



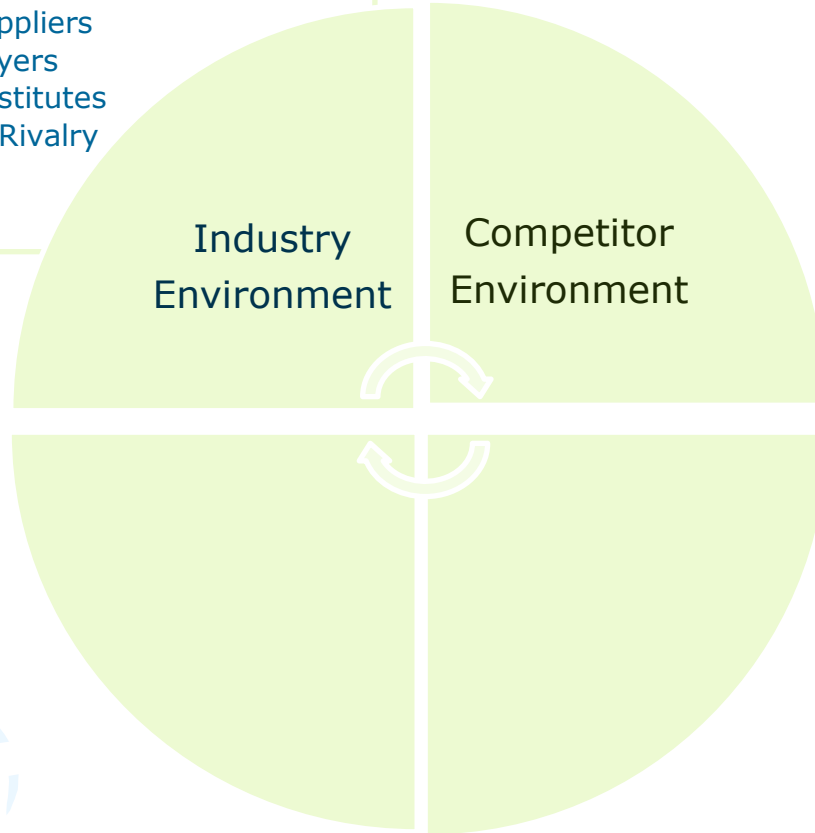
Environmental Analysis

EXTERNAL ENVIRONMENT ANALYSIS

- Threat of New Entrants
- Power of Suppliers
- Power of Buyers
- Product Substitutes
- Intensity of Rivalry

Industry
Environment

Competitor
Environment





General Environment

The general environment can be grouped into the following segments

- Demographic Segment
- Economic Segment
- Political/Legal Segment
- Sociocultural Segment
- Technological Segment
- Global Segment



Demographic Segment

The Demographic Segment includes the following:

- Population Size
- Age Structure
- Geographic distribution
- Ethnic mix
- Income distribution



Economic Segment

The Economic Segment includes the following

- Inflation rates
- Interest rates
- Trade Deficits or Surpluses
- Budget Deficits or Surpluses
- Personal Savings rate
- Business Savings rate
- Gross Domestic Product




Political/Legal Segment

The Political/Legal Segment includes the following:

- Anti-trust Laws(Competition Act)
- Taxation Laws
- Labour Laws
- Educational Philosophies and Policies
- Deregulation Philosophies



Sociocultural Segment

- The Sociocultural Segment includes the following:
 - Women in the workforce
 - Workforce Diversity
 - Attitudes about the quality of work life
 - Concerns about the environment
 - Shifts in work and career preferences
 - Shifts in preferences regarding product and service characteristics
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Technological Segment

- The Technological Segment includes the following
 - Product Innovation
 - Applications of Knowledge
 - Focus of Private and Govt. supported R&D expenditure
 - New Communication technologies
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Global Segment

- The Global Segment includes the following:
 - Important Political Events
 - Critical global markets
 - Newly Industrialized Countries
 - Different cultural and Institutional attributes

A decorative graphic on the left side of the slide features three balloons in shades of green, blue, and purple, with yellow streamers and triangular flags trailing from them.

Components of External Environmental Analysis

- Scanning
- Monitoring
- Forecasting
- Assessing



Scanning

Identifying early signals of environmental changes and trends

A decorative graphic on the left side of the slide features three balloons: a light green one at the top, a light blue one in the middle, and a light purple one at the bottom. Each balloon has a string and several small yellow triangular shapes radiating from it, resembling a sun or a burst of light.

Monitoring

Detecting meaning through ongoing observations of environmental changes and trends



Forecasting

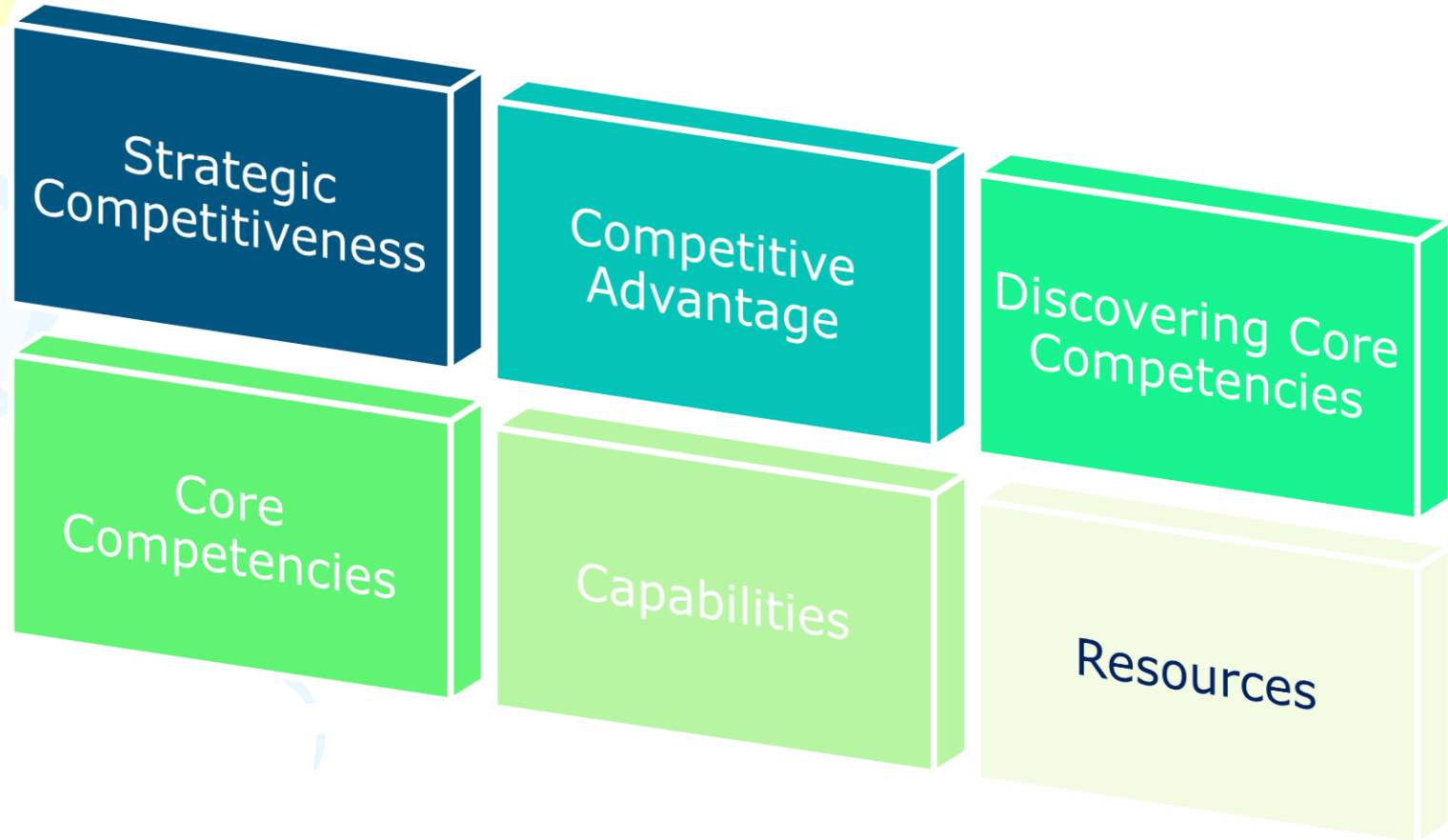
Developing projections of anticipated outcomes based on monitored changes and trends

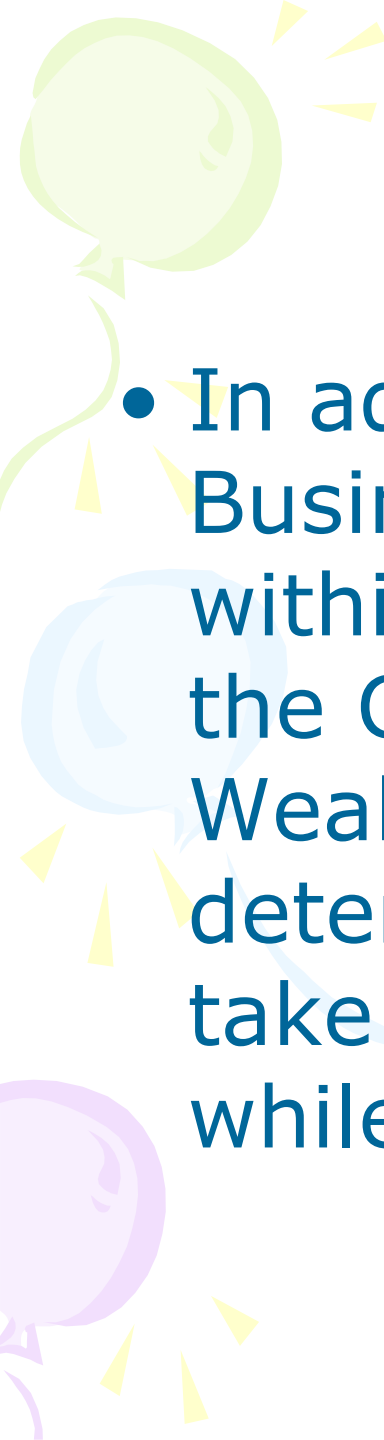


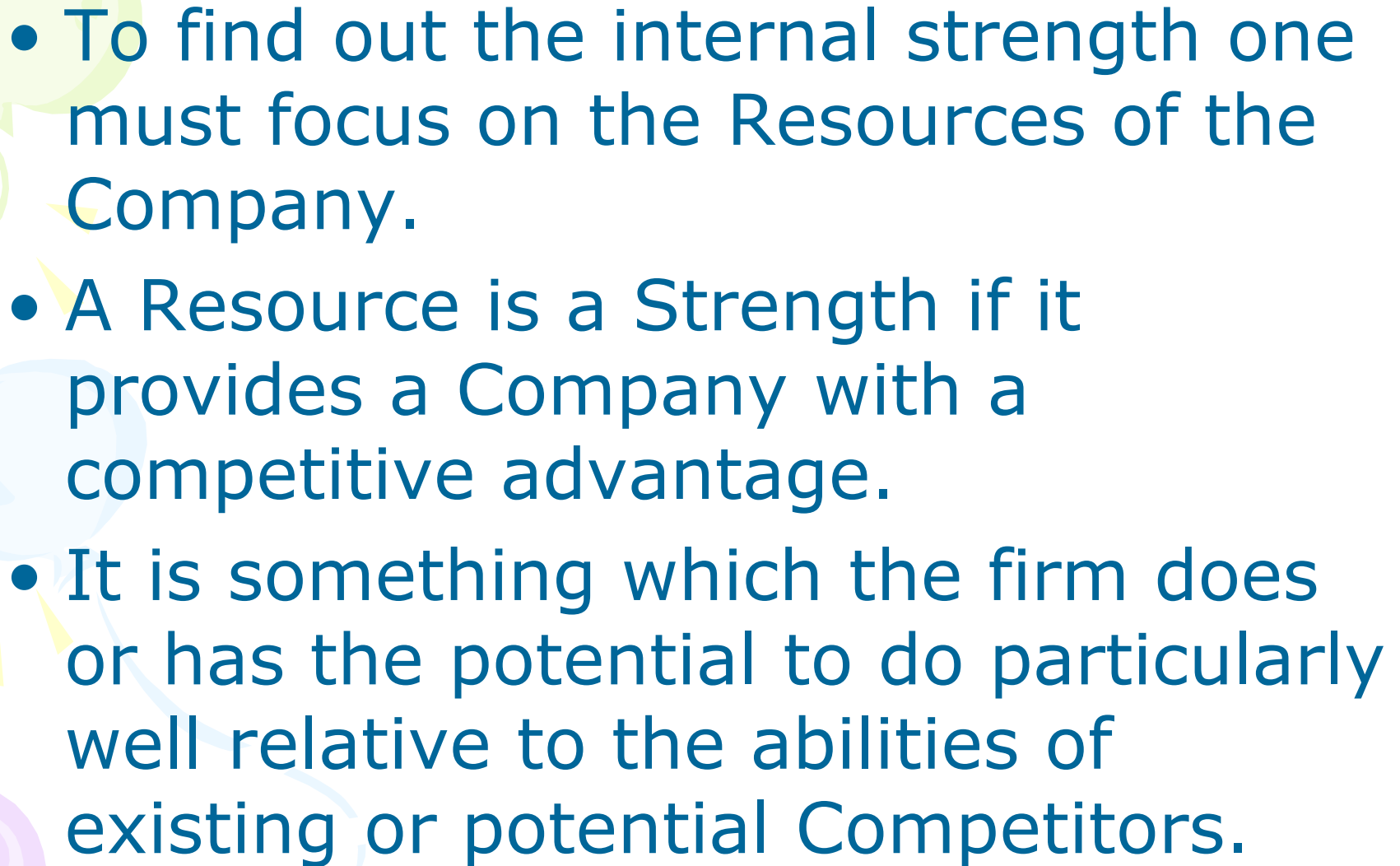
Assessing

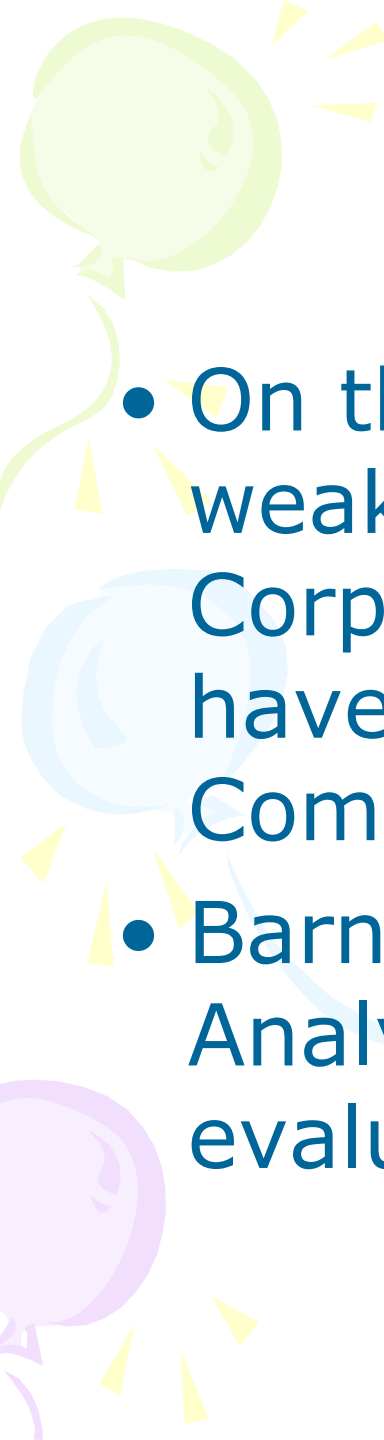
Determining the timing and importance of environmental changes and trends for firm's strategies and their management

INTERNAL ENVIRONMENT



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- In addition to the external factors Business Strategists must look within the Organisation to find out the Critical Strengths and Weaknesses that are likely to determine if the firm will be able to take advantage of Opportunities while avoiding threats.

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- To find out the internal strength one must focus on the Resources of the Company.
 - A Resource is a Strength if it provides a Company with a competitive advantage.
 - It is something which the firm does or has the potential to do particularly well relative to the abilities of existing or potential Competitors.

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- On the other hand a resource is a weakness if it is something which the Corporation does poorly or doesnot have the capacity to do although it's Competitors have that capacity.
 - Barney in his VRIO Framework of Analysis proposes 4 Questions to evaluate each firm's Key Resorces.



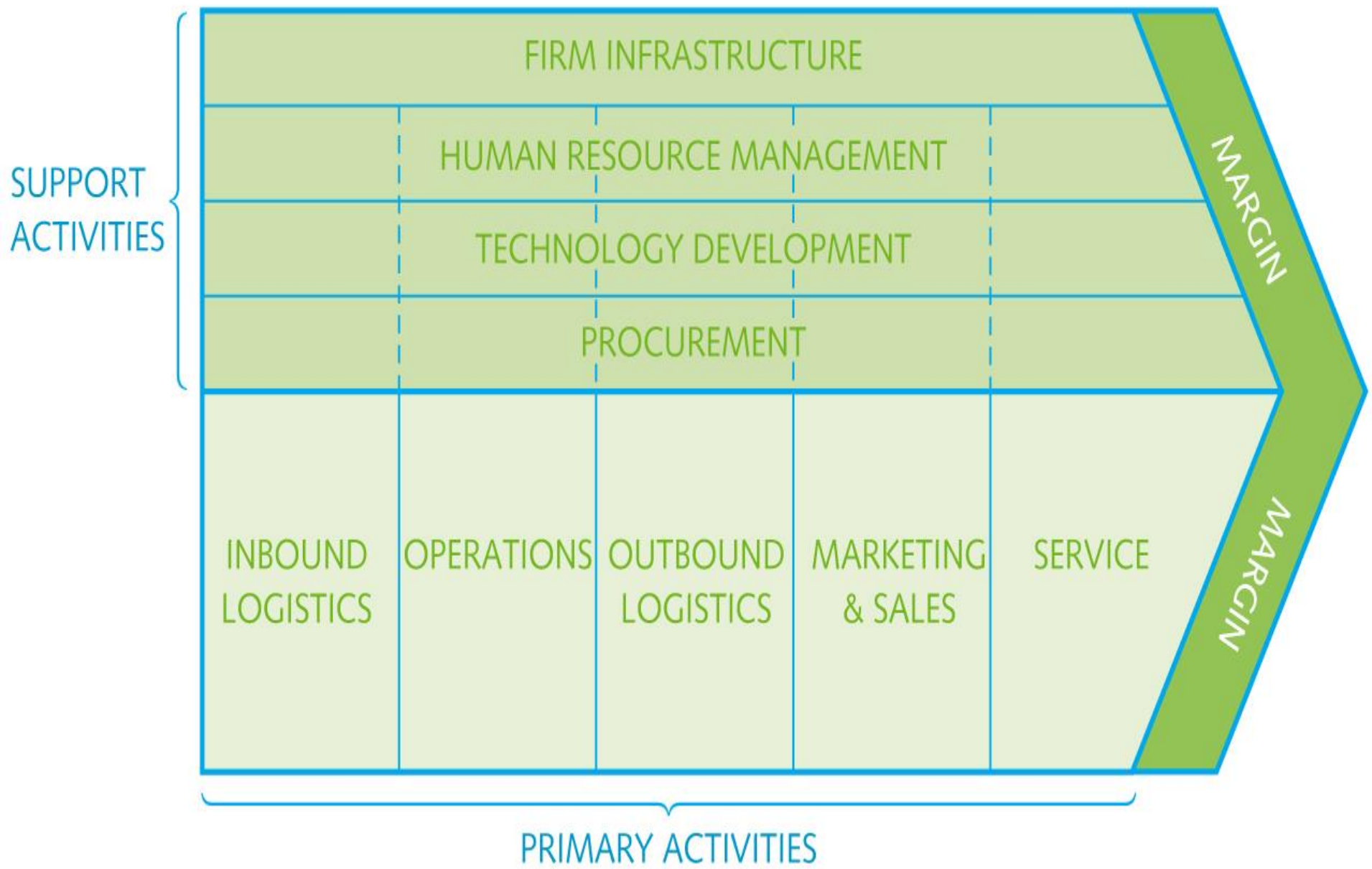
1. Value- Does it Provide Competitive Advantage?

2. Rareness-Does the Competitors Possess it ?

3. Imitability-Is it Costly for others to imitate ?

4. Is the Firm organised to exploit the resource ?

If the Answer to these questions is YES for a particular resource that resource is considered a strength and distinctive Competence.



Procurement

This value chain activity deals with the process of purchasing resource inputs to support any of the primary activities. Inputs to the organization's productive process include such things as raw materials, office supplies, and buildings. (See Strategy Focus: Procurement, which provides an insight into the growing importance of this activity.)

Technology Development

This activity covers an organization's 'know-how', its procedures, and any use of its technology that has an impact upon product, process, and resource developments.

Human Resource Management

These activities include selection, recruitment, training, development, and remuneration of employees. They may support individual primary and support activities, as occurs when an organization hires particular individuals such as economists. They may also support the entire value chain, as occurs when an organization engages in company-wide pay negotiations.

This consists of activities which usually support the entire value chain

Inbound logistics

These are the value chain activities that cover receiving, storing, and distributing inputs to the product. It includes material handling, warehousing, inventory control, vehicle scheduling, and returns to suppliers.

Operations

These activities deal with transforming an organization's inputs into final products such as machining, packaging, assembly, testing, printing, and facility operations.

Outbound logistics

These activities are associated with collecting, storing, and distributing the product or service to buyers. Outbound logistics includes warehousing, material handling, delivery, order processing, and scheduling.

Marketing and Sales

This includes activities that make a product available for purchase and induces them to buy. It includes advertising, promotion, sales force, quoting, channel selection, channel



SWOT ANALYSIS

- Take the Case of an Oil Company
- E.g. Indian Oil, Hindustan Petroleum etc.
- **STRENGTH**
- Strong Balance Sheet
- **WEAKNESS**
- Oil is hard to find and very expensive to excavate



- OPPORTUNITIES

- Number of 4 wheelers and 2 wheelers will increase over the years

- THREATS

- Oil is being depleted at a Faster Rate
- Govt. Legislation on Co2 Emission
- Consumer Lobby