Scanning the business environment

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Introduction

This chapter analyses the concept of business environmental scanning, its process, content, and outcome and how these relate to the development of strategies. The major models in the field of environmental scanning and their applications are also presented and analysed. Finally, a model for continuous environmental scanning is proposed and the impacts it may bring to hospitality organizations who adopt it, are explained.

As research into the environmental scanning activities of organizations started in areas other than those of hospitality and tourism, the majority of the literature on this subject relates to industrial and other service organizations. From the small number of studies on the environmental scanning activities of hospitality organizations, a review of the most relevant is presented.

Strategic planning and environmental scanning

There is no generally accepted definition of strategic planning; different authors use different terms to define the same concept (Mintzberg *et al.*, 2005; Stoner and Freeman, 1986). However, the definition proposed by Wheelen and Hunger (1989, p. 14) provides a good illustration of the process and content of strategic planning while at the same time addressing basically the same aspects as other authors:

… the development of long range plans for the effective management of environmental opportunities and threats in the light of corporate strengths and weaknesses. Such planning includes establishing the corporate mission, specifying objectives, developing strategies, and setting policy guidelines.

According to research (Mintzberg *et al.*, 2005; Mintzberg, 1992; Costa, 1997), the development of strategies is not always carried out in such a formal way. As found by Mintzberg, there are organizations where strategies are not deliberate but emergent. This realized approach to strategy development is likely to result in different attitudes towards the management of environmental opportunities as proposed by Wheelen and Hunger. In addition to considering strategic planning activities, the emergent approach to strategy also requires clarification namely in respect of how an organization's objectives are formally defined and strategies developed. This is also one of the limitations identified by Costa and Teare (2000) and West (1988) in their research on the relationship between strategy, environmental scanning, and performance.

The identification and management of environmental opportunities, however, is seen as fundamental to the competitive positioning of companies (Garland, 2007; Mazarr, 1999; Fahey and King, 1977; Segev, 1977; Kefalas and Schoderbeck, 1973). The identification of business environmental trends can be achieved using environmental scanning, which is seen by Aguilar (1967) as a way to examine information about events and relationships in a company's outside environment. This information can then be used to assist top management in its task of charting the company's future course of action.

The importance of environmental scanning for organizations can be seen by looking at some of its potential outcomes: identification of events and trends in the external environment, and the possible relationships between them. An understanding of the data may help organizations extract the main implications for decision making and strategy development (Van Deusen *et al.*, 2007; Okumus, 2004; Daft *et al.*, 1988; Lenz and Engledow, 1986; Stubbart, 1982). Even though it is an established activity with well-defined elements, environmental scanning is not regularly used by business organizations (Garland, 2007; West and Olsen, 1989; Jain, 1984).

Research on environmental scanning has followed different directions (Okumus, 2004; Olsen and Roper, 1998). Some studies focus their attention on the information-gathering activities of senior-level executives (Miller and Friesen, 1983; Hoffman and Hegarty, 1983; Hambrick, 1982; Segev, 1977; Keegan, 1974; Kefalas and Schoderbeck, 1973; Aguilar, 1967), while others on various analytical techniques and formal strategic planning systems (Stoffels, 1994; Lorange, 1982; Steiner, 1979; Post, 1973). Yet another approach (Narchal *et al.*, 1987) covered the social and psychological processes associated with organizational learning and executive decision making (Dutton and Duncan, 1983; McCaskey, 1982; Weick, 1979; Dill, 1962).

Empirical research also demonstrates that for environmental scanning to succeed it has to be linked to the formal planning process (Evans *et al.*, 2003; Engledow and Lenz, 1989; Jain, 1984; Fahey and King, 1977). Even though organizations regard environmental information as highly relevant for strategic planning the majority still perceive themselves as basically involved in relating environmental phenomena to short-term choices (Okumus, 2004; Costa, 1997; Fahey and King, 1977). Knowing the nature of the link between environmental scanning and strategic planning among hospitality organizations is fundamental in understanding how the information on existing and future trends in the business environment supports strategy development and decision making.

The concept of business environment

The environment of an organization consists of the outside forces that directly or indirectly influence its goals, structure, size, plans, procedures, operations, input, output, and human relations (Van Deusen *et al.*, 2007; Preble, 1978; Segev, 1977). The importance of understanding the environment is demonstrated in research by Bourgeois (1985) where he shows that a firm which examines its environment accurately, tends to achieve a higher than average level of economic performance.

The theory of open systems introduced the concept of the environment and its effect on the organization (West and Anthony, 1990). The concept of an open system is based on the assumption that an organization's growth and survival is dependent on the nature of the environment that it faces (Fahey *et al.*, 1983). It has been recognized that different environments impose different demands and/or opportunities for organizations (Okumus, 2004; Kefalas and Schoderbeck, 1973).

Thomas (1974) suggests that the application of systems theory to the corporate environment can be done by employing the concepts of "resolution levels" or "superordinate systems." These can be grouped into two broad categories: "operating environment" and "general environment." The operating environment[1] can be defined as the set of suppliers and other interest groups which the firm deals with, while general environment is defined as the national and global context of social, political, regulatory, economic, and technological conditions (Johnson *et al.*, 2006; Daft *et al.*, 1988; Fahey and King, 1977; Thomas, 1974). According to Daft *et al.* (1988), sectors[2] in the task and general environment are expected to influence scanning and other organizational activities because these sectors differ in uncertainty.

Thomas (1974) argues that the analysis of the general environment is at least as important as the analysis of the operating environment for purposes of corporate planning. While sharing the same perspective, Fahey and King (1977) go further and consider the general environment as being more relevant to strategic planning and as requiring a greater degree of innovation in the collection of information.

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[1]The operating environment is sometimes referred to as "specific environment," "immediate environment," and/or "task environment."

[2]Sectors are the main elements comprising both task and general environment, i.e., competitors, suppliers, social, political, and so on.

The concept of environmental scanning

The seminal work in this field was carried out by Aguilar (1967) whose purpose was to look at the ways in which top management gains relevant information about events occurring outside the company in order to guide the company's future course of action. In his study Aguilar (1967, p. vii) refers to environmental scanning as:

scanning for information about events and relationships in a company's outside environment, the knowledge of which would assist top management in its task of charting the company's future course of action.

A similar perspective is proposed by Hambrick (1981) who defines environmental scanning as the managerial activity of learning about events and trends in the organization's environment, conceiving it as the first step in the ongoing chain of perceptions and actions leading to an organization's adaptation to its environment.

The majority of authors agree that the main functions of environmental scanning are: to learn about events and trends in the external environment; to establish relationships between them; to make sense of the data; and to extract the main implications for decision making and strategy development (Costa and Teare, 2000; Olsen and Roper, 1998; Daft *et al.*, 1988; Lenz and Engledow, 1986; Stubbart, 1982; Fahey and King, 1977; Segev, 1977; Keegan, 1974; Thomas, 1974; Kefalas and Schoderbeck, 1973).

Despite being an established activity with well-defined elements, environmental scanning is not in widespread use among business organizations (Okumus, 2004; Costa, 1997; West and Olsen, 1989; Jain, 1984) and the scanning behaviour differs from one company to another (Costa and Teare, 2000; Olsen *et al.*, 1994; Daft *et al.*, 1988; Preble *et al.*, 1988; Lenz and Engledow, 1986; Farh *et al.*, 1984; Hambrick, 1982).

Research shows that the degree of importance of environmental scanning in a company can be inferred by the way scanning activities are integrated into the overall planning process (Costa and Teare, 2000; Okumus, 2004; Fahey and King, 1977). According to Jain (1984) as companies grow in size and complexity their need for formal strategic planning increases accordingly and with it the need for a systematic approach to environmental scanning. Thus, Jain adds that the effectiveness of strategic planning is directly related to the capacity for environmental scanning.

In this context, back in 1977, Terry argued that the most obvious use of environmental scanning was the gathering of data for

long-range planning. Terry suggested that being such an important activity it could be also used for organizational development and design, development of agenda for executive boards or boards of management, and management education. The importance of this view is well illustrated more than 30 years later by Garland (2007, p. 4) when he states that "trends combine and interact … to present your business with wild and unprecedented threats and opportunities." that need constant attention.

As organizations derive their existence from the environment, they should scan and monitor their business environment and incorporate the impact of environmental trends on the organization by reviewing corporate strategy on a continuous basis (Garland, 2007; Jain, 1993). From Jain's standpoint scanning improves an organization's abilities to deal with a rapidly changing environment in various ways:

● It helps an organization capitalize early on opportunities;
● It provides an early signal of impending problems;
● It sensitizes an organization to the changing needs and wishes of its customers;
● It provides a base of objective qualitative information about the environment;
● It provides intellectual stimulation to strategists in their decision making;
● It improves the image of the organization with its publics by showing that it is sensitive to its environment and responsive to it.

The information gathered by the environmental scanning process differs from industry or competitive analysis in two main aspects: it is broad in scope and it is future-directed (Johnson *et al.*, 2006; Costa and Teare, 2000; Stubbart, 1982). As such, environmental scanning should be conceptualized as a process of data collection about the business environment, which may help managers identify opportunities, detect and interpret problem areas, and implement strategic or structural adaptations (Okumus, 2004; Daft *et al.*, 1988).

Scanning characteristics and processes ● ● ●

According to Murphy (1989) there are some characteristics of environmental scanning that can be seen as essential:

● It should be integrative (part of the planning and decision-making system of the corporation);

- It should be relevant to strategic planning (focus on strategic issues and assistance in strategic decision making);
- It should take a holistic approach (so as not to miss any signals).

Terry (1977) and more recently, Costa and Teare (2000) argue that environmental scanning will normally start in existing organizations and, therefore, much relevant data will be readily available, for example, the company's mission and functional plans. These, they assert, should be taken into account in setting up the process of environmental scanning, even though they may be radically altered after the scan has taken place. Consequently, Terry suggests that the following should inform the designing of an environmental scanning process:

- The scan needs to consider all possible influences in the company;
- The purpose of environmental scanning is not to foretell accurately the future but to plot the issues that are likely to have impact on the company so that it can be prepared to cope with them when they arise;
- The results of environmental scanning should be a proactive rather than a reactive stance by the company towards its environment;
- It is not sufficient for managers to understand the plan that results from the environmental scan, it is crucial that they understand the thinking that has led to the development of strategic and tactical key issues;
- It should focus managers' attention on what lies outside the organization and allow them to create an organization which can adapt to and learn from that environment.

Approaches to environmental scanning • • •

There are two distinct approaches within environmental scanning: the "outside-in" or macro-approach, and the "inside-out" or micro-approach (Fahey and Narayanan, 1986). The outside-in approach adopts a broad view of the environment. It looks at all the existing elements in the outside environment facing the organization. Its main concerns are the longer-term trends, the development of alternative views or scenarios of the future environment, and the identification of the implications for the industry in which the firm operates and the implications for the firm itself. The inside-out approach takes a narrow view of the environment. It looks just for some elements in the outside

Table 2.1 The Outside-in and Inside-out Perspectives

	Outside-in	**Inside-out**
Focus and scope	Unconstrained view of environment	View of environment constrained by conception of organization
Goal	Broad environmental analysis before considering the organization	Environmental analysis relevant to current organization
Time horizon	Typically 1–5 years, sometimes 5–10 years	Typically 1–3 years
Frequency	Periodic/ad hoc	Continuous/periodic
Strengths	Avoids organizational blinders Identifies broader array of trends Identifies trends earlier	Efficient, well-focused analysis Implications for organizational action

Source: Adapted from Fahey and Narayanan (1986).

environment as its view is constrained by the internal influences of the organization. For the main differences between these perspectives see Table 2.1.

These same approaches to environmental scanning taken by hospitality organizations were recently confirmed by Okumus (2004) in an extensive review of environmental scanning research and its development in the international hospitality industry.

The content of environmental scanning • • •

The elements most commonly referred to as composing environmental scanning are: political, economic, social, and technological elements, well known as "PEST analysis" (Johnson *et al.*, 2006; Fahey and Narayanan, 1986; Aaker, 1984). The activity through which organizations collect data from these areas can be characterized as Irregular, Periodic, or Continuous in increasing order of sophistication and complexity (Fahey *et al.*, 1983). According to these authors, irregular systems are characterized by the reactive nature of planning as well as environmental scanning. On the other hand, they suggest that periodic systems are more sophisticated and complex, and, while the focus is still on problem-solving, they exhibit greater proactive characteristics. Finally, they believe continuous systems are the ideal systems because attention is directed not

only towards mere problem-solving but primarily towards opportunity-finding and the realization that planning systems contribute to the growth and survival of the organization in a proactive way. This view is supported by Garland (2007) in his work on how business can anticipate and profit from the trends in the general environment.

The outcome of environmental scanning • • •

The outcomes of environmental scanning, according to Costa and Teare (2000) and Fahey and Narayanan (1986), are: an understanding of current and potential changes taking place in the environment; the provision of important data for strategic decision makers; and the facilitation and development of strategic thinking in organizations. Jain (1993) emphasizes that scanning serves as an early warning system for the environmental forces that may impact a company's products and markets in the future. As argued by researchers in the field of hospitality (Costa, 1997; Slattery and Olsen, 1984) environmental scanning helps managers to foresee favourable and unfavourable influences and initiate strategies that will enable their organizations to adapt to the environment. These outcomes can be divided into short-term and long-term outcomes. In the short term the outcome is to modify the company's actions in order to better explore opportunities and avoid threats. In the long term the outcome is to inform the development of strategies.

However, while the outcomes of environmental scanning are very important the process of engaging in it is no less important (Okumus, 2004; Fahey and Narayanan, 1986). Undertaking the process, according to these authors, leads to enhanced capacity and commitment in understanding, anticipating, and responding to external changes on the part of the firm's key strategic managers. Environmental scanning can be a powerful tool for strategic planning if it has specific aims and objectives, and the commitment of the key players within the organization (Engledow and Lenz, 1989).

Environmental scanning and strategic planning relationship

As empirical research shows, to succeed environmental scanning activity has to be linked to the formal planning process (Costa and Teare, 2000; Engledow and Lenz, 1989; Jain, 1984; Fahey and King, 1977). However, even though organizations realize and accept the need to relate environmental information to long-range plans, so far most of them still perceive themselves

as being primarily involved in relating environmental phenomena to short-term choices (Costa, 1997; Fahey and King, 1977).

Jain (1993) proposes a seven-step approach to explain the link between environmental scanning and corporate strategy in organizations:

1. Keep a tab on broad trends appearing in the environment;
2. Determine the relevance of an environmental trend;
3. Study the impact of an environmental trend on a product/market;
4. Forecast the direction of an environmental trend into the future;
5. Analyse the momentum of the product/market business in the face of the environmental trend;
6. Study the new opportunities that an environmental trend appears to provide;
7. Relate the outcome of an environmental trend to corporate strategy.

As Jain (1993) and Johnson *et al*. (2006) suggest, based on information about environmental trends and their impacts, a company needs to review its strategy on two counts: changes that may be introduced in current products/markets, and feasible opportunities that the company may embrace for action. In fact, the identification of weak signals in the business environment may provide the best opportunities for organizations in the long term (Stoffels, 1994; Ansoff and McDonnell, 1990).

Scanning and the development of strategies

Strategy as a plan and strategy as a pattern have different implications for environmental scanning activities. According to research (Costa, 1997; Daft *et al*., 1988; Jain, 1984; Fahey and King, 1977; Kefalas and Schoderbeck, 1973), environmental scanning needs to be linked to strategic planning in order to be a successful activity. From this perspective, environmental scanning fits perfectly into the planning process of the organization. However, in organizations where strategies result from consistency in behaviour the design of environmental scanning activities for strategic decision making will have to follow a different process (Okumus, 2004).

As demonstrated by research (Costa and Teare, 2000; Daft *et al*., 1988; Jain, 1984; Fahey and King, 1977; Kefalas and Schoderbeck, 1973), there is a strong link between environmental scanning and strategic planning. While environmental scanning

provides information for strategic decision making, the development of strategies justifies the need for environmental scanning by organizations. This justification is particularly important in periods of economic recession when organizations try to cut down their costs mainly in those departments where the importance of actions can only be assessed in the long term as is the case with environmental scanning (Fahey *et al.*, 1983).

On the other hand, as Mintzberg (1994) argues, there are organizations where strategies are not made explicit or simply do not exist formally. As strategies cannot be purely deliberate and a few can be purely emergent (Mintzberg, 1994), the most logical behaviour for an organization would be to develop some sort of formal planning process. However, considering that organizations will not formalize their strategies just to justify the creation of a scanning activity, the justification will have to originate from managers who must realize the importance of scanning the business environment for better decision making and planning, no matter what kind.

Environmental scanning activities by hospitality organizations

In relation to the hospitality industry Olsen *et al.* (1992) argue that environmental scanning helps managers to foresee favourable and unfavourable influences and initiate strategies that will enable their organizations to adapt to the environment. They state that:

If one accepts the proposition that the environment has the ability to threaten the continued survival of the firm and that managers possess the ability to adapt to these environmental forces through their use of competitive tools, then one must see how important it is for hospitality managers to monitor and accurately perceive their environment.

Despite the prior empirical work and recommendations that companies should undertake environmental scanning activities, research shows a different reality (Okumus, 2004; Costa, 1997; Olsen *et al.*, 1994). In fact, according to Olsen *et al.* hospitality organizations are aware of the need to relate environmental information to long-range plans, but so far the majority is just relating this information to short-term decisions.

Research into the environmental scanning process has also discovered that much of the scanning activity of managers is informal in nature (Costa, 1997; Fahey *et al.*, 1983). Managers are too concerned with the short term, and for this reason, their main goal is to get information about the economy, financing and customer needs and wants, ignoring other sectors of the

general environment (Olsen *et al.*, 1994). There are many structural and psychological reasons why this happens. One major reason is that any attempt to monitor both the general and task environments comprehensively is beyond the resources and abilities of all firms (Okumus, 2004).

A study by West and Olsen (1989) into the hospitality industry reported the majority of the companies as having an informal scanning process. This was based on inputs about the environment from other members of staff, market research information or interaction with managers of other companies at professional and trade association meetings. Respondents to the study cited that a major weakness associated with the scanning endeavour was the lack of good, reliable information, and the authors further highlighted that scanning is expensive when engaged in at the highest levels of the firm. These results were later confirmed in a research by Costa and Teare (2000) whose study produced similar findings.

Results from Olsen *et al.*'s study also showed that for hospitality managers environmental scanning was seen as "... time taken away from more tangible pursuits," with "Active problem solving [seen] as much more rewarding to managers than time spent in such 'soft' activities as scanning" (Olsen *et al.*, 1992, p. 58). These statements reflect other deeply ingrained reasons for the lack of commitment towards the scanning process. According to the same authors, another problem affecting formalized environmental scanning is that much of the information processed by the manager during scanning is difficult to evaluate quantitatively "making assessment of its impact upon the firm more of a guessing game than a formal strategic exercise."

As many organizational studies have reported, the inability of executives to assign probabilities to events in the environment with respect to their impact upon the firm dilutes the value of environmental scanning efforts to the decision making process.

(Olsen *et al.*, 1992, p. 58)

The evidence provided (see Okumus, 2004; Costa, 1997; Olsen *et al.*, 1992, 1994; West and Olsen, 1989) reveals that, besides the scarcity of reliable information and the constraints on resources, something more complex is affecting the development of scanning activities in organizations. The lack of a long-term perspective coupled with a commitment to immediate tangible pursuits, and a strong reliance on quantitative data are strong reflexes of the existing organizational culture among hospitality organizations. Perhaps the existing organizational culture rather than the link to the strategic planning process is what makes the difference in the successful implementation of environmental

scanning activities. It is clear that the malfunctions of the process are due to a lack of commitment by the organizations to continuously assess their environment in search for other events and trends than just mere statistical information.

It is possible that one way to lead organizations to undertake environmental scanning activities is to design the process in such a way as to fit the organizational structures and needs, and, as argued by Jain (1993), short-term scanning might be useful for programming various operational activities, as opposed to strategic planning activities.

Environmental scanning models and their applications

According to Gilbert (1993) a model can be defined as a theory or set of hypotheses that attempts to explain the connections and interrelationships between social phenomena. From his perspective, models are made up of concepts and relationships between concepts. As Gilbert proposes, a model can be used to make predictions about how the "real world" will respond to changes, and the relationships specified in the model will also serve as an explanation of how the "real world" works.

It can be said that corporate planning models are quite recent when compared with other tools available in the business management field (Johnson *et al.*, 2006; Shim and McGlade, 1989). According to the later authors the definition of a planning model varies with the scope of its application. In this context, the importance of an environmental scanning model resides in its potential to analyse more accurately the external environment and forecast business trends.

The need for a considerable amount of data about the external business environment is obvious when managers have to make certain business decisions. Information derived from within the company has little strategic value when it comes to the analysis of the task or general environment. In situations such as these the collection of external data is a priority (Wu *et al.*, 1998; Young, 1981). In order to better understand the application and use of environmental scanning models, it is important to analyse the existing models as a basis for identifying their benefits and adequacy to hospitality organizations.

Not all of the authors writing on environmental scanning present models for scanning the environment (Okumus, 2004). Some develop models based either on published information on the environmental scanning behaviour of organizations (Camillus and Datta, 1991; Ginter and Duncan, 1990; Narchal *et al.*, 1987; Terry, 1977) or the findings of their empirical research

(West and Olsen, 1989; Fahey and King, 1977; Segev, 1977; Aguilar, 1967), while others present frameworks or processes to follow when undertaking business environmental scanning (Jain, 1993; Murphy, 1989; Nanus and Lundberg, 1988; Aaker, 1983; Keegan, 1974; Thomas, 1974; Kefalas and Schoderbeck, 1973).

Some of these models provide good illustrations of the process of environmental scanning and the limitations to be overcome when undertaking the activity. Five studies in particular (Jain, 1993; Aaker, 1983; Fahey and King, 1977; Segev, 1977; Aguilar, 1967) provide the context and highlight the steps necessary in order to develop an effective environmental scanning process.

In reviewing the environmental scanning models, the following aspects emerge as relevant in developing an environmental scanning process irrespective of the formal or informal approach to strategic planning the hotel chain adopts:

- it should be deliberate and prospective;
- it should look for specific and broad-ranging information;
- it should follow a pre-established plan, procedure or methodology;
- it should be proactive and planning process oriented;
- it should be an ongoing study of the business environment and not crisis initiated;
- there should be a high level of interaction between scanners and decision makers;
- there should be a clear definition of information needs and sources;
- participants should be selected and their role/scanning tasks clearly specified;
- the means of storing, processing, and disseminating information should be clearly defined.

On the other hand, in order for companies to engage in environmental scanning the process has to match its needs and resources. One way to achieve this purpose may be to take an inside-out perspective by selecting the areas where information is needed and identifying the adequate sources to use. It is also important to choose the participants from those members of the organization exposed to relevant information, and to develop a continuous process of environmental scanning that explores the issues arising in the sources under analysis. According to the organizational structure, the information should be analysed, its importance for the organization inferred, and storage/dissemination carried out so that those members of staff playing vital roles in the strategy making process have access to it (Costa and Teare, 2000).

By following these steps it is likely that the process of environmental scanning will perform the important role of providing information for strategic decision making and, at the same time, take into account the major limitations that normally affect the process: too broad scope, lack of resources to undertake such complex task and the difficulty of justifying its existence if not linked to a formal written strategic plan.

An environmental scanning model for hospitality organizations ● ● ●

Based on previous models on environmental scanning and the findings from Costa's (1997) research on the hospitality industry, it is possible to propose a new theoretical model that attempts to conceptualize a formal process of continuous environmental scanning. This model may be used to make predictions about how the "real world" (hotel units/chains) will accept the need for an ongoing process of scanning. The relationships specified in the model will also serve as an explanation on how the model may work in practice.

The model presented in Figure 2.1 is divided into five different phases, from the information function as a process (phase 1), to the planning of the scanning process (phase 2), analysis and processing of information (phase 3), storage, dissemination and sharing of information (phase 4), and finally, the information linkage to strategy development and decision making (phase 5). A more detailed analysis of this continuous environmental scanning process for hotel chains provides a further understanding of the sequences and relationships between the different phases.

Phase 1: Information Function as a Process. One of the main barriers to a formal environmental scanning process is the fact that the information function is regarded as a second-level priority and that other functions have to be performed first. Another barrier is the existing managerial mindset of collecting information by department (function), which is then essentially used by each department, hence limiting the dissemination and sharing of information. By transforming the environmental scanning into a process that collects information for the whole organization, synergies can be achieved and the information will be seen as an organizational asset to be used by everybody who needs it. For this to be possible, a change in decision makers' attitudes towards the importance of information must occur. This change is expected to produce the needed financial resources, trained staff, and a different attitude towards the use of information. The main outcome, however, will be the valorization of the
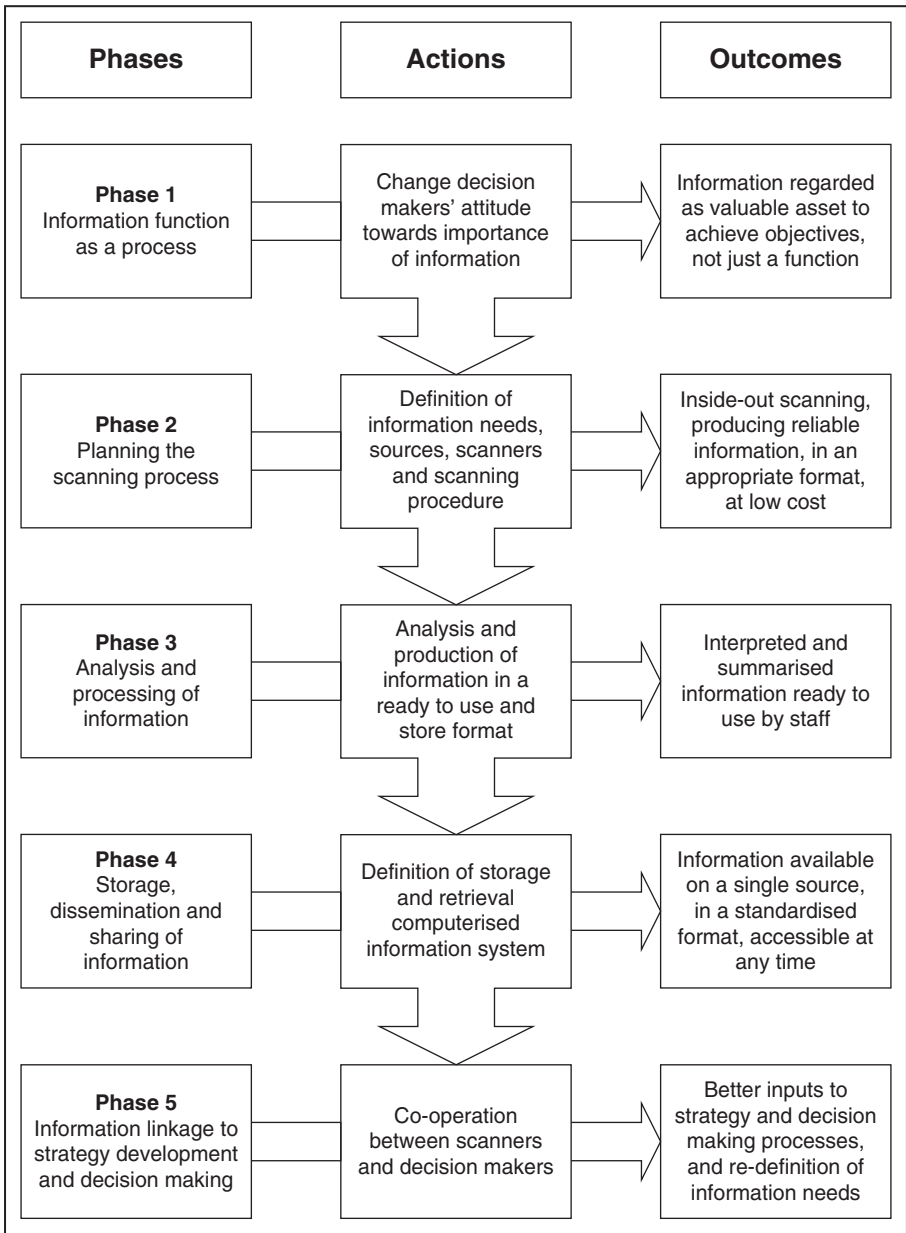
Phases	Actions	Outcomes
Phase 1 Information function as a process	Change decision makers' attitude towards importance of information	Information regarded as valuable asset to achieve objectives, not just a function
Phase 2 Planning the scanning process	Definition of information needs, sources, scanners and scanning procedure	Inside-out scanning, producing reliable information, in an appropriate format, at low cost
Phase 3 Analysis and processing of information	Analysis and production of information in a ready to use and store format	Interpreted and summarised information ready to use by staff
Phase 4 Storage, dissemination and sharing of information	Definition of storage and retrieval computerised information system	Information available on a single source, in a standardised format, accessible at any time
Phase 5 Information linkage to strategy development and decision making	Co-operation between scanners and decision makers	Better inputs to strategy and decision making processes, and re-definition of information needs

Figure 2.1
A continuous environmental scanning process for hospitality organizations.

information by managers and staff alike, and its use as a valuable asset in achieving hotel chain's objectives.

Phase 2: Planning the Scanning Process. As a consequence of the lack of organization in the collection of information, too much information, sometimes replicated, is available. However, what hotel chain managers need is not "reports produced in duplicate," or "dispersed information," but instead, "summarized information" that "cuts down on the amount of data required." Planning the scanning process allows the definition of information needs (inside-out approach proposed by Fahey and Narayanan, 1986), hence focusing what the organization is looking for. The ideal situation would be an outside-in approach, but as reported in previous research, this is expensive and time-consuming (Olsen *et al.*, 1992; West and Olsen, 1989; Aaker, 1983), making it very difficult to be adopted and implemented. Once the information needs have been defined, the relevant sources are identified and selected. The next step is the identification of those members of staff who will be involved in the scanning process. As suggested by Aaker (1983), these can be selected from those involved in the planning process as well as others who are exposed to useful information sources.

Before initiating the scanning, it is important that a pre-established plan, procedure or methodology is defined so that the best results can be achieved (Stoffels, 1994; Aguilar, 1967). The outcome of this phase is a focused view of the business environment through an inside-out scanning approach, based on reliable sources producing quality information, in a pre-defined format, at a low cost. This is possible because the scanning efforts are directed and the scanning procedures are undertaken by staff that are already scanning but in an undirected and non-integrated way.

Phase 3: Analysis and Processing of Information. The analysis of information should allow the identification and relevance of environmental trends, as not everything occurring in the environment is likely to have the same importance for the organization (Jain, 1993). The analysis and processing of information is also seen by respondents as important to "help with the identification of market trends" and as allowing "greater efficiency." The analysis of information and its availability in a ready-to-use format is regarded as relevant for hotel chains because it can be "provided to the units, board of directors and administration" to "make quicker decisions on the market." This phase of the continuous environmental scanning process will also allow the production of "simple and objective information," which is at

the same time "well balanced but also not exaggerated." The outcome will be "better and structured information," which is already interpreted and summarized so that it can provide staff with "better knowledge of market trends."

Phase 4: Storage, Dissemination, and Sharing of Information. Storage and dissemination of information is crucial for the success of the process (Aaker, 1983). The storage process, as proposed by Aaker, can be a simple set of files or a sophisticated computer-based information retrieval system. According to hotel chain managers (Costa, 1997), the ideal process is a "computerized" process where the information is "concentrated on a single source," which allows "quick access to information." The vital characteristic about the storage element is that staff will know where to send the information they have collected (Aaker, 1983). From the respondents' viewpoint, the ideal situation would be the "information inputted by each department director and available to everybody." These are in accordance with Aaker's perspective who proposes that participants should be those executives and staff directly involved in the planning process. The outcome of this phase will be information available on a single source, in a standardized format, which is accessible at any time and "is easy to share." This will also allow what is seen by respondents as a desired outcome of a formal scanning process: "better circulation of information between directors and sharing with employees."

Phase 5: Information Linkage to Strategy Development and Decision Making. The information on environmental trends and their likely impacts will then be used to review strategy, which, according to Jain (1993), can be done on two counts: changes that may be introduced in products/markets, and the exploration of feasible opportunities that the company may embrace for action. This link of environmental scanning to strategy development and decision making is only possible through the co-operation between scanners and planners/decision makers. The "malfunctions" of a formal scanning process are normally due to a lack of interaction and clear communication between environmental scanners and strategy makers (Segev, 1977). Segev recommends that a closer relationship between the two groups should be developed, so that the translation of environmental scanning into specific strategy changes can be performed co-operatively by analysts and strategy makers. The outcome of this phase will be the production of better inputs to strategy and decision-making processes as well as a re-definition of the hotel chain information

needs which will occur through new requests for environmental data. In following this model, it will be possible for environmental scanning to play a direct rather than indirect role in strategy making.

Conclusion

Once hospitality decision makers change their attitude towards the importance of information and move from an information function to an information process paradigm, the development and implementation of a formal environmental scanning process will stand a much higher chance of success. This can be further achieved by focusing on target information needs using an inside-out approach, involving those members of staff in charge or linked to the planning process (either formal or informal) or exposed to relevant information. The selection of the most reliable and relevant sources of information and the definition of the scanning procedures should be carefully undertaken to maximize the success of the process. The following stages should consider the careful analysis and identification of business environmental trends and the storage of the resulting information in a computerized information system making it readily available in a standardized format. This will also allow a higher level of dissemination and sharing of information by having it concentrated on a single source to which staff can have access at any time. Finally, through the development of a close relationship between scanners and planners/decision makers, a better link of the scanning process to strategy development and a re-definition of the information needs can be achieved.

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