

ENVIRONMENTAL SCANNING: THE STRATEGIC KEY FOR THE NIGERIAN ENTREPRENEUR TO EXPLOIT EMERGING MARKET OPPORTUNITIES

By

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Abstract

Different forces operate to affect Marketing activities in every society. An organization might be able to influence the direction of some of these forces or environmental variables while other variables may remain rigidly uncontrollable. The ability of an organization to influence or control these variables depends on the nature of the variables as well as the attitude of the company to these environmental forces or variables, amongst others. This paper affirms that scanning of environmental variables will likely present valuable opportunities for firms as well as attendant challenges. The objectives of this paper among others are to: (i) x-ray the possible environmental variables that will present firms with possible emerging opportunities. (ii) establish whether there is any relationship between a firm's knowledge of its environmental variables and business success [iii] find out whether there is significant effect of environmental scanning on business survival and (iv) offer useful policy recommendations, which could place firms, in better competitive position. The paper uses a quantitative method with two hypotheses and findings showed that knowledge of environmental variables present better market opportunities, which could place firms in good competitive positioning.

Keywords: Environment, Scan, Entrepreneur, Exploit, Market, Opportunities.

Introduction

A company's marketing environment is made up of actors and forces that affect the company's ability to develop and maintain successful transactions and relationship with its target stakeholders. The marketing environment of an organization can also be described as

comprising of various environmental forces that influence a company's marketing system. Some of these forces are external to the firm and thus are largely uncontrollable by the organization. Others are within and generally controllable by the firm. A company must plan, implement, evaluate and manage its marketing system within its external and internal environment constraints. A marketer must learn to be effective in the ever dynamic and competitive world of marketing. A business executive compares the influence of the environment on a marketer to the influence of weather on an airplane pilot. According to Achumba (2004), before the pilot takes off, he checks the weather conditions and plans his flight accordingly. As the weather influences the pilot flight plans, the environment affects an entrepreneur or a marketer's decisions. The marketer has more options than our hypothetical pilot. He can choose one of these three options.

- He can adapt his operations to the environment.
- He can move contrary to the established trends.
- He can attempt to change the environment.

At any rate, whatever option the firm decides will depend on the kind of variable it faces in the environment. Kotler and Keller (2007) emphasized that the marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to develop and maintain successful transactions with its target customers. The marketing environment offers many opportunities and threats. Successful companies know the vital importance of using their marketing research and intelligence systems constantly to watch and adapt to the changing environment. No doubt, a company that ignores environmental variables for too long will likely face crisis in its marketing drive.

In Nigeria, most companies and business executives always await the annual federal government budget usually announced in December / January every year. The budget does not only declare government intentions and opportunities for the coming year, it is usually back up by laws and regulations, which generally affect businesses either positively or negatively. A firm operating in an environment without being alert to the threats and possible opportunities existing there may suddenly find itself out of business. A marketing firm may be able to control or influence certain variables or factors while others may be rigidly

uncontrollable to it. It is by proper analysis or diagnosis of these factors that a firm may be able to know what its attitude towards each of the variables should be.

Statement of research problem: Today, many organizations face the challenge of identifying strategic environmental variables they should give cognizance and what threats or opportunities these variables could pose [Aminu and Olayinka, 2006]. Some firms also face the challenge of establishing the relationship between knowledge of environmental variables and business success [kotler and keller, 2009]. Many studies have been carried out on marketing environment generally, fewer of these studies [if any], have attempted to explore the linkages between environmental scanning, market opportunities and business survival in an emerging economy. This proposed research therefore intends to fill that intellectual gap.

Objectives of the Paper

The broad objective of this paper is to examine how the knowledge of environmental scanning can afford the marketer or an entrepreneur to exploit emerging market opportunities. The specific objectives of this paper among others are to: (i) x-ray the possible environmental variables that will present firms with possible emerging opportunities. (ii) establish whether there is any relationship between a firm's knowledge of its environmental variables and business success [iii] find out whether there is significant effect of environmental scanning on business survival and (iv) offer useful policy recommendations, which could place firms, in better competitive position

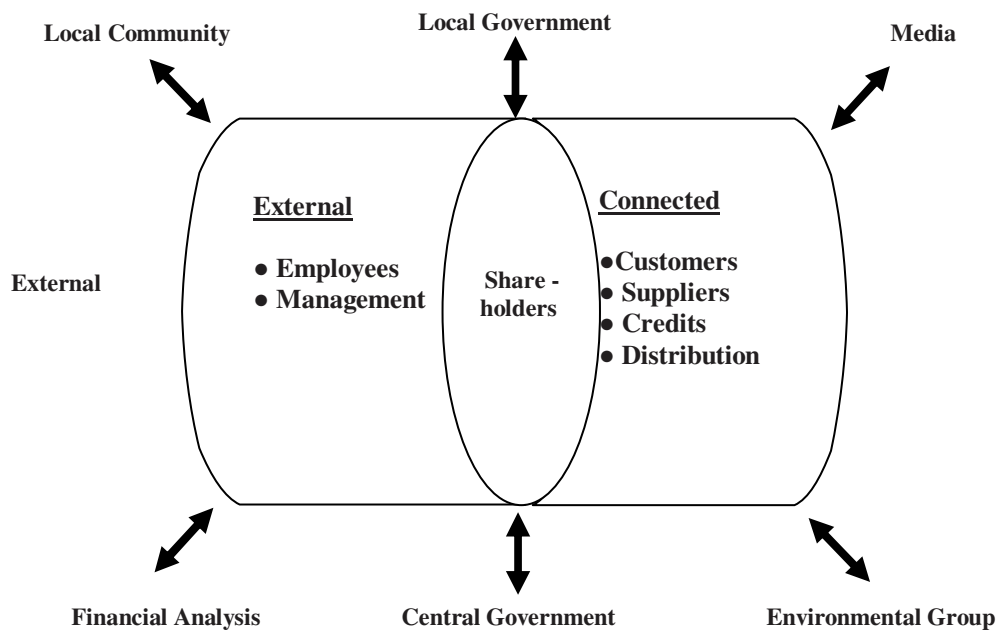
LITERATURE REVIEW

For a firm to be able to operate successfully in a place, it must offer good/service, which satisfies the need of consumers and society. The provision of these goods and services occur in an environment which is fraught with forces (Worlu, Kehinde Adegbuyi, 2006). Some of these forces come under the control of the marketing organization while others are generally uncontrollable. It is therefore only by a proper analysis or diagnosis of these forces that a firm may be able to know what its attitude towards each of the forces should be. Marketing environment of a firm comprises of all the surrounding factors that affect (positively or negatively) the activities and fortunes of the organization in the determination and satisfaction of consumers' needs in the society (Worlu et al 2006).

It must be emphasized here that the marketing environment offers both opportunities and threats to players in a given industry. Successful companies according to Kotler and Keller (2009), Ibidunni (2004) and Jobber (2004) know the vital importance of using their marketing research and intelligence systems consistently to watch and adapt to the changing environment. Every responsive company must take major responsibility of identifying significant changes in their environment. Marketers must therefore be trend trackers and opportunities seekers. Marketers must spend more time analyzing customer needs and competitors' environment. By conducting effective and systematic environmental scanning, marketers are able to revise and adapt marketing strategies to meet new challenges and opportunities in the marketplace.

Interestingly, many authors assert that the marketing environment could be divided into two sections, microenvironment and the macroenvironment. This view is supported by Ibidunni (2004); Achumba (2000); Kotler and Keller (2007); Lancaster and Massingham (2001) amongst others. The microenvironment, according to Kotler et al (1999) consists of forces close to the company that affect its ability to serve its customers. The joint authors gave an elaborate picture of the company's microenvironment, which they categorized as principal actors in the company's microenvironment. Kotler et al (1999) illustrate these variables as consisting of suppliers, the company itself, competitors, marketing intermediaries and customers. All these variables have effects on the public and the public also affects their operations. In the same vein, the authors named the forces in the company macroenvironment as Demographic force, Economic forces, Technological forces, Political forces, Natural forces and Cultural forces. This view is also supported by Achumba (2000); Ibidunni (2004); Jobber and Fahy (2003). The Chartered Institute of Marketing (CIM) 2006 Manual looks at the interrelationship among stakeholders in the marketing environment. A thorough appraisal of these stakeholders helps the firm to position itself and its product very well in the eyes of its esteemed customers. The diagram below explains these interrelationships among these stakeholders in the firm's internal and external environment.

Figure 1: Stakeholder Pressures



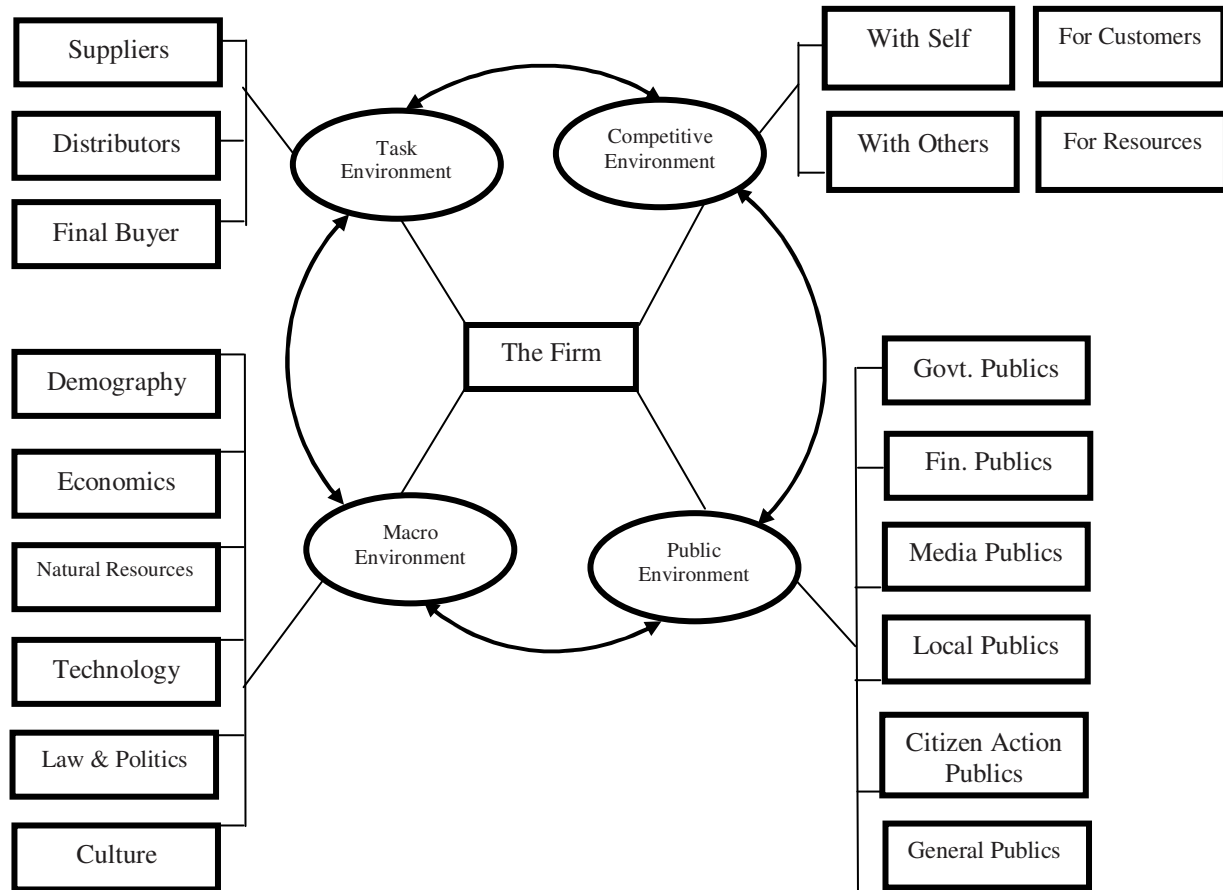
Source: Chartered Institute of Marketing – CIM – London (2006) Strategic Marketing in Practice. The Official CIM Course Book for Professional Postgraduate Diploma in Marketing.

According to the above illustration, stakeholders can be defined as groups or individuals who can affect or are affected by the achievement of the organization's objectives. Since they have a stake, a legitimate interest in the business, they can influence the company's objectives. Management cannot pretend to operate in isolation but must seek to satisfy these stakeholders' legitimate expectations if they are to contribute value in return. If stakeholders consider they are not receiving sufficient return, they might withdraw their contribution to the organization. For example, if customers no longer feel a product is valued for money, they might decide to buy elsewhere. If workers, on the other hand, consider their remuneration is too low, they are likely to change jobs and their contribution will be lost.

Ferrel (1995) as cited by Ibidunni (2004) added academic flavour to the divisions of the marketing environment. According to Ferrel, the marketing environment can be divided into four major segments, which are the task environment, competitive environment, public environment and macro environment. Each of the environments has competing variables, an

efficient the marketer must give due attention if it must succeed in the ever dynamic world of business.

Figure 2: The Firm and its Complex Environments



Source: Ferrel (1995), *Marketing, 9th Edition*, Toronto, Houghton Mifflin Company as cited by Ibidunni (2004), *Marketing Management Practical Perspective* Concept Publication Ltd., Lagos. P.52

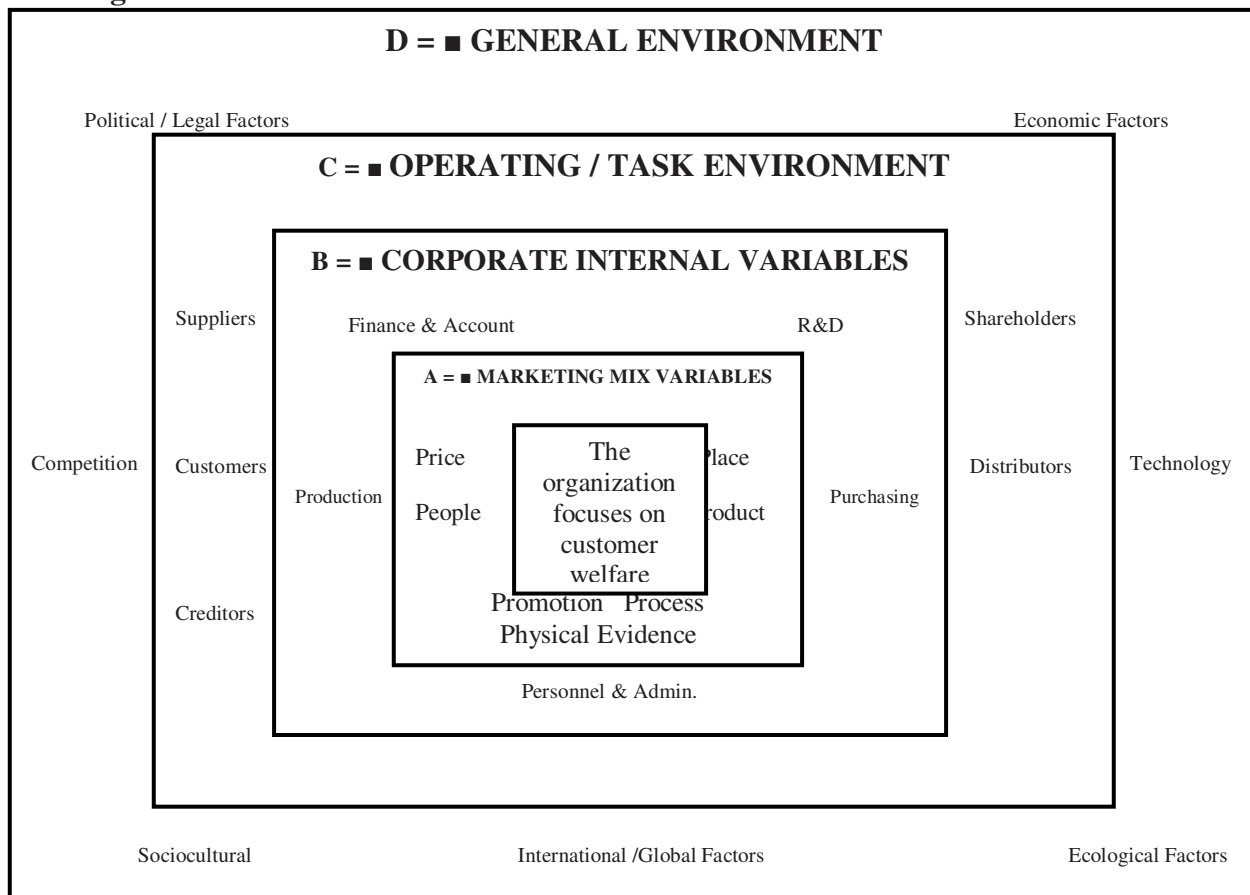
The diagram above shows the view of Ferrel (1995) as cited by Ibidunni (2004). From the views expressed above by Ferrel, one can notice the inter-locking and interrelationships of each of the four environments. This again calls on the company or an efficient entrepreneur to strategically appraise each of the environmental variables and see how to maximize the marketing opportunities and potentials presented by each of the variables.

A thorough appraisal of the views of different scholars on the layers of the marketing environment or the general divisions of the marketing environment shows that a better picture

on the subject can be painted since an understanding of a firm environment is very strategic to the success and eventual survival of the organization.

This innovation, conceptualized below by this writer and his colleagues believes that an organization's marketing environment can be divided into four layers as shown in the new conceptualized diagram below. Each of the layers presents many opportunities for the ever-dynamic marketer who can put his nose to the ground in order to sniff or perceive business opportunities.

Figure 3: LAYERS IN THE MARKETING ENVIRONMENT



Source: Worlu R.; Kehinde J.; and Adegbuyi O. (2006). Marketing: Principles and Applications. Port-Harcourt, Nigeria. Macrolyn Konsult.

Key:

Micro Environment: A = Marketing Mix Variables = Price, Product, Place, Promotion, People, Process and Physical Evidence.
 B = Corporate Internal Factors = Finance & Account, Production, Personnel, R&D, Purchasing etc.

Macro Environment: C = Operating / Task Environment = Shareholders, Customers, Distributors, Suppliers, Creditors etc.

D = General Environment = Political/Legal factors, Technology, Socio-cultural factors, Economic factors, Competition, Ecological factors etc.

Let us now examine each of the four units, which we tagged A, B, C, D.

[A] Marketing Mix Variables: The company must look inward and take a proper examination of its price, product, promotion, place (Distribution), etc. What are the strengths of each of these marketing mix variables? What opportunities do they present for the company? The marketer needs to know his product inside-out. That is, he must know the silent features of the product and its inherent strengths as well as weakness. The marketer must examine each of the marketing mix variables and see what opportunities these variables present, which the company can tap and eventually convert to strength.

[B] Corporate Internal Variables: These are the functional departments in the organization. The firm is made of experts in different departments.

There is the need for the firm to look in-ward and see certain opportunities, which it could tap from the strengths of these experts in the various departments.

The Holy Bible (II Kings 4:1-7) gave an account of debtor widow. The poor woman cried to a man of God (Prophet Elisha) who asked the woman what she had in her house. The woman said nothing except a bottle of oil. It was this bottle of oil that the man of God used in performing the miracle. In likewise manner, every company has many opportunities within which if properly harnessed could be turned to great assets for the company.

[C] Operating Environment: The variables here include customers, suppliers, creditors, shareholders, and distributors. Though, the firm cannot control these variables, but the firm can influence them to its best advantage. A proper examination of these variables will present many opportunities. The firm has to look properly on who its shareholders are. What kind of work do they do? What positions do they occupy in the society? What social group do they belong? What opportunities are available through them and how can the firm make maximum use of them? The other variables such as distributors, suppliers, creditors must be properly examined with a view to seeing what opportunities they present, which the firm could tap.

[D] The General Environment: The general environment of a firm comprises of what are generally termed “uncontrollable factors”. They include Political/legal, Economic, Socio-cultural, and Technological factors (PEST). Although each of the factors in the general environment might pose certain threats, a proper diagnosis will certainly reveal many opportunities. Every government move, pronouncement will present certain opportunities to marketers or entrepreneurs. A firm must study the SWOT analysis of its competitors so as to see the competitors’ areas of weaknesses and how the firm can convert these competitors’ weaknesses to possible opportunities. Technological factor presents many threats and opportunities. Every new technology according to Kotler (2000) is “a force for creative destruction”. The economy growth rate will be affected by how many major new technologies are discovered. The marketer should monitor the current trends in technology: The accelerating pace of technological changes; the opportunities for innovation; varying R&D budgets and increase regulation.

Socio-cultural environment: The society shapes our beliefs, value and norms. Marketers must understand people’s views of themselves, others, views of organization, views of the society, nature and universe. Marketers must scan what ever opportunities that the socio-cultural environment presents and how they can produce products that match society’s core values; and address the need of the different sub-cultures within a society. There is need for marketers to identify society needs, values and how the organization can produce products, which promote or enhance societal cultural values and aspirations.

The Economic Environment: Marketers require purchasing power as well as people. The available purchasing power in an economy depends on current income, prices, savings, debt and credit availability, etc. Marketers must pay close attention to major trends in income and consumer spending patterns. Also, marketers must pay attention to opportunities that arise from changes in interest rate, sales of government treasury bills, sales of company shares, etc. The Ecological environmental factor also presents certain opportunities. Marketers must monitor rainy and dry seasons. How does each of these two seasons affect the company product and salesforce drive or selling effort? How does the season affect consumers’ consumption of the company product?

METHODOLOGY

The paper uses a survey method with two hypotheses. The first hypothesis stated in the null form goes thus: “There is no significant positive relationship between knowledge of environmental variables and business success” and the second the hypothesis which is also stated in the null form goes thus: “there is no significant effect of environmental scanning on business survival.”

In all, 100 questionnaires were distributed between senior workers of four indigenous companies in Agbara industrial layout of Ogun State of Nigeria in equal proportion. In all, 93 questionnaires were returned while 7 of the returned questionnaires were rejected because they were not properly filled. The researcher therefore used 86 of the returned questionnaires that were properly filled. The questions in the questionnaire actually probed and addressed the objectives of the study as well as the stated hypotheses.

In analyzing the data obtained, correlation was used to test hypothesis one since it deals with relationship between knowledge of environmental variables and business success. However, regression analysis was used to test the second hypothesis. Results obtained from the two hypotheses are shown below.

Hypotheses Testing:

Hypothesis 1: There is no significant positive relationship between Knowledge of environmental variable and business success.

Table 1: Summary of Correlation Coefficient

Variation	N	Df	Mean	Sd	r-observed	Sig. level
Knowledge of environmental variable	86	85	38.64	0.33	0.62	.05
Business Success	86		18.80	1.24		

*Significant

The finding of this study reveals that there is a significant relationship between knowledge of environmental variables and business success at $r=0.62$, $df=85$ and 0.05 significant level.

Hypothesis one is therefore rejected.

Hypothesis 2: There is no significant effect of environmental scanning on business survival.

Table 2: REGRESSION ANALYSIS

R=0.866 R ² =0.749 R ² -adjusted=0.692 Std error=2.4542						
Model	Sources of Variation	Sum of Squares	Df	Mean Square	F-ratio	Sig
1	Regression	2733.92	4	683.48	6.180	.000
	Residual	8957.79	81	110.590		
	Total	11691.71	85			

a. Predictors (Constant), environmental scanning

b. Dependent Variable: business survival

The model summary table 2 provides useful information about the regression analysis. In this study 74% of the variation in business survival appears to be accounted for by environmental scanning. Hypothesis two which stated that "there is a significant effect of environmental scanning on business survival was rejected at $R = 0.866$, $R^2 = 0.74$, $F_{(4, 85)} = 6.180$; $p < 0.05$. This shows that there is a significant effect of environmental scanning on business survival as empirically demonstrated in table two above.

Based on findings from the above empirical analysis, questions raised in the questionnaire collected from respondents and information gathered from literature consulted, an efficient firm or the ever dynamic entrepreneur in Nigeria has diverse opportunities amongst which are:

- Nigeria has a population of over 140million people. This shows a high level of business and investment opportunities because there is a big market. No wonder oil marketers do not want Nigerians refineries to function because they know that when the nation's refineries are not functioning, the nation will continue to import her demand for local consumption of petroleum products. Nigeria's large population is great asset and high opportunity to investors, entrepreneurs and marketers.
- Nigeria as a country spends oil money as well as her citizens. This indicates the presence of effective demand opportunities.

- The efficient firm has opportunity to make good research so as to know the ever-dynamic needs of the consumers.
- There is opportunity to creatively introduce innovative products after a through analysis of consumer needs.
- Opportunity to introduce strong brands. Today MTN and GLO have become strong brands in the Nigerian Telecommunication industry.
- There is opportunity to charge competitive prices, which could give good return on investment.
- Opportunity to achieve higher profit margins and customers' satisfaction at the same time.
- Opportunity to pro-actively expand its market share.
- An efficient firm has opportunity to attract best employees in an economy characterized by large army of unemployed youths.
- The future oriented firm has opportunity to engage the best of middlemen.
- Opportunity to maintain higher stock prices.
- Opportunity to achieve favourable corporate image.

Conclusion

It is important to note that different forces operate to affect marketing activities in every society. A marketing firm may be able to control or influence the direction of some forces or environmental variables, while other variables may be rigidly uncontrollable. Only through a proper diagnosis of these environmental variables that a firm may be able to know what its attitude towards each of them should be. Business success as well as the ultimate survival of a firm in any environment is really a function of how well the firm can diagnose and respond appropriately to these environmental forces taking advantage of the opportunities they present while managing possible environmental threats and challenges.

Policy Recommendations

Companies must strategically analyze their environmental variables in line with the new model of this paper so as to know which variables can present marketing opportunities and how the firm can tap these opportunities as well as how firms can manage possible environmental threats.

- i. Firms must constantly monitor and identify which of the environmental forces are of particular significance to the organization. That is, which of the environmental forces are likely to pose the most significant opportunities and threats to the company and what should be the company's strategies for managing such threats.
- ii. Companies must strive to engage the services of well-trained managerial power that can develop, and implement marketing strategies to respond to environmental trends and changes. Moreover, companies must maintain an awareness of brand trends in each of the environmental factors, which this paper outlined.
- iii. It must be emphasized here that competition and competitor's reaction pattern must be given due attention. Competitor's analysis involves the examination of competitors in order that the planner can develop and sustain superior competitive performance for the organization. The marketing strategist in the organization must also widen his focus to include in the analysis not only competition in the traditional sense, but also the competitive structure of the industry. The firm must try to spot opportunities from every move the competitors try to make.
- iv. The political/legal environment is the starting point from which many other macro-environment forces originate. The outcome of political decisions can often be seen in the economic and legislative policies of government. The outcome of political decisions can often be seen in the economic and legislative policies of governments. The firm's marketing strategist must take note of both domestic, international political / legal factors and what goes on in the international political arena and examine what opportunities can arise from political decisions, government pronouncements. In fact, every action and inaction of government must be diagnosed.
- v. One strategic factor, which shapes company's activities today, is technological innovation. Technology is a major environmental influence upon marketing strategy. The influence of technology is manifested in a number of ways as it affects the way products are produced as well as the diffusion of newly produced innovative products. The development of computers as well as information technology has encouraged the use of sophisticated forecasting techniques. The growth of e-commerce with its on-line facilities has given credence to the growth of direct and interactive marketing world-over. Firm must note this environmental variable and what opportunities it could tap from it since technology has been generally seen as a force for "creative destruction" Kotler (2004).

- vi. Companies must not treat their microenvironment with levity. First firms must monitor their marketing mix variables. There are product, price, place, promotion, process people, and physical evidence. A firm must constantly compare its marketing mix variables with competitors' operations to ensure that those variables are ahead of competitor's strategies at all times. Also, there is a need for a firm to do proper internal marketing as it affects its corporate internal factors as shown in the model (figure3). The organization must see marketing as an integrated management function. By this, all the functional departments of the organization should focus on customers through the marketing department. Marketing must be made to permeate the other functional departments of the organization. Effective internal marketing must be matched by a strong sense of ethics, values and social responsibility.

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