

Evaluating Environmental Factors - Entrepreneurship strategy

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Abstract: *For Every business, there are two fundamental forces, one is controllable and another one is uncontrollable. The uncontrollable natural or external forces always interact with business and force business to change over the time. The business External factors and its perceived complexities having strong impact on business performance. In modern structure of business approach “continuous assessment of the external factors and its effect on business” is the key of success. The leverage of business internal factors is the major strategical plan for company.*

Keywords: *Complexity Factor, Perceived impact, Capability, Strategy.*

1. INTRODUCTION

Environment is everything that is around us. It can be living or non-living things. It includes physical, chemical and other natural forces. Living things live in their environment. They constantly interact with environment and change in response to conditions in their ecosystem. [5]

In process of living, there are interactions between animals, plants, soil, water, and other living and non-living things. Every interaction is a collation of multiple factors. Each collation is an exchange of demand, expectations, transaction or expression. The impact of environmental factors is continuous with variable magnitude. Throughout generations, human straggle to shape up their lives on earth to exist and improve the quality of life. The quality of life largely depending upon the building capabilities to handle the environmental forces [3,4].

The environmental factors are having two aspects, Internal & external. The fundamental understanding of environmental forces is mandatory to understand ecosystem of business. Integrated relationships of business external forces with business internal capabilities builds the overall nature of a business environment [3,4].

Every business defines set of activities, process, standards to build relationships with external world. Understanding external forces or factors helps any business to plan its vision, mission or strategy, governance to achieve its objective. External factors are outside the control of business and

internal factors are managed to handle complexities which is having impact on business performance.

2. OBJECTIVE OF THE STUDY

During the study, we collected data from 25+ small and medium IT/ITES businesses to identify the business external and internal factors they are dealing with. Our objective was to identify the external and internal factors effecting entrepreneurships and how the businesses perceived to adopt an strategy for sustainable performance [3,4].

2.1 Defining Business External Environment

External Environmental forces are outside the control of business. These be related to competitors, visitors, economic situation, government policy, social situation, change of technology, and climate etc. The magnitude of environmental factors has a direct or regressive impact on business platform and operations. An entrepreneur’s basic responsibility is to assess the risk factors and evaluate perceived impact on business [Fig 1]. The understanding of risks plays vital role to create the business strategy and plan.

The business in 20th century is much depending upon communication, technology & knowledge of business environment. The external forces are largely uncertain, and can change its complexity over the time. Also, the effect of these factors can vary from company to company. Building the capability to sense & study external factors is a part of continuous learning [Graph 1]. The business execution model

might change its shape based on current understanding and change of demand [1,2,3,4].

2.2 Defining Business Internal Environment

Internal Capabilities are within the control of business and have a direct impact on business performance. The internal environments of a business are having strong alignment with external environment. The business investors, owner, functional stakeholders, employee, adopted technology, process are the major parts of internal environment. Business create its strategy / process as per the need of ecosystem [Graph 2].

The internal environment builds the capability of business process, the mission of a company to achieve its vision. The performance of a business largely depends upon how well their “business internal process is structured or optimized”, How well, their “People-Process-Technology been adopted”. The continuous learning from demands of external factors helps businesses connected closely with consumer base and be informed with the changes.

A successful business continuously adopts changes and create “up to date” product or services. Largely, the internal environment is the strength of every business to mitigate the risk from external environment. It is also important that every entrepreneur should access the core strengths and build strategy around it [3,4].

2.3 Why choosing Entrepreneurships as a scope of study?

We have chosen the Entrepreneurships (or casually start-ups) as a scope of our study rather than a regular established business. research shows almost 80-90% of such “new venture” runs in loss and fail to fulfill their business objective. 90% of India start-ups fails due to lack of innovation.

75% of VC funded start-ups are never able to show investors a return [6]. As per small business association, an entrepreneur puts together a set of activates to create a business digest associated risks and makes profit. Thus, historically an entrepreneurship run under higher risk compared to established business. An established business is much more stable state of operation, model of business, change and adaptation process is much clearly defined. Objective of our study is to aware new start-ups to identify, understand and take proactive actions towards the perceived “negative” impact and “bank on” the internal strategies.

3. THE COMPLEXITY AND IMPACT OF EXTERNAL ENVIRONMENT

During our research, we will analyze the overall environment Factors related to entrepreneurship. In the

modern entrepreneurship concept, each business operates in a very “fast changing” environments. The possible environmental changes can come due to Political, social, economic, technological, market competition, climate changes etc. And, the impact of such changes will differ from business to business due to the maturity and adoptability of such changes into business and handle with strong “mitigation mechanism” [Graph 1].

We also need to understand that business environment is very much situational. A business environment is a resultant and aggregative in nature. Business environment is like multimodal factors are arising in different format and magnitude. How the resultant factor will impact a business either in positive or negative direction depends upon “how a business perceived those factors”. For an example: In year 2016 the Demonetization by Indian Govt. withdrawn almost 80% of physical currency, it does give a huge opportunity for cash less gateways like PayTM, online transfer, mobile payments to grow.

The environmental factors can be localized, specific and generic. Same company having multiple offices, operating in multiple regions will undergo different experience of operation. Because the resultant vector out of multiple factors will be different. For an example: A manufacturing plant in Bangalore and Jharkhand will have different impact of localization (ex: Language, culture, climate etc.), generic (Govt. policy, political, social etc.), Specific (Customers, vendors etc.).

Early identification of business environmental factors helps businesses to alarm early threats (Ex: We identify the magnitude of earthquake under the sea and Plato and that does enable to alert for possibilities of tsunami). So, while starting any business this alert can help companies to adopt certain policies or practices either adopted by similar company or create a strategy to handle the possible risk.

A Business always works for its brand value, reputation, market visibility. A company making regular profit, hitting predictable growth, providing leadership directions to its competitors will generate a strong face value.

To be a leader in a competitive market, unless the company managed to create model to identify and handle the possible risks, the business will not sustain. Creating the process of continuous learning will help business to define long-term sustainable plan [1,2,3,4].

More understanding the economy helps and new business to analyze the water before jump. The understanding of economy indicates the trend of business types, the market condition, the overall market demand and loss / gain data. The technology information is a must for any business for reaching out to end consumer base with solution, information

and building confidence. The business blend with right technology is a winning track for any entrepreneurship. The Economic market also indicates the market competitors and leaders of the similar business. The competitor data analysis is a must, since right analysis will give business insight related to adopted strategy & goals, previous to current transformations, technology adoption, collaboration, current interest and investments.

The business external data thus helps any business to shape up their internal approach towards business goals. It's been observed from market analysis that Economy, Technology and competitors play most vital role to shape up effect of external environmental factors [1,2,3,4].

4. HOW BUSINESS INTERNAL FACTORS CAN BE LEVERAGED

If we draw a causal diagram, keeping business external environmental factors on the left side, the adopted strategy will come on right side. The "business strategy or approach" is a designed blue print of business internal factors to handle the negative impact of external factors [Fig 2].

The internal environments of a business are having strong alignment with external environment. The business investors, owner, functional stakeholders, employee, adopted technology, process are the major parts of internal environment. The internal environment shape up or create its strategy / process as per the need to external environment. Thus, the effect of external forces has a strong impact on business internal. The performance of business totally depends upon the understanding and fulfilling or external environment demand on time. The continuous learning from demands of external factors helps businesses to shape up their offerings through product services [Graph 2].

The internal environment builds the mission of a company. The robust performance of a business depends upon how well their "business internal is structured". How well their "internal process is optimized for best performance". How well, their "People-Process-Technology been adopted".

The internal process of a company synchronized the operations like HR, Finance, Marketing, facilities, production, procurements etc. The aggregate performance of those operation defines how well a company prepare to handle the external environment of business and deliver quality product or services[1,2,3,4].

A Matured operation of a company build company image, competitive advantage, value system which is sustainable, keeps a business profitable for longer period.

The perceived impact of changes is "great challenge" for any business. And, the "adoption of changes" are the only constant which keeps a business focused to its vision.

Successful Entrepreneurships go beyond of providing services or selling products. The capability of continuous leaning from market is a standard process to optimize, innovate their business solutions. Matures ventures capture consumer voices, views to enhanced their product or services for higher usability and satisfaction. Successful entrepreneurs focus on research & development to make innovation as continuous practice. A close integration with consumer base keep business always up to date of market standards, which ensure their business gain "goodwill", "face value", and "trust" as a part of their vision.

Every organization adopt some specific and generic strategy to handle environmental factors. The business leadership team model the approach which will be effective & maintain performance. The internal strategy of any new business need to have the vision towards continuous evaluation of external factors and assess the impact on company operation, revenue & profit [1,2,3,4].

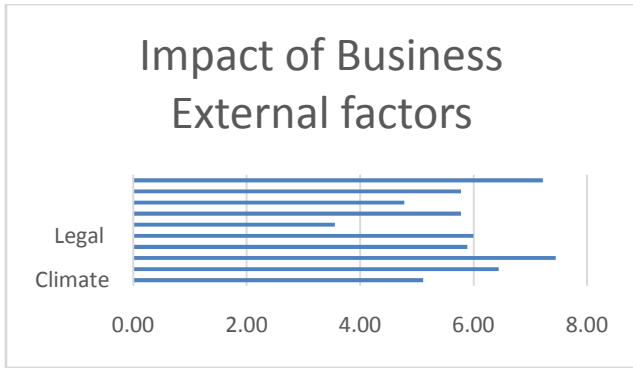
The internal factors like leadership & Empowerment Ability, The HR policy, Technical & soft skill plays a very vital role to market the company face value and /or increase the brand equity. The stronger and people friendly HR policy can help building loyal employee base, the "best fit or situational leadership" qualities help building empowered employee who help building stronger relationship with customers. A stronger understanding of customer and the understanding of technology and skill of communication if always "strongest" advantage to provide "right solution at right time".

The above stated factors thus make an entrepreneur to market the business agenda with more confidence and gain stronger market share.

5. FIGURES AND GRAPHS



Fig 1: Entrepreneurship Cycle



Graph 1: Top External factors impacting new ventures

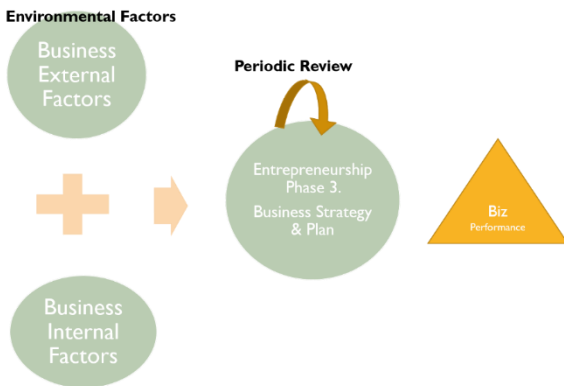
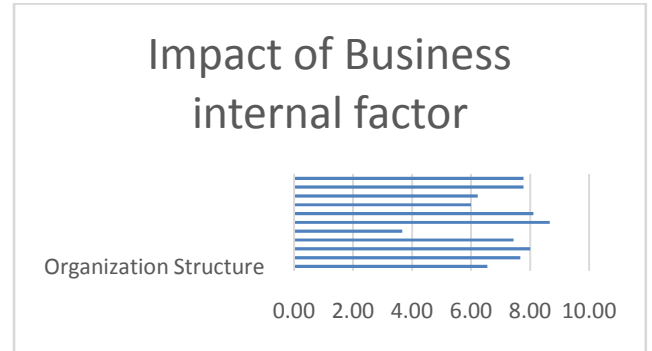


Fig 2: The collaboration of business internal and external factors



Graph 2: High impact internal capabilities of new ventures

6. CONCLUSION ON STRATEGY ADOPTION

The entrepreneurship model, strategy is a resultant approach designed from multi variant internal factors effecting business. It is important to understand that the perceived impact of external factors effecting a business can be different. Also, it is understood that not all the internal factors are in similar strength for all companies. So, business internal strategy might bank on one factor more than another factor. It is important for entrepreneur to identify its internal strength and understand the magnitude of external factors, related perceived impact [Fig 2].

It is not expected that all internal factors will help business to grow or be successful. But it is important that internal strengths should be used effectively and efficiently to ensure that risk is mitigated, minimized and within control.

Learn ability is one of the most common and winning factor to understand similar business movement in each market. It is important that entrepreneur should have the ability to visualize the factors effecting business environments, it's movement with the time, adoption of technology, consumer behavior, global transformation, localization and thus can plan to design business success, capability to change over the time and retain business growth.

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