Environmental Scanning, SWOT, and Benchmarking: What’s the Difference?

In a typical strategic planning process, various participants are tasked to take a look outside of their own organization and assess the activities and actions of other organizations. These are important steps, as the management of organizational strategy is always about understanding the capabilities and competitive posture of one’s own organization as compared to those of other organizations providing similar goods or services. Strategy is always a relative game. A true competitive position cannot be understood without knowing a little about other organizations doing the same thing and the environment in which all operate.

The examination of outside organizations usually takes one of three forms, Environmental Scanning, SWOT Analysis, and Benchmarking. While each of these activities appear similar on the surface, each has a very different objective, answers a different set of questions, and happens at a different stage of the planning process. This short paper will attempt to explain the differences and help guide the planner through each. We will consider them in reverse order of where they normally appear in the planning process, starting with the more familiar and moving to the less familiar.

Benchmarking

Strategic benchmarking is perhaps the technique best understood by strategic planning participants. In the modern era, it is a concept derived from the field of Total Quality Management and the work of W. Edwards Deming, Joseph Juran and others. The techniques associated with the Total Quality movement were primarily developed for manufacturing environments and were designed to improve output quality and reduce defects. This is accomplished by the appropriate application of statistical methods to process and quality control. The general idea is the establishment of control limits, which are constantly monitored, followed by appropriate process adjustments (continuous improvement), hopefully before the output is out of specification. Although Deming and others developed a particular operational philosophy to surround the ideas of TQM, the underlying model is still based on data-driven comparisons to a standard. As such it is an operational technique, not a conceptual technique, and is ultimately oriented toward assuring a high quality output. Continuous improvement ideas from TQM have been incorporated into the operational philosophies of many organizations and the techniques have been applied to many non-production circumstances. In higher education, most regional and national accrediting bodies have adopted some form of continuous improvement criteria as a requirement for accreditation.

Benchmarking, then, is the establishment of appropriate control reference points and the process of comparison to some standard. As applied to the strategic planning process, benchmarking is an implementation tool and thus comes into play as the planners move away from plan development and into one of operations. This is consistent with the operational nature of TQM. For an educational institution it is
a process by which we establish referent institutions (peers), identify the dimensions that will be monitored, continuously monitor hard data, identify apparent deviations from the desired standard, and implement preventative corrective action. The bread and butter of benchmarking is the ability to generate and analyze data. The focus of the administrator in such an environment is to answer the “how are we doing” question. The process is rather inward focused and is designed to identify situations where the institution may be headed, but is not yet, off track. In a strategic planning process it is the last technique to be implemented, as it will be the primary means to insure institutional compliance with the plan.

SWOT

SWOT stands for strengths, weaknesses, opportunities and threats and is probably as ubiquitous as a strategic planning technique can be. It is a simple technique introduced to the world of strategic management by Stanford professor Albert Humphrey. It is designed to identify organizational capabilities and a basis for building a competitive advantage. The “SW” portion of the technique is focused internally, while the “OT” is oriented externally. Even though the technique is used just about everywhere, it is unfortunately sometimes misapplied.

Undertaking a SWOT analysis requires the analyst to consider the relative strengths and weaknesses the organization enjoys relative to other organizations in the same domain. An organization would look at what it perceives as its own strengths and look to see what corresponding weaknesses another organization might have. A relative strength then creates opportunity. The same reverse concept applies to weaknesses. Some attribute is a weakness only if it is subject to exploitation by some outside organization with an offsetting strength. The strengths of one organization are only so because they line up with a corresponding weakness in some other organization. For example, when doing a SWOT analysis in a group, a common item proposed as a strength is “our people.” As wonderful as the said group of people might be, their capabilities only represent a strategic advantage to the extent their abilities and performance cannot be duplicated by some other organization. Therefore, a SWOT analysis is at the core of understanding the true capabilities and limitations of an organization. It is a technique that considers potential competition for the same services and helps organizational members understand they dynamics of their competitive arena. As such, it is usually found at the core, or middle part of a strategic planning process. The question to be answered at this level is very different from the benchmarking question. It is “what are the difficult-to-copy attributes of our organization that represent true advantage over other providers of the same service?” While this process requires comparison, the comparison is more conceptual and far less data-driven.

Environmental Scanning

Our third technique, Environmental Scanning, sometimes called Macro Environmental Scanning is often used early in a strategic planning process, primarily
as a means of identifying the important strategic questions facing an organization. It is the least data-driven and most conceptual form of looking outside of the organization. The technique involves attempting to look at the organization in question as a member of a much larger network and begin to conceive of how it relates to other institutions in the network. In this approach, the home organization is of much less importance than understanding the world in which the organization exists. This of this as a first step in trying to solve the problem of “not knowing what we don’t know.” The purpose is not to measure operational success, as in benchmarking, or to evaluate competitive capabilities, as in SWOT. It is more of an attempt to identify what questions to ask.

There are generally two parts to these kinds of activities. The first is to identify the network itself and the second is to begin to develop profiles of the network members. Once this is done, the planners will have a basis to do more detailed analysis of capabilities, and eventually, measure actual performance. As a highly conceptual activity, the importance of gaining a “big picture” perspective is extraordinarily important.

A summarizing table

<table>
<thead>
<tr>
<th>Technique</th>
<th>Planning Phase</th>
<th>Objective</th>
<th>Key Question</th>
<th>Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Scanning</td>
<td>Early</td>
<td>Identify key strategic dimensions for further analysis</td>
<td>“What is it that I don’t know I don’t know?”</td>
<td>Macro external with some internal reference – In the airplane looking down</td>
</tr>
<tr>
<td>SWOT</td>
<td>Core or Middle</td>
<td>Identify key institutional strengths and weaknesses</td>
<td>“At what am I good (and bad)?”</td>
<td>Horizontal – Internal and external comparison</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>Implementation</td>
<td>Measure institutional performance against standard and make preemptive adjustments</td>
<td>“How am I doing in terms of meeting strategic objectives?”</td>
<td>Micro internal with some external reference – On the ground looking up and out</td>
</tr>
</tbody>
</table>