Back to the Future: The Evolution of Environmental Scanning

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Today's Agenda

- Definitions
- Purpose
- Historical Highlights
- Current Strategies & Trends
- Future Implications
Definitions

- Environmental Scanning: “A term coined in the mid-1960’s by Francis Aguilar, a Harvard Business School professor, to describe the action of watching and collecting information on a company’s rivals and the overall market.”

“Environmental scanning is one of four activities comprising external analysis.”

Purpose

- Provides a system to organize information flow
- Detects scientific, technical, social, and political trends and events important to the institution
- Provides early warning for managers of changing external conditions
Purpose, continued

- Defines potential threats, opportunities, changes implied by trends and events.
- Promotes a future orientation in the thinking of management and staff.
- Enables decisionmakers to understand current and potential changes to determine organizational strategies.
“What’s past is prologue”

-- William Shakespeare, *The Tempest*, also carved on the National Archives Building, Washington, DC
Historical Highlights

- BC – Moses
- 1450 – Oxford English Dictionary
- 15th & 16th Centuries - House of Fugger
- 1696 - Lloyd’s List
- 19th Century – House of Rothschild
Historical Highlights, Cont’d

- 1912 – Schumpeter’s *Theory of Economic Development*
- 1966 – Allen’s “Performance of Information Channels in the Transfer of Technology”
- 1967 - Aguilar’s *Scanning the Business Environment*
Historical Highlights, Cont’d

- 1979 – Montgomery & Weinburg’s “Towards Strategic Intelligence Systems”
- 1979 – Porter’s How Competitive Forces Shape Strategy
- 1980 – Porter’s *Competitive Strategy*
Current “Scanning” Processes

- Porter’s Five Forces
- Intelligence Cycle
- Linear Process
- Concentric Circles
- Scientific Method
- Hub & Spoke
- Visualization
Porter’s Five Forces

Potential Entrants

Threat of New Entrants

Bargaining Power of Suppliers

Suppliers

Bargaining Power of Buyers

Buyers

Rivalry among existing firms

Industy Competitors

Threat of Substitute Products or Service

Substitutes

Intelligence Cycle

Planning & Direction

Dissemination

Information Storage and Processing

Analysis and Production

Proper Collection and Reporting

Linear Process

- Maintain Baseline Information
- Technical and Financial Analysis
- Mix with Internal Supporting Documentation

In parallel: Internal Interviews

- Internal Analysts
- Communicate Results
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Concentric Circles

- Government
- Trade Experts
- Customers & Suppliers
- Target Company
## Scientific Method

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<td>1.</td>
<td>Define Question</td>
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<td>2.</td>
<td>Develop Hypothesis</td>
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<td>3.</td>
<td>Gather Data</td>
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<td>4.</td>
<td>Filter &amp; Organize Data</td>
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<td>5.</td>
<td>Analyze Appropriate Data</td>
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<td>6.</td>
<td>Prepare Findings and Select Best Recommendation</td>
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<td>Prepare Draft Report</td>
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<td>8.</td>
<td>Review &amp; Approve</td>
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<td>9.</td>
<td>Issue Report &amp; Deliver Presentation</td>
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<td>10.</td>
<td>Seek Feedback from Client</td>
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Source: Cliff Kalb, Merck
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Pyramid

- Simulation/War Gaming
- CI Systems – (Automation & Archival)
- Decision Support Requests (Proactive vs. Reactive)
- Competitive News (Awareness & Implications)

Assessment, Evaluation, and Measurement

Source: Bret Breeding
Visualization

“You need to tell a story.”  -- John Prescott, PhD
Further Reading - Articles

Further Reading – cont’d


Further Reading - Books

CyberAge Books
June 2003/260 pp/softbound
ISBN 0-910965-64-1
Regular price: $24.95 • Sale price: $19.95
http://books.infotoday.com/books/SsOnCompetitive.shtml
Questions, Comments

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