

# A Review of Environmental Screening on Strategic Formulation in Health Care Sector

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## Abstract

This paper is a literature review that discusses the screening of the business environment in strategy formulation. The purpose of the review is to explore and connecting theories from various research. This paper identified 22 articles with related topics published the last decade. The results of this study show that screening of the external environment that is important to do is the general environment (politics, economy, socio-culture, technology, demography, and epidemiology) which plays a role of 66.66%. While internal environmental analysis that is important to do is resources (finance, physical, technology, human resources, innovation and reputation) and value chain management (infrastructure, HRM, technology development, purchasing, inbound logistics, operations, outbound logistics, sales and marketing, and services) played a role of 33.33%. Based on a summary related to research on internal and external factors that have been carried out in health facilities, it is known that industrial environmental factors and environmental factors of competitors are still minimally studied so that they can become opportunities for future research.

**Keywords:** *Screening Business environment, internal environmental, external environmental*

## Introduction

High market competition and strict regulations related to the health sector make the implementation of strategic management important<sup>1</sup>. There are many problems faced by health services such as patient dissatisfaction with the health sector to implement the best strategy in ensuring the quality of services<sup>2</sup>. changes in the business environment that take place very quickly in the health sector require the health sector to carry out environmental screening properly to create the right strategy formulation to achieve company targets<sup>3,4</sup>. Previous research has shown that environmental screening is important in supporting the formulation of strategies in the health sector. Previous research also shows that most health facilities have not implemented

strategic management in their companies, namely 71.4% who have not implemented strategic formulations so that this research can help health facilities in examining what matters are important in screening the business environment<sup>5</sup>. However there are not many studies that discuss environmental factors that are important to be analyzed in the strategy formulation process. His article contains a review of research that discussed environmental screening in the strategy formulation process. Article searches were carried out using the google, google scholar and mandeley databases. The review process was carried out on articles that discussed environmental screening in the strategy formulation process. The articles reviewed are articles published in the last 10 years. This review identified approximately 51 articles that fit the topic and were published in the last 10 years for further analysis and conclusion in this paper.

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## Literature Review

Freed David formulated that the process of creating a business plan was carried out in several stages, namely environmental screening in strategy formulation, strategy implementation and evaluation. Environmental screening includes internal and external environmental screening. The organization must continuously observe changes in the internal and external environment because changes in the internal and external environment will change the formulation of the company's strategy, so the company must be adaptive to environmental changes<sup>6</sup>. The development of increasingly advanced technology makes the process of screening the business environment easier, among others, by using Decision Support Systems which enables a company to achieve a competitive advantage<sup>7-9</sup>. Health facilities are very complex and pluralistic organizations so that organizational knowledge, legitimacy and social capacities greatly influence the screening of the internal and external environment in health facilities. Besides, political influence also plays an important role in environmental screening at the stage of strategy formulation in health facilities<sup>10</sup>.

Previous research has shown that there are several factors that are important in screening the business environment, including political factors, economic factors, socio-cultural factors, technological factors and epidemiological factors<sup>5</sup>. Internal environmental factors that are important to be studied in business processes include resources (financial, physical, technology, human resources, innovation and reputation) and value chain analysis (infrastructure, HRM, technology development, purchasing, inbound logistics, operations and bound logistics, sales and marketing, and service). While the external environment that is important in screening the business environment includes the general environment (political, economic, socio-cultural, technological, demographic, epidemiological), industrial environment (threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threats of substituted products), and the environment of competitors<sup>11</sup>. These factors in the business environment are important to

analyze in order to make sound and wise strategic decisions and solutions. The company must be able to analyze and control both internal and external factors to make strategic management successful<sup>12-14</sup>.

The organization's ability to conduct internal and external environmental screening will enable the organization to quickly extract information that is important for strategic management for the company<sup>15</sup>. In the management of internal and external factors, the existence of external factors is the most difficult to predict and control by a company because they are outside the company, while internal factors are easier to screen, predict and control because they are in the company's internal environment<sup>16</sup>. Several studies have shown that screening of the company's internal and external environment can have a positive impact on the performance of health facilities<sup>17,18</sup>.

## Method

This paper is a literature review that discusses the screening of the business environment in strategy formulation. The articles collecting by the google database, google scholar and mendeley. A review was conducted on articles with topic. Screening of the business environment in strategy formulation. We identified approximately 22 articles that were published in the last decade then analysis and drawing conclusions.

## Results and Discussion

Based on a summary of various studies, it shows that the internal and external environments that are important to be screened for strategy formulation include the internal environment, namely resources and value chain management. Resources include finance, physical, technology, human resources, innovation and reputation. While value chain management includes infrastructure, HRM, technology development, purchasing, inbound logistics, operations, outbound logistics, sales and marketing, and services. If it is made in the form of a description of the composition of the internal and external environment in the formulation of a strategy based on research that has been done previously, it is as

follows

**Table 1. Summary of percentage of internal and external environmental factors that have been studied in health facilities.**

Type of Environment	Type of analysis	Percentage (%)
Internal Environment	Resource(finance, physical, technology, human resources, innovation and reputation)	22,22%
	Value chain management(infrastructure, HRM, technology development, purchasing, inbound logistics, operations, outbound logistics, sales and marketing, and services)	11,11%
External Environment	General environment (politics, economy, socio-culture, technology, demography, epidemiology)	66,66%
	Industrial Environment (threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products)	-
	Competitor Environment	-

Source <sup>5,12,15,17-22</sup>

Based on table 1, it is known that the external environment has a greater composition than the internal environment in the environmental screening process for the formulation of process strategies in health facilities. External environmental screening (politics, economy, socio-culture, technology, demography, and epidemiology) holds a composition of 66.66% while internal environmental screening (finance, physical, technology, human resources, innovation and reputation, infrastructure, HRM, technology development, purchasing, inbound logistics, operations, outbound logistics, sales and marketing, and services) is only 33.33%. External environmental factors are the environment outside the company that continues to change rapidly, is unpredictable and difficult to control so that it plays a bigger role and is more difficult to analyze than the internal business environment within the company.

**Conclusion**

The internal and external environmental screening stage is an important stage in the strategy formulation process. Internal environmental factors consist of

resources (finance, physical, technology, human resources, innovation and reputation) and value chain management (infrastructure, HRM, technology development, purchasing, inbound logistics, operations, outbound logistics, sales and marketing, and services). While external environmental factors consist of general environment (politics, economy, socio-culture, technology, demography, epidemiology), industrial Environment (threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products), competitor Environment. Based on this review paper, it is known that external environmental screening has a more role in the strategy formulation process which has a 66.66% share, while internal environmental analysis has a 33.33% portion, this happens because the external environment is an environment outside the company that changes rapidly, not predictable and controlled so that the external environment screening while the internal environment of the company is in the company. In the end, the process of screening the external and internal business environment is a very important process for the formulation of strategies in achieving company goals, including in health facilities.

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