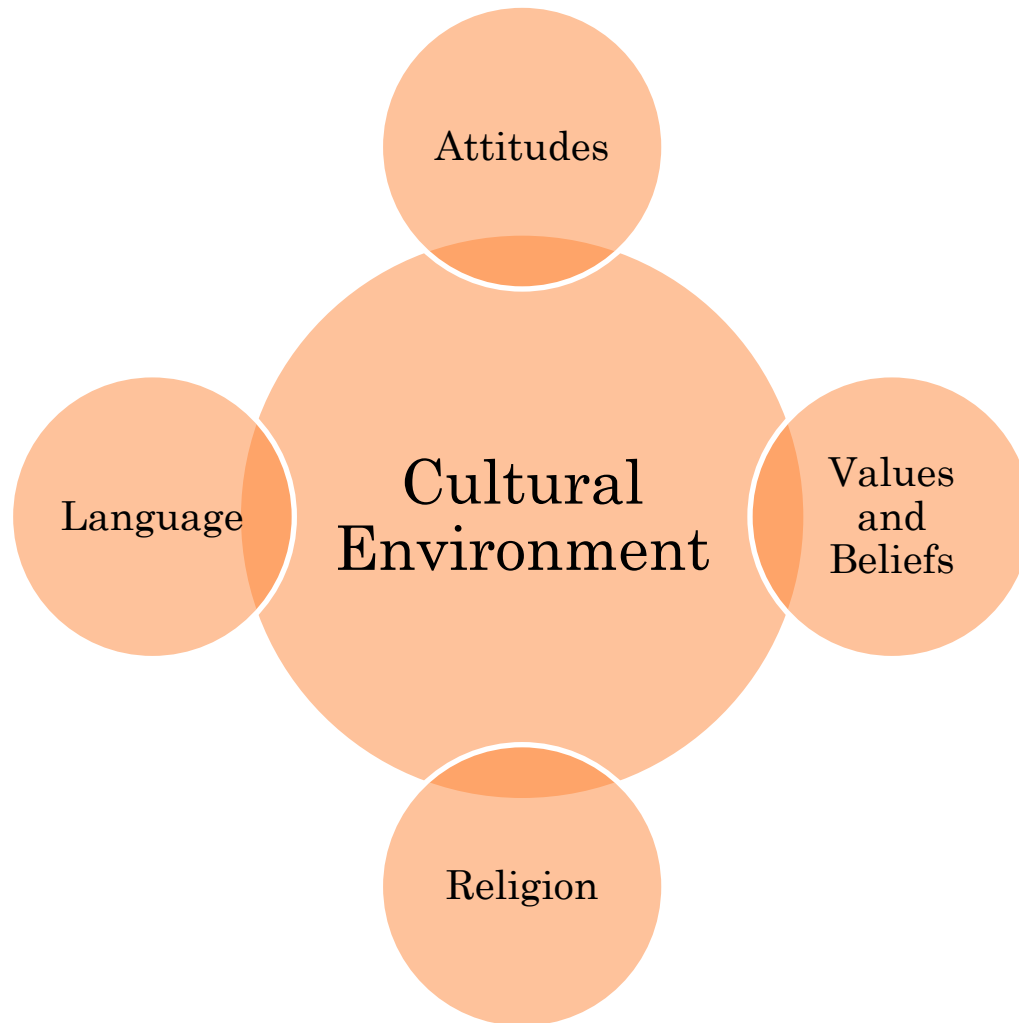
- ✓ Socio-cultural environment encompass the customs, mores, values, and demographic characteristics of the entire society which have direct or indirect impact in the performance and outcomes of business.
- ✓ Social dimension is made up of social institutions, demographic variables, and social change where as cultural environment is made up of attitudes, values and believes, religions and languages of the customers.
- ✓ Society creates culture, culture creates people, and people creates business organization.



SOCIAL ENVIRONMENT



CULTURAL ENVIRONMENT



POLITICAL-LEGAL DIMENSION/ENV.

- ✓ Government regulations to business and the relationship between business and government is explained by political-legal dimension of a business.
- ✓ All the surroundings and influences that is made up of political-legal factors which have direct or/and indirect impact upon the performance and outcomes of a business is known as political-legal environment.

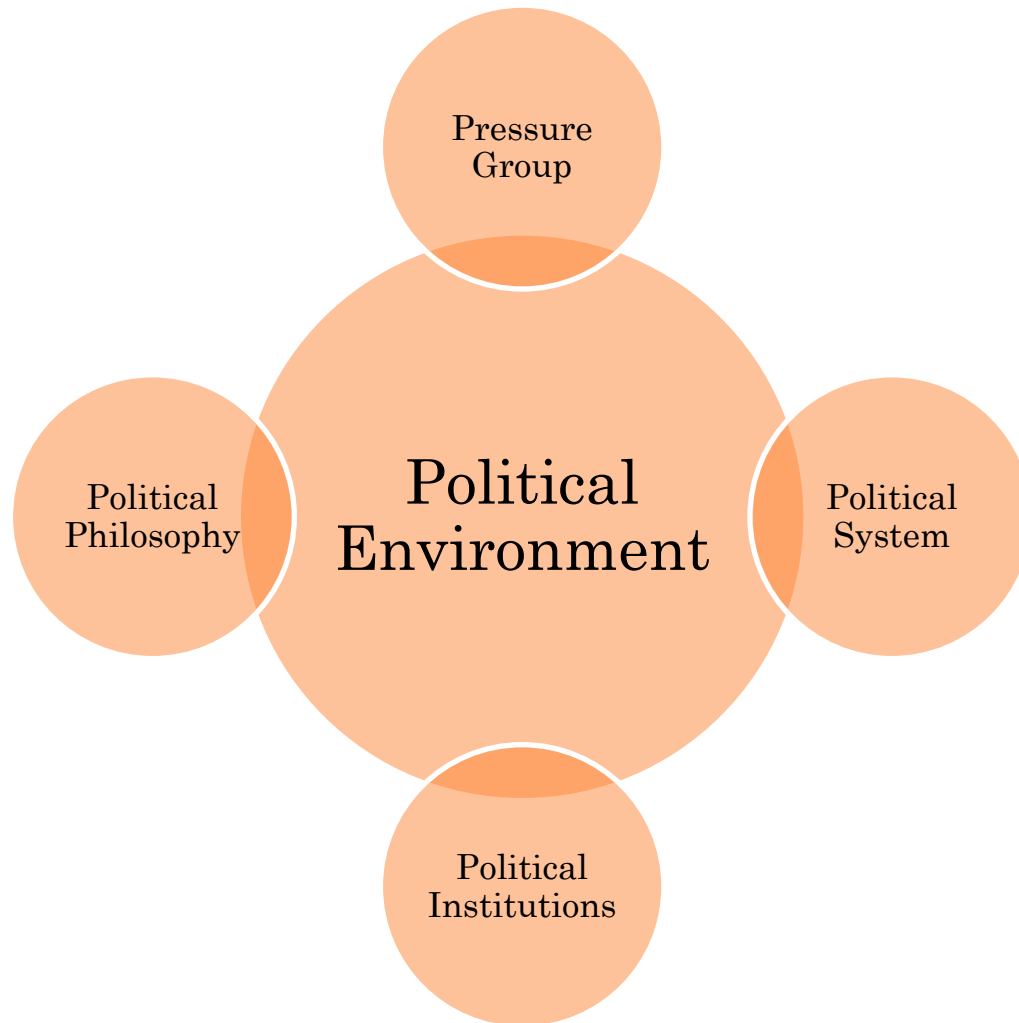


POLITICAL-LEGAL DIMENSION/ENV.....

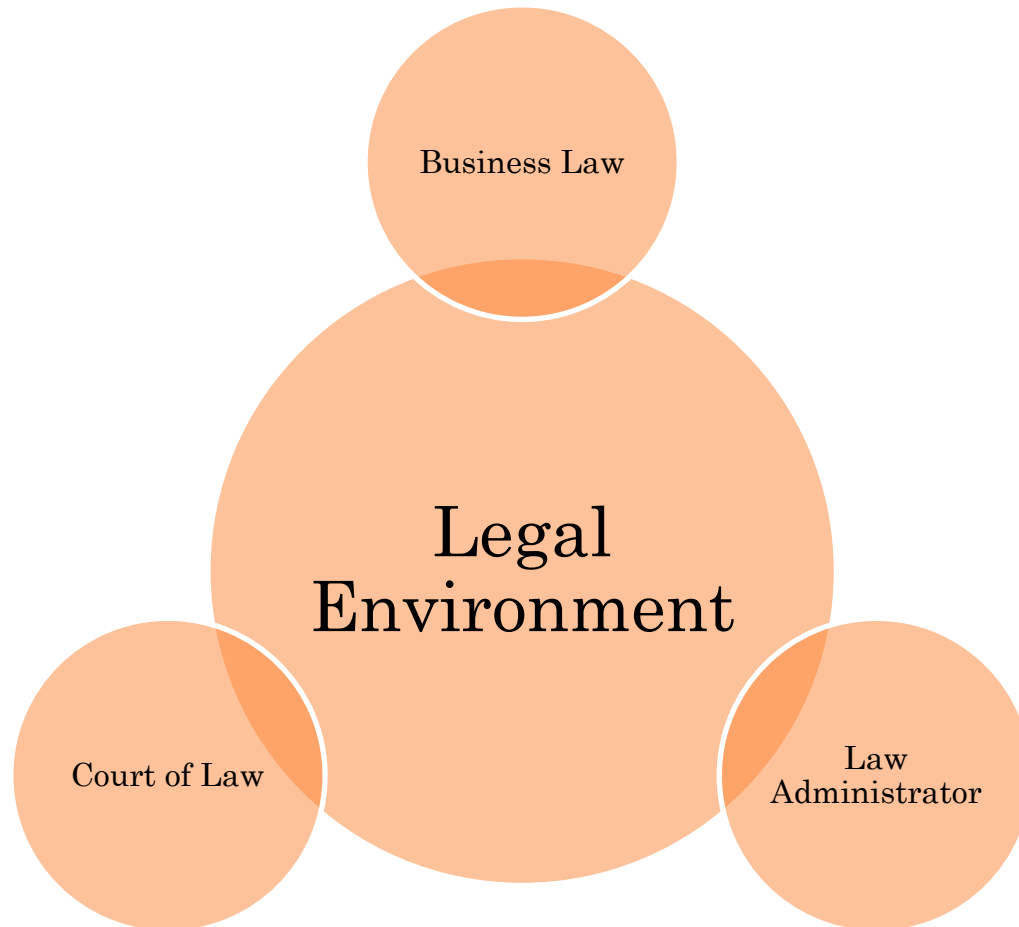
- ✓ Political system, political institutions, political philosophies, and pressure group makes political environment where as business laws, law administrators, and court of law forms legal environment



POLITICAL DIMENSION



LEGAL DIMENSION

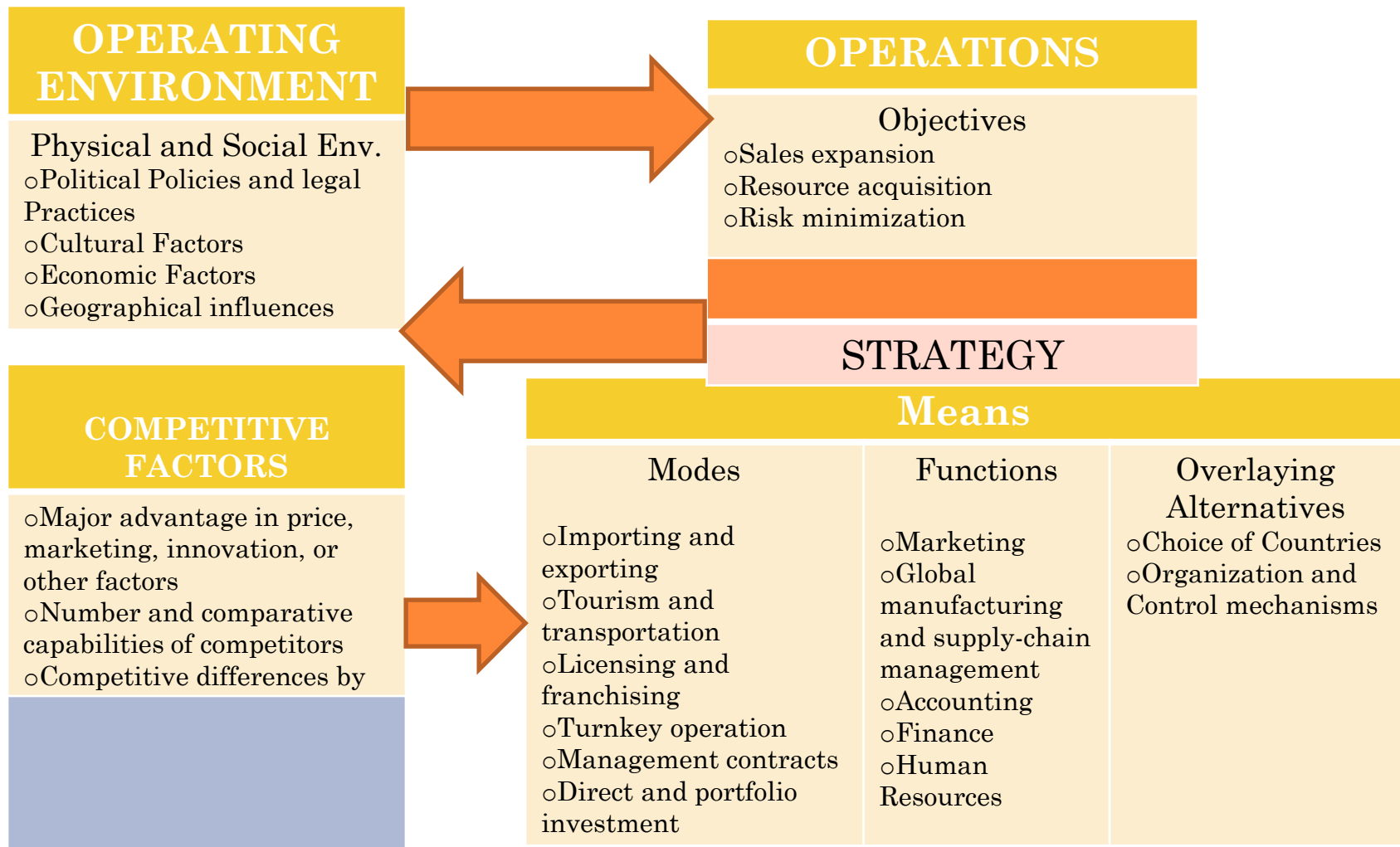


INTERNATIONAL DIMENSION

- ✓ Environmental factors beyond national dimension which have direct or/and indirect impact in the performance and outcomes of a business is international environment.
- ✓ Globalization has put forward the opportunities and threats for business from any corner of the world.
- ✓ World Trade Organization (WTO) has made clearer direction and scope of globalization, where by international dimension is the essence of study for business success.



INTERNATIONAL BUSINESS; OPERATIONS AND INFLUENCE



NATURAL ENVIRONMENT

- ✓ The natural environment, commonly referred to simply as the environment, encompasses all living and non-living things occurring naturally on Earth or some region thereof.
- ✓ The concept of the *natural environment* can be distinguished by its components
 - Complete ecological units that function as natural systems without massive human intervention, including all vegetation, animals, microorganism, soil, rocks, atmosphere and natural phenomena that occur within their boundaries.
 - Universal natural resources and physical phenomena that lack clear-cut boundaries, such as air, water, and climate, as well as energy, radiation, electric charge, and magnetism, not originating from human activity.



NATURAL ENVIRONMENT.....

- ✓ The first component has indirect and slow impact in business where as the second components have immediate impact in the business performance and outcomes.



NATURAL ENVIRONMENT (CONTD..)

- ✓ Deterioration of the natural environment is a major global concern.
- ✓ In many world cities, air and water pollution have reached dangerous level.
- ✓ There is great concern about certain chemicals creating a hole in ozone layer and producing a “green house effect” that will lead to dangerous warming for the earth.



NATURAL ENVIRONMENT (CONTD..)

- ✓ “Green” parties have vigorously pressed for the public action to reduce industrial pollution.
- ✓ Some of the threats of declining natural environment are;
 - Shortage of raw materials
 - Increase in energy cost
 - Increase in pollution level
 - Changing role of government



ANALYSIS OF BUSINESS ENVIRONMENT

- ✓ Environment is dynamic in nature and business are environment specific.
- ✓ Proper attention to environment is the way to succeed in business.
- ✓ Environmental analysis is the process by which strategists monitor the economic, legal, competitive, geographic, technical, and social settings to determine opportunities and threats to their firms (W. F. Glueck).
- ✓ Environmental analysis is the process of assessing the emerging trends (Philip Kotler).
- ✓ Hence, analysis of environment is a systematic process of closely monitoring the various components of environment in order to discover the potential opportunities that best serve to gain competitive advantage and the threats that could be better handled from being harmed to the business.



ANALYSIS OF BUSINESS ENVIRONMENT (CONTD..)

Environmental analysis is the study of the organizational environment to pinpoint environmental factors that can significantly influence organizational operations.

Environmental analysis helps to understand what is happening both inside and outside your organization and increase the probability that the organizational strategies developed will appropriately reflect organizational environment.

In order to perform an environmental analysis, managers must thoroughly understand how organizational environments are structured.

For the purposes, one can divide the organizational environment into three distinct levels: internal, operating, and general environment.



ENVIRONMENTAL SIGNALS AND TRENDS

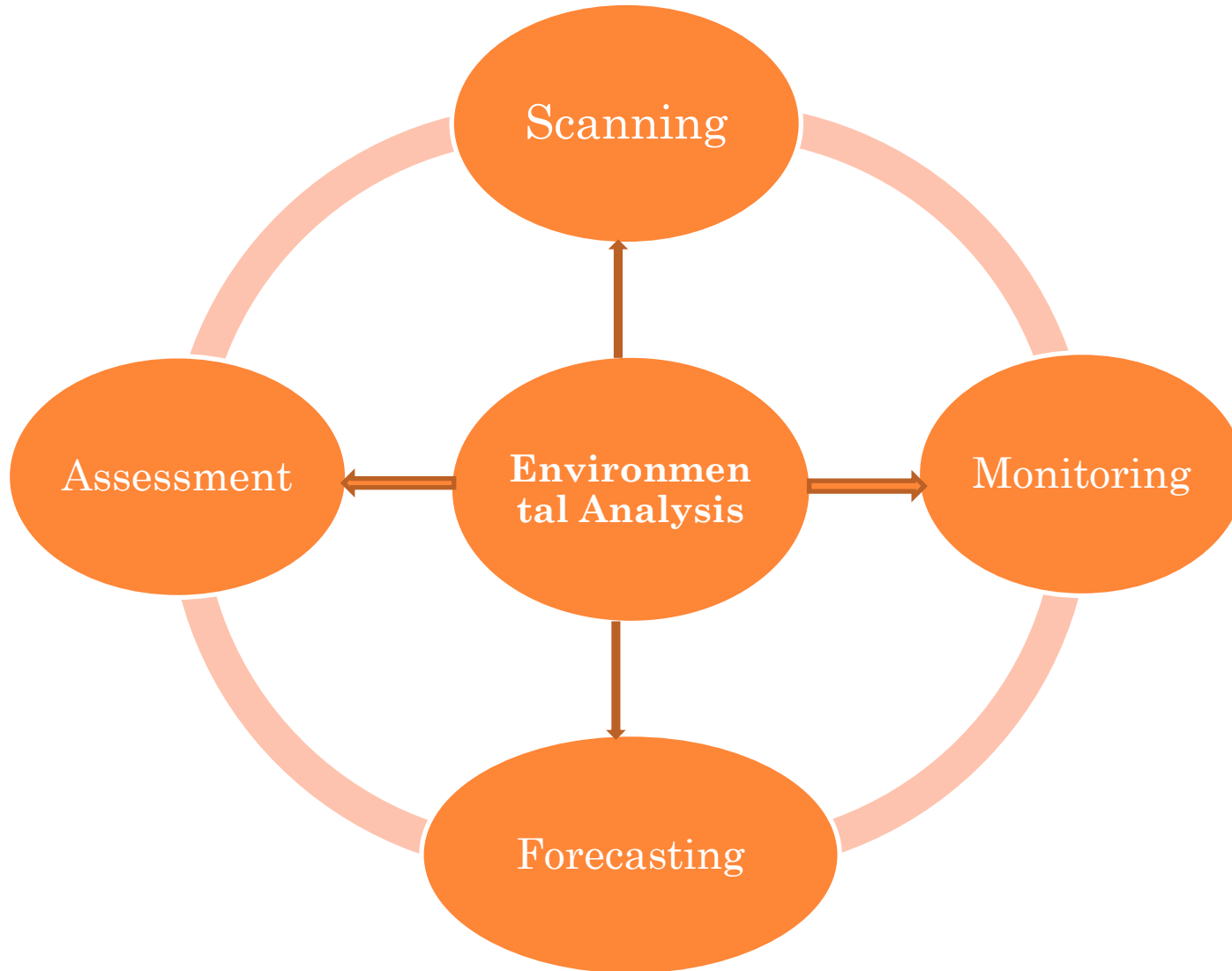
The environmental signals and trends are of three types (Kotler);

1. **Fad:** it is temporary phenomena in the market and unpredictable, short-lived, without major economic, social, political-legal significance in nature. So, this is situational and business firm can benefit from this.
2. **Trends:** a trend is a direction or sequences of events that have some momentum and durability. Trends are more durable and predictable in nature than the fads.
3. **Megatrends:** megatrends are major changes that are slow to form, but once in place, have significant influence for years.

Companies use outside experts to help identify and evaluate the most significant trends and megatrends if internally analyst are not available. The experts usually do annual updates of their trend analysis to the company & assist the company in evaluation of the impact on the company's business.



ENVIRONMENTAL ANALYSIS PROCESS



ENVIRONMENTAL SCANNING

Environmental scanning involves monitoring change and development in the environment that have potential impact on the business of an organization.

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

The environmental scanning process entails obtaining both factual and subjective information on the business environments in which a company is operating or considering entering. It should thus be taken as the part of process of the strategic management. In fact it is the prerequisite for the formulation and implementation of corporate strategy.



ENVIRONMENTAL SCANNING

Generally environmental scanning is done in three ways;

- ✓ Ad-hoc scanning - Short term, infrequent examinations usually initiated by a crisis
- ✓ Regular scanning - Studies done on a regular schedule (e.g. once a year)
- ✓ Continuous scanning (also called continuous learning) - continuous structured data collection and processing on a broad range of environmental factors

Most commentators feel that in today's turbulent business environment the best scanning method available is continuous scanning because this allows the firm to act quickly, take advantage of opportunities before competitors do and respond to environmental threats before significant damage is done.



ENVIRONMENTAL SCANNING

The external Environment

Economic
Political
Legal
Socio-Cultural
Ecological
Technological
Global

OBSERVED THROUGH

Personal Experience
Journals
Reports
Professional Meeting
Board Meeting
Employees
Other Sources

The Internal Environment

Physical Resources
Human Resource
Financial Resource
Informational Resources
Interpersonal Relations
Personal value
Internal and Past Decision

OBSERVED THROUGH

Reports
Conference
Committees
Employees
Outsiders
Memoranda
Other sources

TOP MANAGEMENT

RESPONSE TO DATA

UNDERSTAND
INTERPRET
CORRELATE
EXTRAPOLATE
DECIDE

Corporate Strategy



VARIABLES IN ENVIRONMENTAL SCANNING

- ✓ Change/status in macro-environmental variables.
- ✓ Change/status of internal environmental variables.
- ✓ Change in market and market structure.
- ✓ Pace and nature of competition.
- ✓ Costumers needs and preferences and costumer mix.
- ✓ Product offerings strategies and tactics.

The outcome of environmental scanning is to build scenario. Basically, following scenarios are created/forecasted;

1. Most probable scenario.
2. Most favorable scenario.
3. Least favorable scenario.



ENVIRONMENTAL SCANNING TYPOLOGY

- Concentrated scanning
 - it is focused on selective like technology, politics or economics. Hence, this scanning method does not consider all the factors in account and only consider the most relevant factors that mgmt. perceive.
 - Hence, this method is less costly and less time consuming where as it may fail to identify the crucial change and trends that may have severe impact in the business.

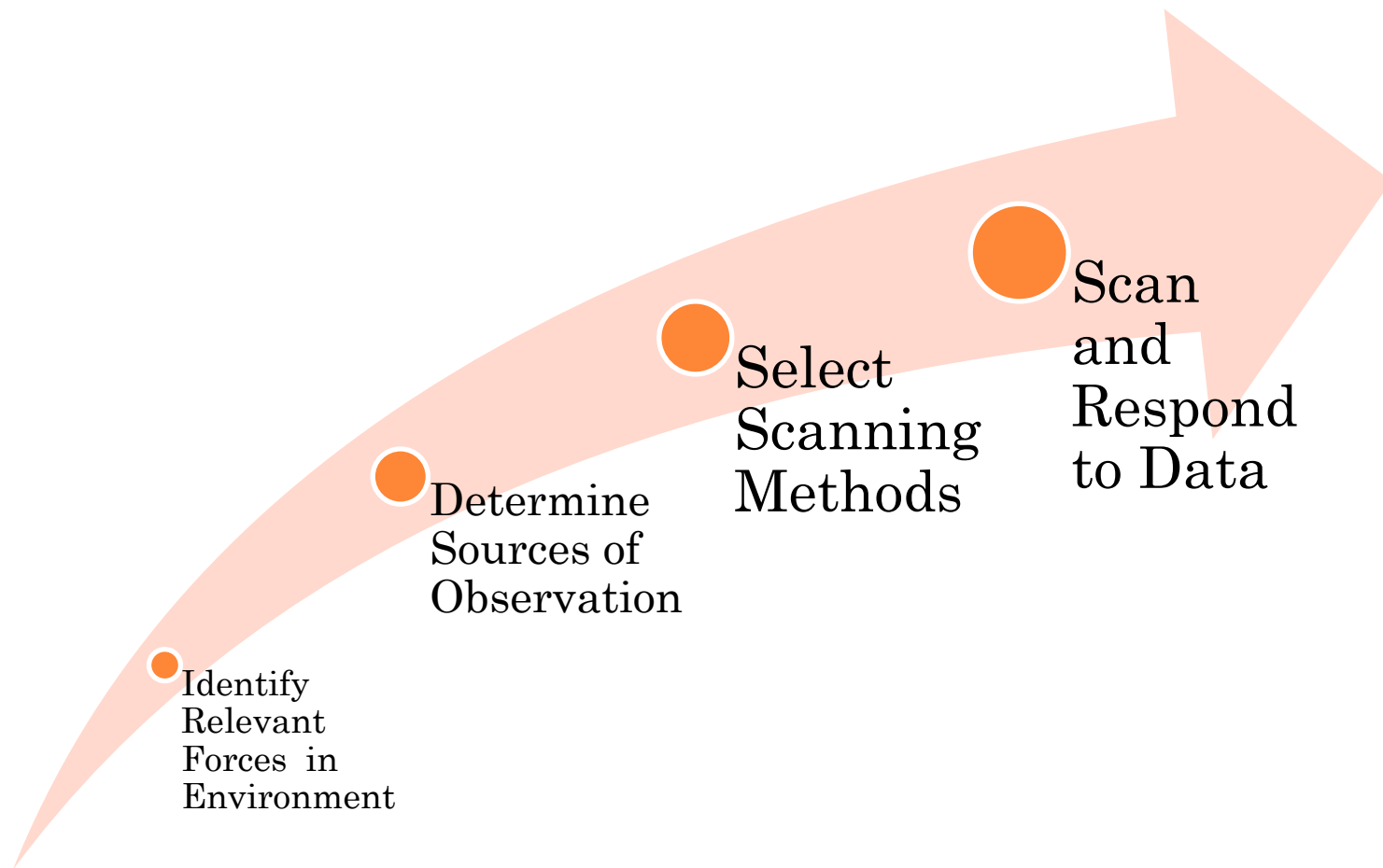


ENVIRONMENTAL SCANNING TYPOLOGY.....

- Comprehensive Scanning
 - By its name suggests, it includes almost all the factors in hand while scanning the environment.
 - Hence, this method is expensive and time consuming. But instead, it is crucial in identifying the crucial trends and changes that may effect the performance and outcomes of business.



PROCESS OF ENVIRONMENTAL SCANNING



PROCESS OF ENVIRONMENTAL SCANNING

A. Identify Relevant Forces in Environment

The information sources are internal, competitive, and general environment.

B. Determine Sources of Observation

Personal experience, journal reports, managers, employees, competitors, experts, conferences, committees, and alike.

C. Select Scanning Methods

scanning methods can be;



SCANNING METHODS

- Extrapolation Method
 - Under this method past data and information are used to explore the future. Forecasting, trend analysis, and regression analysis techniques are used to explore about the future trend for the given or expected future business.



SCANNING METHODS.....

Historical Analogy

When past data cannot be effectively used to analyze an environmental trends this scanning method is used. Trends are studied by establishing historical parallel with other trends.



SCANNING METHODS.....

○ Intuitive Reasoning

- This technique calls for rational intuition by the scanner. Intuition thinking requires unconstrained free thinking based on past experience and personal expertise. Hence, individual judgment is typically used to provide the *BEST GUESS*. A problem with this method is its validity and reliability.



SCANNING METHODS.....

Scenario building

Under this method, a time-order sequence of events that have logical cause and effect relationships are constructed. The scenario is completely based on the analysis of interrelationship among events.



SCANNING METHODS.....

- Model Building
 - Mathematic or econometric models of the environment are simulated. Different correlational as well as regression modeling are used to predict the future environmental causal relation demonstrating the impact in the performance and outcomes of business.



SCANNING METHODS (CONTD..)

✓ Network Method

Basically, contingency tree, which is graphic display of logical relationship among the environmental trends focusing the branch points with pinpointing the several possible outcomes or relevance tree, similar to contingency tree, and but focusing most possible outcomes are done.



SCANNING METHODS (CONTD..)

✓ Delphi Method

It is systematic collection of expert opinion in varying stages, using feedback to develop new forecasts.

✓ Survey

This method involves gathering opinions of experts, customers, and other concerned about the future environment.



SCANNING METHODS (CONTD..)

✓ Scan and Respond to data

In this stage the collected data from either of the sources are studied, analyzed, assessed, interpreted, correlated, and extrapolated.

Events, trends, issues, and expectations can be pin-pointed in this stage.

Environmental scanning is beneficial and hence basic for corporate SWOT analysis.



ENVIRONMENTAL ANALYSIS PROCESS

Monitoring

It involves development of environmental trends and events.

It is the act of environmental audit which involves observation and evaluation of different influencing factors that may have potential to affect the performance and outcomes of business.

The outcomes of monitoring are;

- ✓ Specific description of environmental trends and events.
- ✓ Trends and scenario of future events.
- ✓ Basis for identification of forecasting.



ENVIRONMENTAL ANALYSIS PROCESS

✓ Forecasting

In this step environmental analyst makes prejudgment on what is likely to happen in future business circumstances. It provides the following outcomes;

- ✓ Trends and sequences of macro-environmental forces.
- ✓ Complexicity and dynamism of environmental variables.
- ✓ Projection of alternative available for best utilizing opportunities and tackling the threats.

Scenario building, Delphi technique, and extrapolation can be used for forecasting .



ENVIRONMENTAL ANALYSIS PROCESS

✓ Assessment

This step provides opportunities and threats to the business.

Further, it suggest how a firm can be in a better position in the market to gain competitive market.



MODELS OF ENVIRONMENTAL ANALYSIS (EA)

- ❑ PEST Model
- ❑ PESTEL Model
- ❑ Porter's Model

PEST Model: It studies about political-legal, economical, socio-cultural, and technological factors in macro environment for discovering the sources of opportunities and threats for the business.

PESTEL Model: Developed by Johnson and Scholes

P = Political Factors; government stability, social welfare policies.

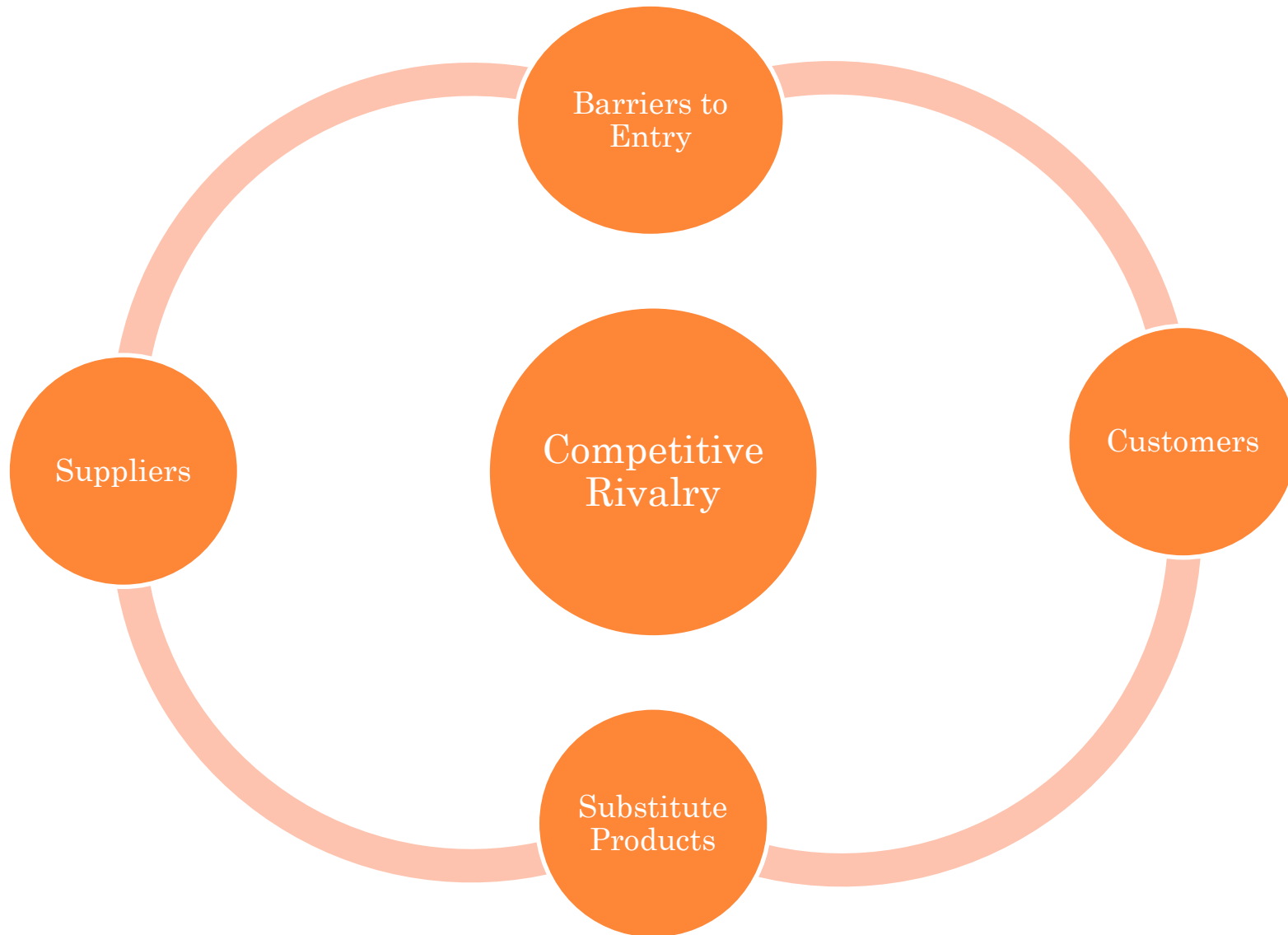
E = Economic Factor; GDP trends, interest rates, inflation, taxation, unemployment, business cycle.

S = Socio-Cultural Factor; Demographics, income, education, lifestyle, attitude.

E = Environmental Factors; environmental Laws, energy consumption, air, water, and soil pollution, and energy and business relationship



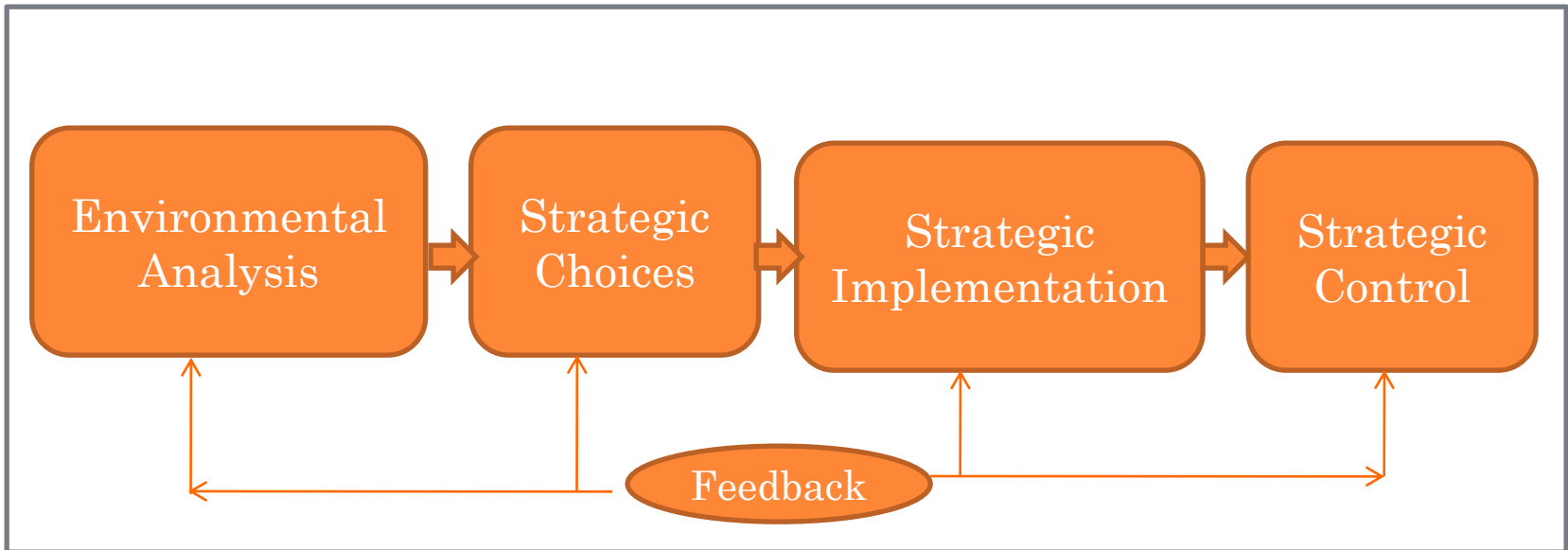
PORTER'S FIVE FORCES MODEL



ENVIRONMENTAL ANALYSIS AND STRATEGIC MANAGEMENT

5/25/2022

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USE OF EA IN STRATEGIC MANAGEMENT

- Identify the opportunities for advantage and threats to be tackled.
- Strengthen the competitive advantage in terms of resource and core competencies.
- Formulation of appropriate strategy.
- Development of strategic option for sound strategy.
- Assessment of effectiveness of strategies to achieve corporate mission and strategy.

