

ENVIRONMENTAL MONITORING

Environmental monitoring tracks the evolution of environmental trends, sequences of events, or streams of activities. These are often uncovered during the environmental scanning process. They may be trends that the firm came across by accident or were brought to its attention from outside the organization. Consider the automobile industry example. While environmental scanning may make you aware of the trends, they require close monitoring, which involves closer ongoing scrutiny. For example, you should closely monitor sales in Asia, central and Eastern Europe, and Latin America. You should observe how fast Japanese companies and other competitors bring products to market compared with your firm. You should also study trends with your own suppliers/integrators in purchasing, project management, and systems engineering the competitive landscape.

One of the authors recently conducted on-site interviews with executives from several industries. The goal was to identify indicators that firms monitor as inputs to their strategy process. Examples included:

- ◆ **A Motel 6 executive.** The number of rooms in the budget segment of the industry in the United States, and the difference between the average daily room rate and the Consumer Price Index (CPI)
- ◆ **A Pier 1 Imports executive.** Net disposable income (NDI), consumer confidence index, and housing starts.
- ◆ **A Johnson & Johnson medical products executive.** Percentage of gross domestic product (GDP) spent on health care, number of active hospital beds, and the size and power of purchasing agents (indicates the concentration of buyers).

Such indices are critical for managers in determining each firm's strategic direction and resource allocation.

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