

**THE EXTENT OF SCANNING BEHAVIOR OF MALAYSIAN DECISION-MAKERS:  
STUDY ON UPPER LEVEL EXECUTIVES**



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## ABSTRACT

Environmental scanning is the process of seeking information about events and relationships outside a company's operating environment (i.e. the suppliers and other interest groups with which the firms deal), and its general environment (i.e. the national and global context of social, political, regulatory, economic and technological conditions). Environmental scanning offers relevant knowledge gained for strategic planning and decision-making, and the knowledge would assist top management in charting the company's future course of action. This research analyzed the scanning behavior of Malaysian top management in multiple industries of differing firm sizes when they make investment decisions. It examined the extent of scanning involved and the type of information scanned, the methods commonly used and the sources relied on to scan the environment. Questionnaires were distributed to varying levels of decision-makers from various types of companies who had made capital investment decisions in the two earlier years, to examine the extent of environmental scanning behavior of Malaysian top executives and factors that influence their scanning behavior. The nature of the majority of the decisions involved in this study was related to capital acquisition, business acquisition, and market expansion. Malaysian decision-makers were found to be more task-oriented and they focused more on short-term perspective. Therefore, environmental sectors that the top decision-makers scanned were focused on information pertaining to competition, followed by economic/ financial information, while technology information was the least scanned. It was also indicated that a combination of personal and impersonal sources was used across all three sectors of information. Similar situation occurred for external and internal sources. The descriptive study also found that, the extent of scanning, the method and sources used to scan for each type of information varied by rank that the decision-makers hold in the company, the field of expertise that they are involved in and the type of decision made.

Keywords: environmental scanning, scanning behavior, decision-makers

# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

Many scholars define environmental scanning as the process that seeks information on events and relationships in a company's outside environment. The knowledge gained from environmental scanning would assist top management in its task of charting the company's future course of actions (Aguilar, 1967). Such information includes those that are generated in both the operating environment (i.e. the suppliers and other interest groups with which the firms deal) and the general environment (i.e. the national and global context of social, political, regulatory, economic and technological conditions).

Environmental complexity may be viewed as a function of the number of environment variables and constraints as well as a function of the diversity, which is important to the organization (e.g. technological, political, legal) (Duncan, 1972). Duncan (1972) purposes that environmental uncertainty be defined by three components:

1. The lack of information regarding the environment factors associated with a given decision-making situation;
2. Not knowing the outcome of a specific decision in terms of how much the organization would lose if decisions were incorrect; and
3. The inability to assign probabilities with any degree of confidence with regard to how environment factors are going to affect the success or failure of the decision unit in performing its functions.