



Course Learning Outcomes for Unit IV

Upon completion of this unit, students should be able to:

3. Explain how the evolvement of the Internet affects corporations based on current worldwide trends.
 - 3.1 Compare a company's performance with others in the same industry based on Internet research and industry trends.
4. Analyze the processes for formulating corporate strategy.
 - 4.1 Prepare an industry analysis to compare a company with others in the same industry.
 - 4.2 Develop an External Factor Analysis (EFAS) Table that summarizes external environmental factors.
5. Evaluate methods that impact strategy implementation, such as staffing, directing, and organizing.
 - 5.1 Discuss a company's corporate rating for opportunities and threats.

Reading Assignment

In order to access the following resources, click the links below:

Albright, K. S. (2004). Environmental scanning: Radar for success. *Information Management Journal*, 38(3), 38-45. Retrieved from <https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=13108082&site=ehost-live&scope=site>

College of Business – CSU. (2016, January 12). *MBA5101 Unit IV lesson video* [YouTube video]. Retrieved from https://youtu.be/Dtpo-e_cHxs?list=PL08sf8iXqZn54RluJs-skqp4omxG-UOu5

Click [here](#) to access a transcript of the video.

Hagen, A. F., & Amin, S. G. (1995). Corporate executives and environmental scanning activities: An empirical investigation. *SAM Advanced Management Journal*, 60(2), 41. Retrieved from <https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=9510234175&site=ehost-live&scope=site>

Hendrickson, C. (2016). *EFAS Nautilus* [Video file]. Retrieved from <https://www.youtube.com/watch?v=4ipZnyeank4>

Click [here](#) for a copy of the video transcript.

Unit Lesson



(Chs87, 2015)

The Internet changes everything. All the traditional barriers of entry into any business have been altered as a result of this worldwide phenomenon. Businesses use the Internet as a communication tool in reaching out to its customers, suppliers, government regulators, employees, and stockholders. They use it as an information-gathering tool to gather competitive intelligence. It is difficult now for businesses to escape and find shelter in the high ground when, today, thanks to the World Wide Web, most of the business terrain is flat and open. In the military, soldiers are taught that if they can see the enemy, the enemy can also see them. The same could be said for businesses today.

How does a firm plan strategically in the midst of a new reality that is more competitive than ever? It requires a deliberate and focused strategic planning process performed annually in an environment of continuous improvement. The first, and one of the most important steps of this deliberate process is called *environmental scanning*. The process of environmental scanning involves a company gathering information about internal and external forces, evaluating that information, and interpreting the information to identify opportunities and threats.

Companies review internal and external factors to get a better assessment of their surroundings. It is essentially a tool used to avoid strategic surprise and to ensure a firm's long-term health (Albright, 2004). With new products and processes coming out all of the time, a company must be aware of these developments to stay competitive. Simply put, organizations that engage in environmental scanning normally realize an increase in profits (Hagen & Amin, 1995).

Environmental scanning is the cornerstone of the strategic planning process. It begins the strategic planning cycle, providing the most important and initial set of data. Environmental scanning, when done well, provides the proper start to the strategic planning process.

Many companies use the external factor analysis (EFAS) table as part of the scanning process. This gives the companies a comparison of how they are doing versus companies in the same industry. To complete the table, opportunities and threats for a company are both weighed and rated to give a weighted score. These are combined to give a total weighted score that is used to compare with other companies.

The total weighted score for an average firm in an industry is always 3.0. When the EFAS analysis is complete, the subject company weighted score is evaluated against the industry average score of 3.0 to determine how well it is doing. A weighted total score greater than 3.0 indicates the subject company is doing better than the average industry firm. A weighted average score less than 3.0 indicates that the subject company is doing worse than the average industry firm. The EFAS table allows organizational leaders to determine which factors are more or less strategically important when planning to improve their competitiveness in the industry.

Typically, the strategic planning committee (the cross-functional team discussed in the Unit II lesson) performs the environmental scanning function. Environmental scanning examines inside and outside the organization. Although the marketing department plays an important role in this process, it is not, and cannot be the only group conducting an environmental scan for the organization. This, again, is why a cross-functional team is necessary. The diverse nature of the strategic planning committee is a safeguard that all areas impacting the company will be closely examined and reviewed. This enables the committee to filter out preconceived bias from any particular group whose focus may be either internal or external (Hagen & Amin, 1995). Bias and prejudice are always present, and may be a good or bad thing, depending on the situation or environment. An example is a company that may be a tech-biased solution type of organization, and thus push for improved technologies for customer needs and wants. Apple, Google, and Amazon.com are a few of these companies. But the bias can also be harmful at times. It goes back to a story about the space race between the United States and the USSR. The Americans scientists were pushing for a writing tool that could write in zero gravity environments or upside down. Their efforts resulted in many inventions and

developments in technology. The Russians, with a much lower technology budget and bias to the simple solution, used the basic pencil. Both solutions showed bias to their given set of circumstances and environment.

An example of where a homogenous strategic planning team failed to see the impact international competitors were having on their target market customer base was the U.S. automobile industry in the 1980s. Leaders of the nation's automakers were promoted from within their firms and were from a small geographic area in the Midwest. Believing their national customer base would always have no choice but to buy their products, they lost track of how their customers perceived value and quality in their products. Without realizing it, the automobile industry seemed to change almost overnight. This caused considerable disruption to a once solid and profitable industry. It took American automobile manufacturers almost 20 years to recover and to become effective international competitors again. Having said this about homogenous strategic planning teams, the Japanese planning teams are considered some of the most homogenous teams in the world. These teams developed companies such as Toyota and Honda. So one can contrast how team consistency can be a positive and negative. The same can be demonstrated about heterogeneous teams.

Another good example to research is the decline of Swiss watchmaking companies that were focused on mechanical watches and not digital watches. This innovation caused a major disruption in the watchmaking world! The market for watches shifted from 100% of watches being mechanical and the majority made or influenced by Swiss watchmakers, to 90% being digital and made by Asian companies. As technology expanded over the years, watches have ebbed and flowed in number of sales because people tend to use phones to check the time. Samsung and Apple watches may bring watches back in fashion because of the additional functionality and access to the Internet.

The Internet allows companies to get their business presence into the public domain with the quicker and more flexible medium of a website. Some companies will use social media, such as Twitter and Facebook. Both of these ways to use the Internet allow a company to brand their products, connect with customers, speed communications, and many other positive actions. On the other hand, social media can result in bad reviews, customer feedback spreading to others, and mistakes. It is not uncommon to hear about a company or person making a bad Tweet that starts a public relations problem.

There are several companies that really led the way in the Internet becoming such a powerful force in business and our daily lives. This list ranges from music sharing sites like Napster, operating systems like Apple and Microsoft, Internet providers like AOL and Earthlink, and shopping sites like Amazon.com, to Internet search engines like Yahoo! and Google. Despite the technology bubble, the overall success of the Internet is secured with the continued growth of users, money spent online, and the amount of data transmitted. Even CSU leverages the power of the Internet to provide low cost, quality education courses! The Internet is a very powerful force in developing a company.

The environmental scanning process begins with the strategic planning team concurrently examining internal strengths and weaknesses and external opportunities and threats. This can reveal potential threats and opportunities for an organization. This can include Internet issues, as noted previously, such as bad reviews or negative information.

According to Albright, (2004) a formal environmental scanning process has five basic steps that are integrally linked in an overlap with others:

1. Identify the environmental scanning needs of the organization. For this to be successful, top management must be in full support of this activity.
2. Gather the information. The organization's needs must then be translated into specific elements of information that will be required. A list of questions and selected sources should be prepared in advance in order to make scanning activities more targeted and effective.
3. Analyze the information. Once collected, the information should be analyzed for issues and trends that may influence the organization.
4. Communicate the results. These results need to be communicated in a concise format to the appropriate decision maker within the firm.
5. Make informed decisions. Once the environmental scanning activities have been presented, organizational leadership can take appropriate steps to position the organization in the manner that will be most responsive to the opportunities or threats that have been identified.

Albright (2004) also stated that during the environmental scanning process, organizations should ask themselves the following questions:

1. Does the organization currently capture environmental information? In what ways? Is it formally structured?
2. Is environmental scanning information considered to be important to strategic decision making and planning? To operations?
3. Is the organization flexible and open to new ideas?
4. Does the organization's senior management support the idea of environmental scanning at the highest levels?
5. Are the organizations communications channels open to environmental scanning activities?
6. Is the level of investment allocated to environmental scanning sufficient to benefit the organization?
7. Where in the organization should this function be coordinated and located?

Again, there is a positive correlation between effective environmental scanning and the organization's profits, making effective environmental scanning a valuable part of the strategic planning process. It is important to take the time to review companies with success in these areas to help replicate and duplicate their success in business.

References

Albright, K. S. (2004). Environmental scanning: Radar for success. *Information Management Journal*, 38(3), 38-45.

Chs87. (2015). *WWW-symbol in blau* [Image]. Retrieved from https://commons.wikimedia.org/wiki/File:WWW-Symbol_in_blau.jpg

Hagen, A. F., & Amin, S. G. (1995). Corporate executives and environmental scanning activities: An empirical investigation. *SAM Advanced Management Journal*, 60(2), 41.