Module 2: Opportunity Identification & Market Research

Topic 2: Environmental Scanning and SWOT Analysis

Once you have a business idea, you must evaluate it against the realities of the world. **Environmental Scanning** is the process of gathering information about events and relationships in a company's outside environment, the knowledge of which would assist management in planning the company's future course of action.

1. What is Environmental Scanning?

It is essentially "looking around" before you leap. It involves analyzing two main environments:

- **The Internal Environment:** Factors within your control (your skills, your team, your equipment).
- **The External Environment:** Factors outside your control (government laws, the economy, competitor actions, and social trends).

2. SWOT Analysis: The Entrepreneur's Toolkit

The most effective way to perform environmental scanning is through a **SWOT Analysis**. This helps you see the "big picture" of your business idea.

Internal Factors (Under your control):

- **Strengths (S):** What makes your business better than others?
    - *Examples:* High-quality skills, a great location, a unique recipe, or low production costs.
- **Weaknesses (W):** Where does your business struggle?
    - *Examples:* Lack of experience, limited money (capital), or a small team.

External Factors (Outside your control):

- **Opportunities (O):** What trends or changes can you take advantage of?
    - *Examples:* A new government grant for youth, a competitor closing down, or a growing population in your area.
- **Threats (T):** What could go wrong in the world around you?
    - *Examples:* Rising cost of electricity, new government taxes, or a big supermarket opening near your small shop.

3. The PESTEL Framework

To go even deeper into the "External Environment," entrepreneurs use **PESTEL** to categorize outside threats and opportunities:

1. **P - Political:** Changes in government policy or stability.
2. **E - Economic:** Inflation rates, exchange rates, and the spending power of customers.
3. **S - Social:** Changes in fashion, culture, and what people find "cool" or "important."
4. **T - Technological:** New apps, internet speed, or machines that make work easier.
5. **E - Environmental:** Weather patterns (important for farming) and climate change regulations.
6. **L - Legal:** Business laws, health and safety rules, and labor laws.

4. Why is this Important?

Environmental scanning prevents **Business Blindness**. Many businesses fail because they ignore a threat (like a new technology) or miss a massive opportunity (like a change in customer taste).

Class Activity: Imagine you want to start a "Mobile Phone Repair Shop" in your school neighborhood. List 1 Strength, 1 Weakness, 1 Opportunity, and 1 Threat for this business.