

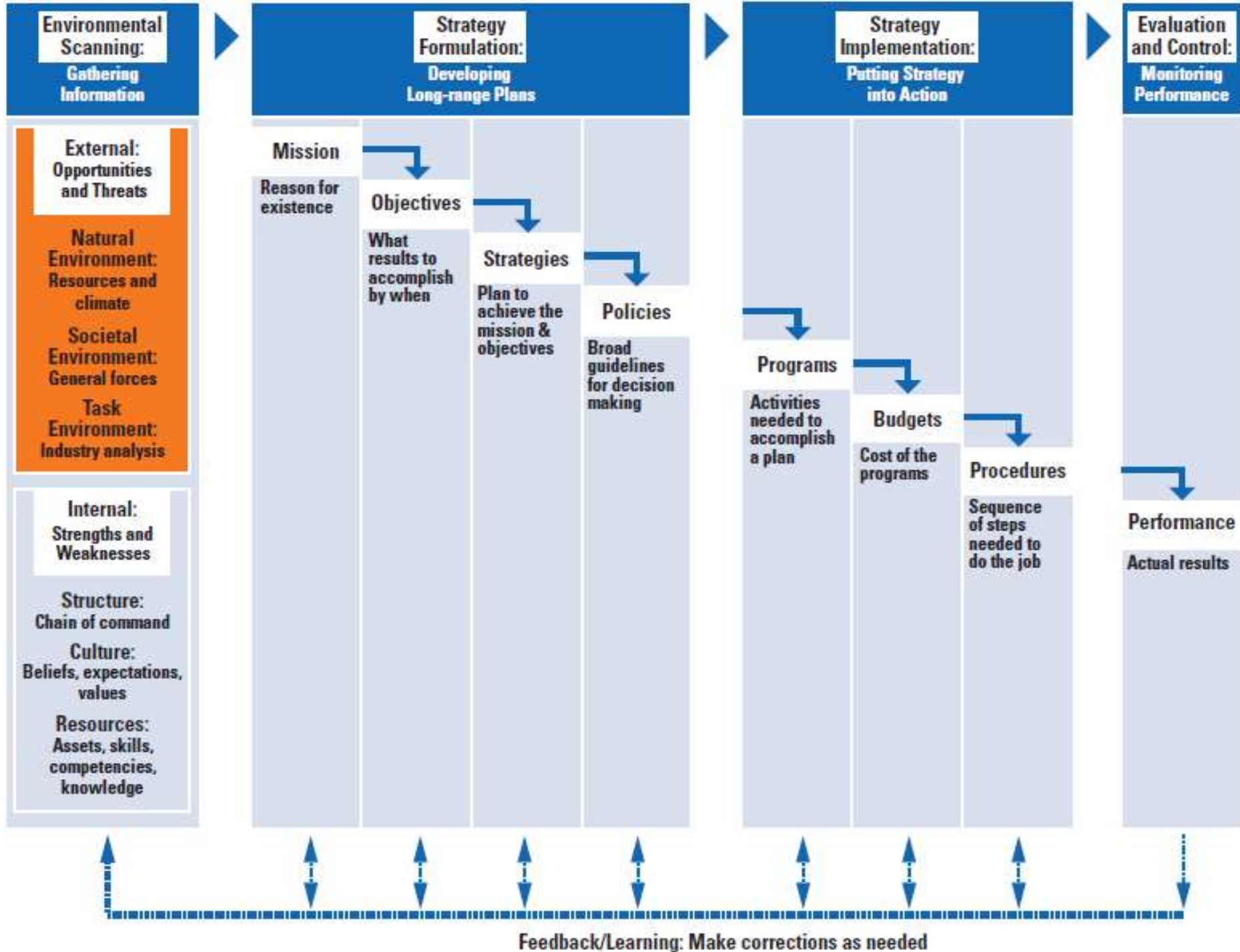
Environmental Scanning and Industry Analysis

Strategic Management and Business Policy Ch 4
Thomas L Wheelen et al



MM TRISAKTI
ANGKATAN 44

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Environmental Scanning and Industry Analysis

Environmental
Scanning

Industry Analysis :
Analyzing the Task
Environment

Competitive
Intelligence

Forecasting

The Strategic Audit

Synthesis of
External Factors

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Environmental Scanning
is an overarching term encompassing
the monitoring evaluation and
dissemination of information
relevant to the organizational
development strategy



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External Environmental Variables

1. Natural Environment

includes physical resources, wildlife, and climate that are an inherent part of existence on Earth

2. Societal Environment

mankind's social system that includes general forces that do not directly touch on the short-run activities of the organization that can, and often do, influence its long-run decisions

3. Task Environment

includes those elements or groups that directly affect a corporation and, in turn, are affected by it.

Scanning Natural Environment

- Exploit not Conserve?

Government regulation force business corporations to deal with the side effects of their activities

- Concept of sustainability

*The concept of sustainability argues that a **firm's ability** to continuously renew itself **for long-term success and survival is dependent** not only upon the greater economic and social system of which it is a part, but also upon the **natural ecosystem** in which the firm is embedded*

Gulf Oil Spill Mexico April 20th ,2010

- Recognized as the worst oil spill in US History
- Kill 11 people , worker of British Petroleum (BP) and Rig operator
- 3,19 million barrels (130 millions gallon) barrels had leaked into the gulf
- BP announced they would provide US\$ 500 million to fund and independent research program that would study the impacts of the spill on the environment and public health



Scanning Societal Environment (STEEP Analysis)

- STEEP = Sociocultural , Technological, Economic, Ecological and Political-legal (it may also be called PESTEL Analysis)

TABLE 4-1

Some Important Variables in the Societal Environment

Economic	Technological	Political-Legal	Sociocultural
GDP trends	Total government spending for R&D	Antitrust regulations	Lifestyle changes
Interest rates	Total industry spending for R&D	Environmental protection laws	Career expectations
Money supply	Focus of technological efforts	Global warming legislation	Consumer activism
Inflation rates	Patent protection	Immigration laws	Rate of family formation
Unemployment levels	New products	Tax laws	Growth rate of population
Wage/price controls	New developments in technology transfer from lab to marketplace	Special incentives	Age distribution of population
Devaluation/revaluation	Productivity improvements through automation	Foreign trade regulations	Regional shifts in population
Energy alternatives	Internet availability	Attitudes toward foreign companies	Life expectancies
Energy availability and cost	Telecommunication infrastructure	Laws on hiring and promotion	Birthrates
Disposable and discretionary income	Computer hacking activity	Stability of government	Pension plans
Currency markets		Outsourcing regulation	Health care
Global financial system		Foreign "sweat shops"	Level of education
			Living wage
			Unionization

Generasi	Usia	Jumlah (000)	Persentase
Baby Boomers	61-64	12,347.7	6.38%
Generasi X	50-59	32,703.50	16.90%
Generasi Y	30-49	81,056.90	41.89%
Generasi Z	15-29	67,376.30	34.82%

Tabel 4. Perbandingan proporsi antar generasi tahun 2025

Scanning Task Environment

Corporate function give feedback as an input to top management to use in strategic decision making

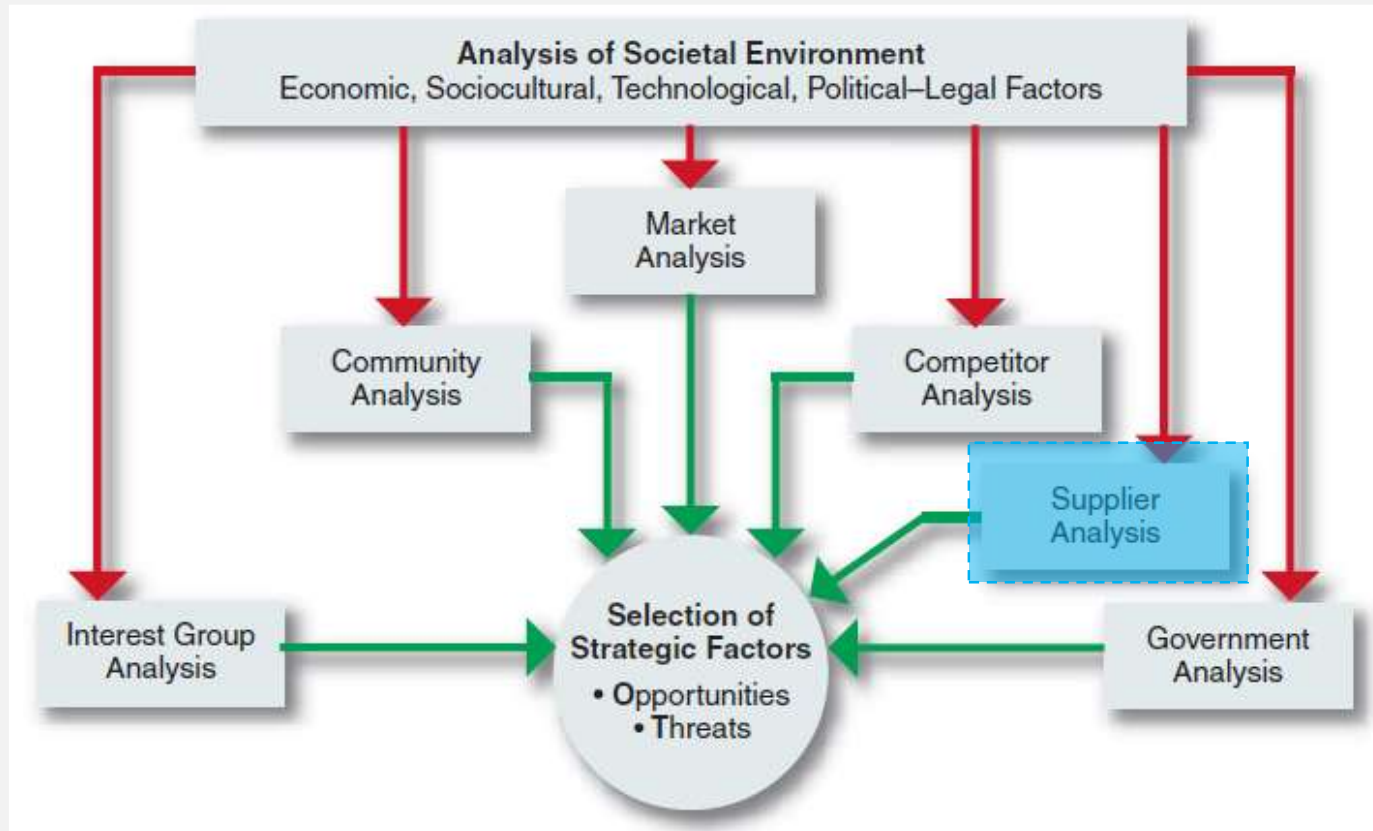
Eg : P&G

- *Brand management , sales and market research department write "competitive activity report" on each product in which P&G competes*
- *Purchasing write similar report regarding new developments in the industries that supply P&G*

These and other reports are used as an input to Top Management to formulate strategic decision making.

Case Study I : Scanning External Environment

Task Environment - Supplier Analysis



Orica Mining Services adalah penyedia bahan peledak dan sistem peledakan komersil terbesar di pasar tambang dan infrastruktur.



Supply Chain global Orica terhubung ke customer lebih dari 130 negara yang tentunya memerlukan **mitra supplier yang strategis** untuk menjamin



Supplier Analysis

1. Competency
2. Capacity
3. Commitment
4. Control
5. Cash
6. Cost
7. Consistency
8. Culture
9. Clean
10. Communication

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EFAS – External Factors Analysis Summary

Identifying External Strategic Factors

- *No firm can successfully monitor all external factors, choice must be made regarding which factors are important and which are not.*
- *"Strategic myopia"*

		Probable Impact on Corporation		
		High	Medium	Low
Probability of Occurrence	High	High Priority	High Priority	Medium Priority
	Medium	High Priority	Medium Priority	Low Priority
	Low	Medium Priority	Low Priority	Low Priority



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Porter's Approach to Industry Analysis

Michael Porter : Professor at the Institute for Strategy and Competitiveness, based at the Harvard Business School.

Porter's five forces (1979) than six forces (1990) :

1. Threat of new entrants
2. Rivalry among existing firms
3. Threat of substitute products or services
4. Bargaining power of buyers
5. Bargaining power of suppliers
6. Relative power of stakeholder

Case Study II : Porter Approach

Porter Five Forces – Toyota on Automotive Industry



1. Threat of new entrants – Weak
2. Rivalry among existing firms – Very Strong
3. Threat of substitute products or services – Weak
4. Bargaining power of buyers - Strong
5. Bargaining power of suppliers - Weak

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Strategic Types

Is a category firms based on common strategic orientation and a combination of structure, culture, and process consistent with that strategy.

Defenders

- Companies with limited product line
- Focus on improving the efficiency of their operations
- Eg : Lincoln electric



Analyzers

- Corporations that operate in at least two different product-market areas (one stable and other(s) variable)
- Focus on efficiency on stable product market and innovation on other
- Eg : P&G



Prospectors

- Companies with fairly broad product lines
- Focus on product innovation and market opportunities
- Eg : Frito lay



Reactors

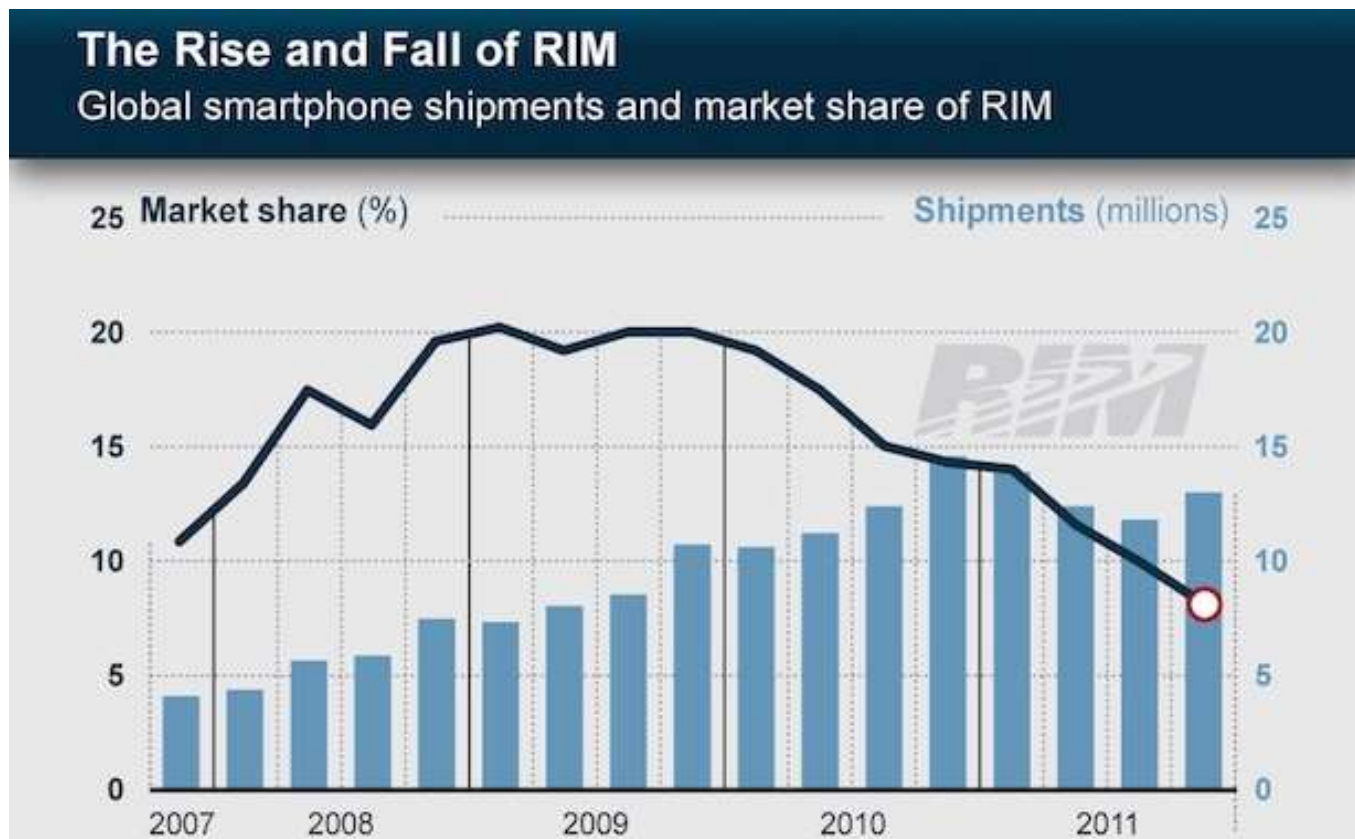
- Corporations that lack of a consistent strategy-structure-culture relationship
- Response to environmental pressure
- Eg : Southwest Airlines



Hypercompetition

Is a competition environment characterized by intense and rapid moves to create unsustainable competitive advantage among the rival.

Eg : New model of smartphone and IT products



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Competitive Intelligence (CI)

- CI is a formal program of gathering information on a company's competitors.
- North American 2011 survey : 70% companies plan to increase their budget for CI, 94% felt they had benefited from CI reports, 42% of those companies without CI program intend to start within the year
- Source of competitive intelligence : Consulting & Survey firm, Internet Network and gathering, customer voices.
- Why Monitoring competitors for strategic planning?

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Forecasting

- Formulate historical data as projection for the future
- Danger of assumptions
- Useful forecasting technique : Brainstorming, expert opinion, statistical modelling, prediction markets, scenario writing

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EFAS –
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Strategic Audit Checklist

III. External Environment: Opportunities and Threats (SWOT)

A. Natural Physical Environment: Sustainability Issues

1. What forces from the natural physical environment are currently affecting the corporation and the industries in which it competes? Which present current or future threats? Opportunities?
 - a. Climate, including global temperature, sea level, and fresh water availability
 - b. Weather-related events, such as severe storms, floods, and droughts
 - c. Solar phenomena, such as sun spots and solar wind
2. Do these forces have different effects in other regions of the world?

B. Societal Environment

1. What general environmental forces are currently affecting both the corporation and the industries in which it competes? Which present current or future threats? Opportunities?
 - a. Economic
 - b. Technological
 - c. Political-legal
 - d. Sociocultural
2. Are these forces different in other regions of the world?

C. Task Environment

1. What forces drive industry competition? Are these forces the same globally or do they vary from country to country? Rate each force as **high**, **medium**, or **low**.
 - a. Threat of new entrants
 - b. Bargaining power of buyers
 - c. Threat of substitute products or services
 - d. Bargaining power of suppliers
 - e. Rivalry among competing firms
 - f. Relative power of unions, governments, special interest groups, etc.
2. What key factors in the immediate environment (that is, customers, competitors, suppliers, creditors, labor unions, governments, trade associations, interest groups, local communities, and shareholders) are currently affecting the corporation? Which are current or future Threats? Opportunities?

D. Summary of External Factors (List in the EFAS Table 4-5, p. 126)

Which of these forces and factors are the most important to the corporation and to the industries in which it competes at the present time? Which will be important in the future?

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EFAS – External Factor Analysis Summary

TABLE 4-5

External Factor Analysis Summary (EFAS Table): Maytag as Example

External Factors	Weight	Rating	Weighted Score	Comments
	1	2	3	4
Opportunities				5
■ Economic integration of European Community	.20	4.1	.82	Acquisition of Hoover
■ Demographics favor quality appliances	.10	5.0	.50	Maytag quality
■ Economic development of Asia	.05	1.0	.05	Low Maytag presence
■ Opening of Eastern Europe	.05	2.0	.10	Will take time
■ Trend to "Super Stores"	.10	1.8	.18	Maytag weak in this channel
Threats				
■ Increasing government regulations	.10	4.3	.43	Well positioned
■ Strong U.S. competition	.10	4.0	.40	Well positioned
■ Whirlpool and Electrolux strong globally	.15	3.0	.45	Hoover weak globally
■ New product advances	.05	1.2	.06	Questionable
■ Japanese appliance companies	.10	1.6	.16	Only Asian presence in Australia
Total Scores	<u>1.00</u>		<u>3.15</u>	