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Research Article

Environmental Scanning to Organizational Success: A conceptual framework for decoding business insights

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ABSTRACT

The purpose of this research is to offer a conceptual framework for understanding the components of the business environment and how they affect an organization's operations. Decoding timely information from the environment is crucial for business organizations since it may be utilized to spot early warning signs and commercial possibilities. In order to further reconstruct the path from decoding information to organizational results and to propose a conceptual framework, the case study technique has been employed to demonstrate the importance of the business environment. Research has mostly concentrated on case studies for the Indian business environment and has addressed the likely business implications for commercial enterprises only. Only case references have been made using secondary data. The time period of cases from 1991 to 2023 have been covered only. Therefore, the primary challenge this study addresses is the absence of a comprehensive framework that connects internal and external environmental factors while providing practical insights to help organizations maintain stability and prepare for the future. Hence, to navigate these complexities, the study introduces the RPSM framework—an approach that emphasizes four key actions: Review, Predict, Stabilize, and Monitor. This framework divides the business environment into two main components: internal and external. The internal environment includes controllable factors such as a company's structure, financial resources, and human capital. On the other hand, the external environment is broken into micro and macro categories. The micro environment focuses on elements like customers, competitors, and suppliers, while the macro environment covers larger, less predictable forces such as political, economic, and technological trends. The RPSM framework helps organizations evaluate their stability and preparedness in these areas, offering a clear roadmap to anticipate and respond to changes effectively.

This framework highlights the importance of organizations actively assessing their readiness and adaptability to thrive in today's fast-paced and unpredictable world. By integrating these findings into strategic planning, businesses can make more informed decisions, remain resilient, and stay ahead in an ever-changing global landscape.

Keywords: Business Analysis, RPSM Framework, Organizational Stability, Decision Insight

INTRODUCTION

Decoding the business environment is crucial since it aids organizations in comprehending the internal and external elements that may have an impact on their operations. Organizations can prepare for the future, predict changes, and make wise decisions by having a thorough grasp of their surroundings. Additionally, it assists them in identifying warning signs and possible favourable opportunities to comprehend the competitive environment. The influences and elements that affect a company's operations and performance are collectively referred to as the business environment. Economic shifts can have an impact on a company's capacity to raise money, recruit staff, and attract clients.

LITERATURE REVIEW

Foreign companies are more inclined to invest in countries with better general business conditions since they will draw more high-quality FDI inflows. (Wang and Zhuang 2019). When choosing a business location, entrepreneurs consider geography. An area's natural geographic advantages can be a big lure for industry, especially for sectors that depend significantly on natural resources. (Krugman, 1993). Kirsten (2020) examined the connection between macroeconomic indicators and economic policy uncertainty in South Africa. The results showed that a sharp increase in the uncertainty index caused industrial output to decline and the value of the currency to depreciate. When economic actors are unsure about how government policies will affect the economy, policy uncertainty results. Due to the constantly changing technical landscape, artificial intelligence

has transformed traditional production into intelligent and sustainable manufacturing. (Bag et al., 2021; Chatterjee et al., 2021b; Zeba et al., 2021). The transformative effects of AI in manufacturing underscore the importance of intelligent agents, expert systems, big data analytics, blockchain, and IoT in the context of Industry 4.0 (Culot et al., 2020; Dwivedi et al., 2022). Educational institutions have employed data analytics for enormous data sets to gather valuable information for internal use. Saini & Manocha (2022). Global warming and extreme weather, according to Stott (2016), alter both natural ecosystem and the human social structure. Consequently, the effects of the weather directly affect economic output (Minner,2001). One of the earliest and most extensively used strategy tools globally is the SWOT analysis. According to Saini, P & Manocha, S.(2022) scanning of environment always beneficial for business and social organizations .

Few methods exist for studying the company environment, such as SWOT analysis (Stewart et al., 1965a, p.16), which is widely used in retail to understand both micro and macro settings. According to Stewart (1963), it is among the earliest models for strategic planning. Because of its complexity and diversity, there is no commonly agreed definition of strategic planning, despite the fact that it offers a wide range of potential benefits for companies in defining future direction and profitability (Piercy et al. 2012). The PESTEL technique (Aguilar, 1967; Peteraf and Bergen, 2003) and the 5-forces industry analysis (Porter, 1989) are two old, conventional market scanning frameworks that managers utilize for the external environment.

Decoding information is important for company utilization and sustainability, claim Saini, P. & Singh, D. (2024). One weakness in the current business scanning approach is that it does not include information on the internal environment of the company or current industry contextual examples. Finding solutions to the questions based on the study's aims will close the theoretical and conceptual research gap.

Objectives

- To provide a short and meaningful review of the literature on analysis of business environment.
- To propose a framework for decoding business information for decision making
- To analyze the impact of regulatory environment on the operations of an organization.

Conceptual framework Table 1: RPSM Framework

1-Internal environment (Controllable factors)	**Company's position**		
	Low	**Moderate**	**Highly stable**

• Internal structure • Value system • Financial capability • Image • Marketing capability • Research & Development • Physical assets • Human Resources			
2-External environment (Uncontrollable factors)	**Company's Strength & response**		
	Low	**Moderate**	**Highly stable**
Micro environment • Customers • Competitors • Financiers • Market - intermediaries • Publics pressure groups • Local Government agencies • Suppliers			
Macro environment	**Company's Understanding & preparedness**		
	Low	**Moderate**	**Highly stable**
• Political and Legal • Economical • Socio-Cultural • Technological • Natural • Global			

Business environment can be studied into two sub parts:

1. **Internal Environment**

This encompasses all organizational forces that directly affect the day-to-day operations of the organization. All of these things are under the organization's control. The elements of the interior environment are as follows:

Internal structure: Corporate outcomes are significantly influenced by the organizational hierarchy, managerial levels, professionalism, and the composition of the Board of Directors. Some management styles and frameworks encourage quick decisions, while others take longer.

Value system*:* An organization's culture, ethics, and standards established by its founders and management are all part of its value system. In the case of Kingfisher, Mr. Vijay Mallya has been charged with fraud and money laundering after he defaulted on 17 Indian banks totaling around Rs. 9,000 crore. On the other hand, the Tata Group is renowned for operating morally and leading by example.

Financial capability: This speaks to a company's ability to raise, use, and manage capital flows as well as its solvency and liquidity. It is crucial for achieving corporate objectives.

Image : Any unfavorable remarks against the company's practices, workers, office politics, or goods could put it in danger. Nonetheless, a positive reputation always helps to boost the company's sales and brand equity.

Marketing capability: The firm has control of its marketing capability, which is the primary differentiator for accomplishing organizational objectives. Numerous businesses, such as Vini Cosmetics' Fogg deodorant, Nestle's Maggie, Dominos' Pizza, and others, have had outstanding success with their product promotion.

Research & Development: The company's capacity to innovate and compete is determined by its technological capabilities, research, and development. This is one of the important critical differentiators that determines how quickly a firm grows.

Physical Assets: The organization's competitiveness is influenced by a number of internal elements, including physical assets and facilities such as offices, industrial plants, sophisticated machinery, production capacity, technology, and distribution networks.

Human Resources: Human resources (HR) is the department of a business responsible for finding, selecting, interviewing, and training job candidates. It also oversees benefit plans for employees. HR is essential in the twenty-first century to assist companies adjust to the rapidly shifting business environment and the growing need for skilled labor. Talented workers are one of the most important components of an organization's success.

o. External Environment

This refers to all forces that have indirect impact on the long term activities of the organization. This is further classified into two sub parts: Micro and Macro.

Micro environment**:** This term refers to the conditions in a business's immediate environment that affect its performance and choices. The business operates in a little area that is attached to it. The key elements of this job environment are as follows:

Customers: Creating and keeping clients is the main responsibility of commercial organizations. Consumers are seen as the market's kings. For their products to continue meeting and surpassing their expectations, businesses must decipher their shifting tastes and preferences.

Competitors: In addition to other businesses that sell comparable goods, a company's competitors are all those that vie for the consumers' discretionary income. Companies from many industries compete with one another to get as many people to purchase their products as possible. If an organization wants to stay in business, it must keep an eye on its rivals. When Reliance Jio entered the telecom market, other companies had to adjust the prices of their goods.

Financiers: The organization's financiers are another significant micro environmental element. They give businesses the money they need to launch, run, and grow their businesses. Without sufficient funding, companies are unable to purchase personnel, supplies, or equipment that are necessary to run their everyday operations.

Market intermediaries: are businesses, associations, or people who support producers in their efforts to distribute goods to customers. Determining the type of profit margins to share with them is also crucial, and in certain industries, market intermediates are essential for increasing product sales. There are direct agents in insurance companies who are not staff members but receive commissions from the business they bring in. . The majority of the things they sell are those for which they receive the highest commission, not those with lower prices. Thus, their role becomes significant.

Public pressure groups: One person, an NGO, a media outlet, local residents, a political opposition party, etc., can all be considered a public pressure group. Farmers protested against Tata Motors' Nano manufacturing facility at Signur, Hooghly district, West Bengal, which was backed at the time by opposition party leader Mamta Banerjee. The Tata Company moved its production factory to Sanand, Ahmedabad district, Gujarat, after suffering a loss of almost Rs. 10,000 crore as a result of this protest.

Local Government agencies: Municipal committees, Nagar Nigam, and other local government organizations grant building permits, supply water connections, grant business operating licenses, collect property taxes, and more.

Suppliers: those who provide the business with inputs like components and raw materials. In contrast to businesses that provide financial services, organizations that deal with and offer daily-based food to consumers, such as Mother Diary and Amul Co., must conduct constant supplier monitoring.

Macro environment: refers to all of the factors that have an indirect impact on how businesses operate and how employees work. These issues are beyond the organization's control and cannot be controlled in any way.

Political and LegalGovernment influence over tax laws, trade agreements, foreign direct investment, monopolies, merger regulations, and consumer protection is determined by this element. This also covers the functions of the legislature, the courts, industry regulators, dispute resolution procedures, etc. In 1991, the Indian government opened its economy to the outside world by implementing liberalization, privatization, and globalization, or LPG. The government's July 2017 implementation of the GST had both beneficial and detrimental consequences on businesses. In a similar vein, demonetization in 2016 affected corporate entities. Businesses that continue to monitor the business environment exploit information.

In order to access the highly potential insurance industry foreign direct investment (FDI), which was raised from 26% to 49%, many insurance companies have traveled to India. The following significant legal regulations must be addressed by business companies doing business in India:

Indian contract Act 1872: outlines the circumstances under which the contractual parties' promises are enforceable against them. The 1983 UK case of the Carbolic Smoke Ball Company serves as an excellent illustration. In this instance, the business advertised their product with the claim that anyone who took the smoke balls as directed would not contract influenza. The business promised to provide the person 100 pounds right away if they did. As a sign of their commitment to this proposition, the business put a thousand pounds into a public bank. Carlill purchased the medicine and took it as directed, but he still contracted the flu. She sued to get the money that was promised in the advertising back. The business said there was no contract between them, thus they refused to pay. It was decided that a contract between the individual and the business resulted in the Carlil being paid 100 pounds.

. ***Foreign Exchange Management Act 1999:*** regulate transactions involving foreign securities and currencies. This law improves the business climate in India, boosts GDP, and enables cross-border capital flows and commerce. Under this statute, the Enforcement Directorate (ED) brought a complaint against the BBC in April 2023 for the company's violations of foreign direct investment (FDI).

Competition Act 2002: is one such rule that aims to combat anticompetitive activity by mainly outlawing anticompetitive contracts and cases of market power abuse. This statute imposes stringent regulations in three specific sectors, which hinders small businesses and fosters their growth. cartels and other anti-competitive arrangements; abuses of dominance; and mergers that may have anti-competitive effects. Eleven cement companies, including major players like UltraTech, Binani, Ramco, JK Cement, ACC, Century, and Shree Cement, as well as their trade association Cement Manufacturers Association (CMA), were fined more than Rs. 6700 crore for cartelization by the Competition Commission of India (CCI) in August 2016.

Consumer protection Act 1986: intends to protect consumers' interests and make sure they are shielded from abuse and unfair business practices. Businesses take this act into consideration while creating goods and services for clients. Basic necessities, safety, information, choice, representation, redress, consumer education, and a healthy environment are the eight rights of consumers.

Right to information Act 2005 gives anybody the right to access data that is maintained or managed by a public authority. This technique is used by private businesses to collect valuable commercial data from the government.

Companies Act 2013: regulates a company's formation, responsibilities, directors, and dissolution. In 2008, four directors of Satyam Computer Services Ltd. were fined Rs. 5 lacs and sentenced to six months of simple jail under this statute.

Indian Trademark Act 1999: encourage innovation and business ventures by making its owners well-known and affluent in a broader sense. Additionally, trade mark protection stops dishonest rivals, such as counterfeiters, from using similar distinguishing marks to promote inferior or irrelevant goods or services. An important ruling in India's history of intellectual property rights is the case of Coca-Cola v. Bisleri International. Coca-Cola purchased the trademark of the mango drink MAAZA from Bisleri in India. Later, Bisleri began exporting mango drinks with the MAAZA trademark after submitting an application to register the trademark in Turkey. Coca-Cola went to the Indian court to request relief and damages for trademark infringement of MAAZA. . Coca-Cola went to the Indian court to request relief and damages for trademark infringement of MAAZA. Coca-Cola was successful in getting

Bisleri to submit to an interim injunction for trademark infringement.

Industrial dispute Act 1947: offers resources to promote positive relationships between parties, such as employers and employees, employers and employers, and employees and employees, and to resolve disputes in an amiable manner.

Essential commodities Act 1955: has been employed to control the production, distribution, and supply of goods referred to as necessities. The Indian government has used this statute to combat crucial commodity hoarders and black-marketers. It has frequently been used to guarantee sufficient supplies and shield customers from illogical increases in the cost of necessities.

Economical: These variables, which might be big or little, are frequently out of a company's control. An economic system is the result of the interaction of various factors, including consumer spending, inflation, interest rates, and consumer behavior. An essential tool for comprehending economic activity is the business cycle.

Socio-Cultural: The emergence of Islamic banking in Middle Eastern nations may be attributed only to corporate comprehension of the socioeconomic landscape. Due to its understanding of Indian culture, the South Korean manufacturer LG set a world record in 2006 by selling and installing one million TV sets in 10 days over the Diwali holiday. In Indian real estate, businesses refrain from assigning the number thirteen to the apartments and stores they offer for sale since some people consider it to be unlucky. Not even the city of Chandigarh has a sector with the number thirteen. Italy, a well-known Italian airline, does not have this seat number. other businesses overlook the fact that other cultures read from left to right instead of right to left.In the Middle East, a hoarding featuring three images from left to right—a man with a headache looking dejected and in agony, a man taking a medicine, and a man grinning without a headache—will not have the same promotional impact as in North America and India.

Technological: Technology continues to influence the types of products that businesses offer in a variety of ways. India uses 220 watts for electrical equipment, while the United States uses 110 watts. The Nokia Company, which was once the market leader in every way, lost its market share and reputation due to its inability to recognize and adopt new technologies.

Technology complicates business products, making it challenging to determine who they must compete with in the market. Manufacturers of exclusive cameras, such as Kodak and Nippon, did not expect to have to contend with manufacturers of mobile phones, such as Samsung, Nokia, Apple, and other companies in the same sector, since phones now come equipped with cameras.

Natural: The way that a certain industry develops in a certain geographic area is greatly influenced by the natural environment. The mining industry is growing in places like Jharkhand, Bihar, and Odisha because it depends on natural reserves. A few examples of these enterprises are Jindal Steel and Sail. Textile production requires raw materials like cotton and fabric, which is why places like Tamil Nadu, Maharashtra, and Punjab have a large number of these businesses. In hilly areas, Jeeps and power cycles are more popular than in plain ones. Compared to sea locations, hilly areas have a greater demand for winter apparel.

Global: The global COVID-19 pandemic, which began in China in 2020, has infected every nation and halted all activities, including commerce. The world used to move toward globalization, but now days, it's moving toward de-globalization. Nowadays, the majority of nations adopt a protectionist stance for their own industries and economies.

CONCLUSION

The new RPSM framework separates the environment into internal and external components, with the latter studying the environment's micro and macro features. Internal structure, value system, financial capabilities, firm image, marketing capability, research and development, physical assets, and human resources are all part of the controllable internal environment. For these variables, organizations must know if they are in a low, moderate, or highly stable position. Customers, rivals, investors, market middlemen, public advocacy organizations, local government organizations, and suppliers are all part of the microenvironment. This work environment is used by industry as a whole. Organizations must determine if they are low, moderate, or very stable in terms of their strengths and response preparedness for the microenvironment. The macro environment encompasses unpredictable political and legal, economic, sociocultural, technical, natural, and global factors. Organizations must assess their comprehension and readiness to adjust to changes in these external environment variables, i.e., whether they are low, moderate, or extremely stable.

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