

Tools and techniques used in environmental analysis tourism essay



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Environmental analysis is a very important part of decision making. Managers need to take this aspect of taking decisions very seriously. It has been proved time and time again that decisions that are made from gut feelings or instincts may not work how the manager envisioned it to work out. It is always better for analysis to be done and different scenarios to be worked out to see how a decision can work out. This reduces the risk associated with taking decisions. This process of analyzing the environment is a dynamic process not a static process. The environment in which an organization works in is divided into internal and external environment its respective factors. The following article talks about the tools and techniques which are used in analyzing the factors of the business environment.

Introduction:

Strategic management is also called institutional management. It is the art and science of the creation of strategies and plans, the implementation and evaluation of these strategies and plans which helps an organization to achieve its long-term objectives. In this process the organization's mission, vision and objectives are discussed and developed. After these objectives are developed, the policies, plans, with respect to projects and programs, are designed, and then resources are allocated or budgeted to implement them and achieve the objectives. (wikipedia n. d.)

Strategic management consists of a set of activities that come under setting goals and over the process of putting together tactics to achieve these goals and objectives. How strategic management is carried out depends on the organizational structure of the company. The Board of Directors, the

management team as well as other stake holders of the company can be involved in these activities that fall under strategic management.

Strategy can be defined as “ unified, comprehensive and integrated plan that maps the strategic advantages of the organization to the challenges of the environment. It is designed to ensure that the core objectives of the enterprise are achieved through the proper execution by the organization.”

(Jauch and Glueck 1988)

Formulating a strategy for achieving an objective or a set of objectives is a combines three main processes which are:

- By analyzing the situation, evaluating themselves and comparing themselves with their competitors i. e. internal and external as well as micro-environmental and macro-environmental.
- After this assessment, the objectives are determined. These objectives should be created with respect to a time-line; where some are short-term and others are long-term objectives. This involves creating a vision statement, a mission statement, setting corporate level, strategic business unit level and tactical level objectives.
- These objectives should be studied along with the results of the situation analysis and a strategic plan can be formulated which will provide details of how to achieve these objectives.

Environmental analysis begins from the identification of environmental factors (internal and external), assessing their nature and the impact of

these factors and making various profiles for positioning of the firm. All the <https://assignbuster.com/tools-and-techniques-used-in-environmental-analysis-tourism-essay/>

decisions taken by the organization and the impact of these decisions depend on the organization's internal and external environmental factors. These environmental factors should be carefully analyzed before taking any decisions. Environmental analysis is made up of the processes which scan, monitor, analyze, and forecasts the situations which the organization can face and variables of the environment. Scanning is done to get information from the environment. Monitoring is done to test the impact of the environmental factors. Analyzing deals with data collection and the use of tools and techniques to study and measure the environmental factors. Forecasting is a method to find the possibilities of the future based on the historical data and present scenario. (Business Environment Analysis n. d.)

Different tools, methods, and techniques are used for environmental analysis. Some of the major methods of analysis are benchmarking, scenario building and network methods. Scenario building gives an overall picture of the total system with the factors which affect it. Benchmarking is the process of finding the best standards in an industry and comparing the strengths and weaknesses of the firm with these identified standards. The network method is used to assess organizational systems and its external environment to find the strengths, weaknesses, opportunities and threats faced by an organization. (Agarwal n. d.) Few of the techniques of primary information collection are brainstorming, the Delphi technique, conducting surveys, and historical enquiry. The Delphi technique collects independent information from the experts without mixing them. Brainstorming is done with a group of people usually cross-functional which discuss the problem in hand and try to come up with solutions irrespective of whether the solution is feasible or not.

Conducting a survey first involves the design of questions and then asking these questions to people who become the participants. The historical enquiry technique is a case analysis of previous time periods. Analysis tools can be descriptive tools such as mean, median, mode, frequency or tools can be statistical such as ANOVA, correlation, regression, factor, cluster, and multiple regression analysis. (BADU 2002)

SWOT analysis:

Figure 2. 1

A study of the internal and the external environment is a critical component of the strategic planning process. The firm's internal environmental factors can be classified as strengths (S) or weaknesses (W), and those factors which act as external agents to the firm can be classified as opportunities (O) or threats (T). This is called SWOT analysis. (QuickMBA n. d.). This analysis gives information that is useful in matching the organization's resources and abilities to the environment in which it operates.

2. 1 The SWOT Matrix:

A matrix of these factors can be constructed. This matrix will be helpful in developing the strategies for the firm. The SWOT matrix (also known as a TOWS Matrix) is shown in the next page:

SWOT / TOWS Matrix

Strengths

Weaknesses

Opportunities

S-O strategies

W-O strategies

Threats

S-T strategies

W-T strategies

Table 2. 1

S -O strategies – helps to pursue identified opportunities fit well according to strengths of the firm.

W-O strategies – helps to overcome weaknesses to pursue opportunities identified.

S-T strategies – identifies ways in which the firm can use its strengths to reduce its vulnerability to external threats.

W -T strategies – establishes plans to overcome the firm's weaknesses and less vulnerable to external threats.

Environmental analysis or external audit:

The organizations should adapt themselves and their strategy to the external environment which is constantly changing. The external environment is also

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called macro environment. These forces of the external environment cannot be controlled and can be analyzed using a variety of tools and techniques such as Environmental Scanning and PEST analysis.

3. 1 Environmental Scanning

Environmental scanning is defined as the process that seeks information about events and relationships in a firm's environment, the knowledge of which help top management chart the firm's future. Environmental scanning is used to gather information from the environment.

In this process, the external environment is divided into sectors or areas such as political, economic, cultural, technological and further analysis such as PEST analysis can be done after scanning the environment. Information is collected by monitoring and forecasting any changes that occur to the variables of the environment that have been identified earlier. This collection of information helps the organizations to find out where they are lacking and what exactly they need which helps them in formulating the strategies. (Acar 1995)

3. 2 PEST Analysis

PEST analysis identifies the external forces that affect the organization such as Political, Economic, Social and Technological drivers. It is very useful for the organization when used together with other tools such as the SWOT analysis. (wikipedia n. d.)

Political Factors

These factors may have a direct or an indirect impact on the way the organization operates. Laws made by the government may have a huge impact on the way business is conducted by the organization.

Economic Factors

Economic factors such as the market prices and market cycles which in turn affects the buying power and the behavior of the organization's customers.

Sociological Factors

Sociological factors include the lifestyles, demography characteristics, and the cultural habits and characteristics of the customers. These factors have a huge sway on the requirements and desires of the customers and also affects the size of potential markets.

Technology Factors

Technological changes have an important role in modeling how organizations operate with the resources that they have. Technology is a factor which is very important to gain a competitive advantage over the closest competition. Technological innovations can also improve the efficiency of production, speed and quality. Evolving technologies will change how organizations operate.

3.3 Porter's Five Forces Model Analysis:

Michael Porter is credited for his five forces model of competitive strategy.

The power of each of these forces varies from industry to industry, but taken together they determine long-term profitability. These five factors will affect

the strategies which will be adopted by the organization and hence should be carefully analyzed. To be successful, the organization must respond in an effective manner to the environmental pressures exerted on it. (Kazmi 2002)

The diagram given on the next page shows the five forces of this model.

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Figure 3. 1

Internal environmental analysis:

The resources, strengths, behaviors, weakness and distinctive competences are major components of the internal environment of an organization. An organization uses different types of resources which help them achieve their objectives and the way in which they utilize their resources can be the source of their strengths or weaknesses. This can also be defined as organizational capability which is used to develop the strategies and objectives which the organization can achieve and these should not unrealistic according to its capabilities.

Some of the components of the internal environment of an organization are:

4. 1 Organizational Resources

These are all the tangible and intangible inputs used in the organization to create the outputs of the organization's product or services.

4. 2 Organizational Behavior

The behavior of an organization demonstrates is the result of forces operating internally which will determine the abilities of the organization or constraints in the usage of resources.

4. 3 Competency

Competency of an organization is the ability to do what its competitors cannot do or the ability to do better than what they can do. This concept is used for strategy formulation.

Conclusion:

It can be seen that the analysis of the environment is critical to the success of the decisions that managers have to make which have widespread impact on the functions and processes of the business.