

ENVIRONMENTAL SCANNING

Environmental scanning involves surveillance of a firm's external environment to predict environmental changes to come and detect changes already under way. Successful environmental scanning alerts the organization to critical trends and events before the changes have developed a discernible pattern and before competitors recognize them. Otherwise, the firm may be forced into a reactive mode instead of being proactive.

Recently, Sir John Browne, chief executive officer of petroleum company BP Amoco, described in a speech the kind of environmental changes his company was experiencing.

The next element of the change we've experienced is the growth in demand, and the changing nature of that demand. The world uses eight million more barrels of oil and 30 billion more cubic feet of natural gas every day than it did in the spring of 1990. The growth of natural gas in particular has been and continues to be spectacular, and I believe that change can legitimately be seen as part of a wider, longer-term shift to lighter, cleaner, less carbon-intensive fuels.

Consider how difficult it would be for BP Amoco to develop strategies and allocate resources if it did not scan the external environment for such emerging changes in demand.

At times, your company may benefit from studies conducted by outside experts in a particular industry. In a recent study, A. T. Kearney, a large international consulting company, identified several "key issues" in the automobile industry, including:

- ◆ Globalization. This is not a new trend but it has intensified, with enormous opportunities opening up in Asia, central and eastern Europe, and Latin America.
- ◆ Time to Market. Although some improvements have been made, there's still a gap between product development cycles in the United States and Europe compared to Japan. This gap may be widening as Japanese companies continue to make improvement.
- ◆ Shifting Roles and Responsibilities. Design responsibility, purchasing, even project management and systems engineering, are shifting from original equipment manufacturer to integrator/supplier.

Consider how disadvantaged you would be as an executive in the global automobile industry if you were unaware of such trends.

Dess, Gregory G., G.T. Lumpkin and Marilyn L. Taylor. Strategic Management. 2 ed. New York: McGraw-Hill Irwin, 2005.