

## **Entrepreneur Environment in the Digital Age**

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### **Abstract**

This paper explores the evolving dynamics of the entrepreneur environment in the digital age, emphasizing the role of both internal and external factors that shape business ventures. The digital revolution has expanded the scope of entrepreneurial activities, enabling entrepreneurs to operate beyond their physical surroundings through global online networks. The paper delves into the various environmental forces, including political, economic, socio-cultural, technological, and natural elements, that influence entrepreneurial success. It highlights the importance of environmental analysis, discussing tools like SWOT, PESTLE, and Porter's Five Forces, which entrepreneurs can use to navigate uncertainties and capitalize on emerging opportunities. This comprehensive analysis underscores the need for continuous adaptation to the rapidly changing environment to ensure entrepreneurial growth and sustainability.

**Keywords:** **Entrepreneurial Environment, Entrepreneur, Digital age, Environmental analysis and Environmental forces.**

### **Introduction**

People live and carry out their daily activities in an environment; the environment plays a role in human and business existence and survival. Environment determines how business functions and succeeds for an entrepreneur. The dawn of the digital age and internet technology have broadened the entrepreneur environment to include the larger world; therefore, entrepreneurs are not limited to their immediate or physical environment but can use the internet to reach the world with their business products and services. With internet technology, the entrepreneur environment includes the micro and macro environment. No environment is the same for all businesses and organizations. The entrepreneur's environment has peculiarities that depend on the type of business venture, location, and country. Understanding the different environmental situations that influence an enterprise at both

micro and macro levels will help a young entrepreneur plan, operate, and adjust any business venture to achieve success.

An entrepreneur is an innovative individual who establishes an enterprise or a business for service rendering and profit-making purposes. Entrepreneurs do not operate in a vacuum; they exist in society and depend on the environment their businesses. This chapter focuses on the entrepreneur environment. At the end of the chapter, readers should be able to:

1. discuss the concept of environment and entrepreneur environment
2. explain the environmental factors that affect entrepreneurs
3. identify the characteristics of the entrepreneur environment
4. apply the environmental analysis strategies to analyse the business environment
5. identify the significance of entrepreneur environment analysis

### **Concept of Environment and Entrepreneur Environment**

The term environment refers to an individual's or object's external surroundings. It may also refer to everything outside a system that positively or negatively affects its system's operations. Merriam-Webster (2022) defines environment as the circumstances and conditions that influence someone's or something's growth, progress, and health. The environment may comprise all the external elements that shape entrepreneur decisions on strategies to carry out a business to meet customers' needs and satisfaction. The environment refers to the forces beyond an entrepreneur's control that influence how he controls and manages an enterprise (BrainKart LLC, 2021). The environment is dynamic and changes due to changes in government policies (such as foreign investment and capital market monetary policies), societal values, knowledge explosion, and technological advancement. Entrepreneurs cannot control nor change the environment; they need to monitor it to make innovative decisions and opportunities in line with the changing environment to attain their business goals.

The entrepreneur environment is simply the surrounding where an entrepreneur operates a business that contains internal and external forces and actors, which influence the entrepreneur and the entrepreneurial activities directly or indirectly. Other terms used interchangeably with entrepreneur environment are business environment, entrepreneurship environment, and entrepreneurial ecosystem. The entrepreneurial environment refers to the entrepreneurial processes, organizations, institutions, and actors that influence formally and informally an entrepreneur's performance (Mason & Brown, 2014, cited in Swanson, 2022). Swanson defined an entrepreneurial ecosystem to include customers, suppliers, organizations,

firms, and other factors that directly or indirectly interact with and shape the operations of a particular firm. An entrepreneurial environment means the totality of the political, economic, and socio-cultural factors that affect people's readiness and capacity to start an entrepreneurship venture (Manish, 2014). An entrepreneur environment is an environment made up of a complex and varied combination of cultural, economic, institutional, technological, legal, political, personality, customers, employees conditions, and other factors which influence an enterprise and play significant roles in entrepreneurship development.

An entrepreneur has a direct relationship with the environment. Thus, any environmental change produces a significant effect on entrepreneurial performance. Entrepreneur success is dependent on the favourable or unfavourable environment. A healthy environment enables entrepreneurs to identify business opportunities, utilize necessary raw materials, and encourages business growth and performance, whereas an unhealthy environment; hinders entrepreneurship development and growth. Therefore, to succeed in the entrepreneurship business, entrepreneurs must analyze their environment; during the business planning process to identify factors that may be an opportunity to boost or hinder business operation and progress; they should also change their business policies and strategies continually during business operations to suit any changing environmental forces.

### **Environmental Factors that Affect Entrepreneurs**

The environmental factors that determine how an entrepreneur achieves a business goal and satisfies customers' needs are the internal and external environmental forces.

#### **Internal Environmental Forces**

The internal environmental forces are those forces that emanate within an entrepreneur and from his family and work background, which stimulates responses to entrepreneurship ventures. The internal forces affect mainly entrepreneurs' ambition, skills, and experience; and move them into starting and maintaining a business. Entrepreneurs can control the internal environmental forces since they may decide whether or not to take positive actions toward those forces.

Internal entrepreneur environmental factors include:

**Desire to be independent in life:** Most entrepreneurs are those who want to live their lives without depending on or bordering others for constant financial assistance. The desire to be independent and a boss has stimulated many entrepreneurs to think outside the box to find something that earns them a living.

**Desire to develop one's talent:** People are born with talent. The ability to identify and develop one's talent has put some people into the business line.

**Skill acquisition:** Some entrepreneurs have the zeal to start their businesses after training for a specific period to learn and acquire skills in different professions or vocations. For instance, some medical doctors establish their hospitals after graduating from medical school, while some start a paint production business after serving as an apprentice and acquiring skills in paint production.

**Entrepreneurs' Work/business experiences:** Some entrepreneurs start their business ventures due to the experiences they gained in a related or the same business line. For instance, a teacher may decide to own a private school after working as a head teacher in another school.

**Family background:** People's family background influences entrepreneurship a lot. The desire to sustain or improve a family business and economic status have pushed some people into becoming entrepreneurs.

**Other entrepreneurs' success stories:** Some people develop entrepreneurial spirit and venture into businesses by being motivated by other entrepreneurs' success stories. Some successful entrepreneurs organize seminars to teach others (especially the youth) some business benefits and principles. Some entrepreneurs start and remain in business through the encouragement they receive from their relatives and friends.

### **External Environmental Forces**

The external environmental forces are forces beyond an entrepreneur's control that affect business operations and performance within and outside a business location. External environmental forces exert varying influence in different business development phases, starting from the business planning phase to the product/service delivery phases. Entrepreneurs depend on external environmental factors and actors to achieve success. The entrepreneur's external environments include the economic, legal, socio-cultural, technological, political, and natural environment (BrainKart, 2021; Samiksha, n.d; Sasakawa Africa Fund for Extension Education, 2021; TAMIL NADU Agricultural University, 2011).

**Economic Environment:** The economic environment influences the cost of running a business and determines customers' purchasing ability. High production cost reduces a customer's purchasing power and vice versa. These environmental forces include the National income growth pattern, Gross Domestic Product, subsidies, tariffs, inflation, fiscal incentives, import and export duties, trade balance, investment and saving rate,

unemployment, foreign exchange rate, industrial policy, banking policy such as interest rate, credit accessibility, fiscal/monetary policy and other economic policies of a nation.

**Legal Environment:** Every country has laws and legislation guiding the activities of the citizenry. Entrepreneurs operate within a country's legal environmental framework and must obey the rules and regulations; other laws guiding the establishment and operation of a legitimate entrepreneurial venture. Changes in the legal environment also affect entrepreneurship activities. For example, the rising cases of Covid-19 in 2020 with a stay-at-home law affected many businesses negatively. Most entrepreneurs adjusted their businesses by moving their business activities from a physical environment to online. Also, new food standards and health rules in a nation will affect entrepreneurs operating food and restaurant businesses. The legal environment includes taxation rates, consumer protection, industrial dispute, product standards, trademark, licensing, and environment protection acts.

**Political Environment:** The political atmosphere changes from time to time with the election of new government officers, resulting in government attitudinal change toward the citizens and new policies formulation. Some policies a country's acting political system designs and implements can affect entrepreneurs and entrepreneurial growth positively or negatively. Thus, entrepreneurs should form or join organized bodies (such as Young Entrepreneurs of Nigeria) based on the business line that will represent them at different levels of government to influence policies and laws that affect entrepreneurship activities, especially during government policy planning and development.

**Socio-Cultural Environment:** The socio-cultural environmental factors deal with people's attitudes, behaviour, and values towards a business, and these affect the quality of employees' input during a business production process and customers' product preference, purchasing attitude, and time. Understanding the socio-cultural environment helps an entrepreneur to produce goods/services that suit customers' needs; develop and maintain healthy working/services relationships with employees and customers. For example, an entrepreneur who wants to open an alcohol-drinking bar business in a particular locality must understudy whether the people's food eating habits and value for healthy lifestyles match his current business plans. The knowledge he gets will make him either; execute the business plan, adjust it to accommodate the people's lifestyle, or provide alternative business to attract customers and workers from the locality. Some socio-cultural environmental factors include people's customs, traditions, and lifestyle, women's role in society, people's education level, population size, consumption habits, affections, among others.

**Technological Environment:** Technological environment deals with the different innovations and developments in society due to technological advancement. Most countries have advanced or are moving into using Information and Communication Technology (ICT), robot services, artificial intelligence, and other new technologies to improve their economy. The technology environmental factors affect the equipment used for business operation, production process, product quality, delivery method, and customer's lifestyle. The technological environment leads to equipment and product obsolescence, competition, and improved business productivity and efficiency. For instance, the advancement in internet technology has created an avenue for many entrepreneurs to advertise and take their businesses into the online community to attract many customers globally. Also, word processing software such as Microsoft word replaced the typewriter used for document creation. These environmental forces that affect entrepreneurs include rapid technological change, scientific improvements, advancements in Information and Communication Technologies (ICT). Entrepreneurs must monitor and work with the technological changes occurring in their business line to remain relevant in the competitive society.

**Natural Environment:** Natural environment comprises natural resources. The natural environment has direct and indirect impacts due to entrepreneurship activities. Some natural resources serve as raw materials for entrepreneurship activities and determine the nature of the business that strives well in a specific region and season. Natural resources influence business locations. Most entrepreneurs select business locations based on the proximity to the source of raw materials. Most entrepreneurial operations also affect the natural environment negatively through pollution and gas emission from industries, which causes environmental degradation and ozone layer depletion. Common natural environment factors affecting entrepreneurs are raw materials and weather conditions.

The external environmental factors that promote entrepreneurship growth include:

- Provision of institutional financial and marketing supports;
- Provision of industrial estates;
- Subsidies and technical consultancy services provision;
- Government supports to young entrepreneurs;
- Synergy between smaller and larger enterprises; and
- Necessary infrastructural and facility development (BrainKart, 2021).

Some external environmental factors that hinder entrepreneurship growth include:

- Government hostility and political instability
- Incessant changes in government policies
- Poor nation's infrastructural development, especially in electricity and roads areas.
- Fluctuations in prices of commodities
- Lack of organization among governmental agencies
- Recession and high cost of raw materials (BrainKart, 2021).

### **Characteristics of Entrepreneur Environment**

Numerous attributes characterize the entrepreneur environment; these include:

**Complexity:** The entrepreneur environment contains many forces or factors that interact to determine the success of an enterprise, thus, making the environment complex. These forces influence entrepreneurial activities and vice versa. Entrepreneurs have the responsibility to work towards favoring the interest of these forces during their business decision-making process.

**Direct and Indirect Forces:** Direct and indirect forces describe the diverse environmental impact on business activities. The Direct environment forces are internal to organizations and include entrepreneurs, investors, employees, and customers' forces that affect entrepreneurial activities directly. Indirect forces are external to organizations and include economic, legal, political, socio-cultural, technological, and natural elements. These environmental forces bring opportunities and threats to entrepreneurship.

**Uncertainty:** Entrepreneurs are always uncertain about the type of forces the environment may bring; since most of the environmental forces are unpredictable and changes frequently. Hence, entrepreneurs must adjust their plans continuously to suit the changing environmental forces. For instance, as a nation's economic policy changes with the entrance of a new government, entrepreneurs are unsure of the type of policy any government may implement that might favour or threatens the entrepreneurship business.

**Inseparable:** Entrepreneurs and the environment are dependent entities that are inseparable and cannot exist alone. An entrepreneur's environment influences business functions and objectives such that an entrepreneur's success depends on the favourable nature of the environment and vice versa. The environment and entrepreneurs exchange resources and information within themselves. For instance, as the number of investors and entrepreneurs in

a country increases, there will be an increase in the country's revenue and reduced unemployment.

**Dynamic:** The entrepreneur environment and its elements are never constant but remain dynamic and change. Changes exist in customers' needs and tastes, government policies/laws, equipment, technology, among others. An entrepreneur's ability to modify his business policies and strategies following the dynamic environment helps him stay in the market and gets an advantage over competitors.

**Relativity:** Relativity deals with the nature of interest and demand people have for a particular product based on their differences in culture, region, financial status, season, and country. Environmental forces are relative and depend on each entrepreneur's business line, location, and nation. For instance, *tuwo*, a traditional food of Hausa people in Northern Nigeria, is in high demand by Northerners but has zero value among the Igbos in South-East Nigeria.

**Uncontrollable:** The environment consists of external/indirect forces such as government policies, technological changes, among others, that entrepreneurs cannot control easily. Even though entrepreneurs try to use their experience, knowledge, and skills to work with external forces, they would not have the power to change or control them. However, entrepreneurs may control some internal/direct environmental forces like competitors, employees, among others.

### **Entrepreneur Environmental Analysis**

Entrepreneurs battle with environmental changes that pose a threat and opportunity to their businesses. The success of any business, whether small-scale, medium, or large-scale business, requires that entrepreneurs perform regular environmental analysis. Environmental analysis implies studying the business environment carefully and regularly to identify environmental factors that may create challenges or become a future opportunity for business growth. The environmental analysis involves gathering and evaluating information about the environmental factors affecting a business (vedantu.com, 2021). Environmental analysis is a holistic and continuous exploration and monitoring of the changing environmental components to proffer solutions and action plans to organizational problems for new and existing businesses. This analysis helps entrepreneurs make the right decision that supports business progress, develop a plan on how to fight any possible threats to prevent losses, rise



above competitors and achieve their business goals. Entrepreneurs use qualitative opinions and data from different sources to analyze the business environment.

Scholars have several environmental analysis techniques or models. These include;

**Market research:** Market research involves learning about the trending developments and the difficulties other competitors face in one's business line. Market research helps entrepreneurs utilize innovative opportunities present in their business line to improve their business while avoiding the mistake of competitors. Entrepreneurs carry out market research using competitors' performance assessments, expert opinions, and by reading newspapers.

**Industry analysis:** Industry analysis involves getting information about other competitors' business strategies to identify what makes them succeed or fail. This information may include the product types and quality, customers' type and loyalty, the employees' number, skills and compensation packages, the sales and advertising strategies, business location, and general background of other competitors. This information helps an entrepreneur develop or modify his business strategies to rise above his business competitors.

**SWOT analysis:** The Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis is an internal approach to environmental analysis that focuses on identifying the excelling business areas and the areas that require modifications so that an entrepreneur can avoid future threats and concentrate on the areas that brings benefits to his business while achieving the business goals. The SWOT analysis model identifies organizational strengths and weaknesses and possible opportunities and threats. SWOT analysis is referred to as the internal-external model because the Strengths and weaknesses deal with the internal organizational factors such as manufacturing capabilities and personnel, while opportunities and threats deal with the external environmental factors (Thilakasiri, 2018). This model allows entrepreneurs to focus on their strengths to create opportunities for more growth and work on their weaknesses to prevent potential threats.

**PESTLE or PEST analysis:** PESTLE is an acronym representing Political, Economic, Social, Technological, and Legal environments. PESTLE analysis involves a holistic examination of Political, Economic, Social, Technological, and Legal environments to consider their effect on a business or organization. Entrepreneurs must analyze each environmental factors to track and identify the specific element(s) that may interfere with business operations. PESTLE analysis also allows entrepreneurs to examine a business's current state to predict its future. For instance, in political analysis, an entrepreneur may

identify the government policies that may affect his business decisions and devise measures to avert them on time. Also, Technological advancement can make entrepreneurs upgrade their equipment to increase productivity.

**Porter's Five Forces:** Michael Porter developed the Porter's Five Forces management tool that reveals the five external forces affecting business strategies. It identifies the threats and opportunities competitors bring into an industry and how competition affects business profitability. A business becomes less profitable and unattractive when these forces influence business strategies.

Porter's five external forces include

New entrants' threats:- These are threats an existing business suffers due to new competitors entering the same business line.

Substitute product/service threats: Substitute products are different products from competitors, which consumers assume to perform the same function. For example, honey can substitute for sugar, and online learning can substitute for face-to-face learning. Competitors with substitutes bring threats to existing business products or services.

Business competitive rivalry:- The number of competitors within a business line determines how the entrepreneurs within the business make profits. Business with a high competition rate is less profitable as every competitor try to gain more customers than their rivals. The competition rate occurs through the market size, industrial growth, and customers' ability to distinguish different products. The bread-making industry is an example of a high rivalry industry.

Buyers'/customers' bargaining power:- High buyers' bargaining power over a product makes a business less attractive and profitable since competitors can lower their prices to attract more buyers. The tailoring industry can be affected by customers' bargaining power.

Suppliers' bargaining power:- Suppliers with high bargaining power can reduce supply, lower quality, or raise prices to influence buyers, thus, reducing the profit-making ability of other sellers.

#### **Steps used during Environmental Analysis:**

1. Identify the environmental factors
2. Gather information on how the identified environmental factors can serve as threats or opportunities to the business.

3. Take necessary action to benefit the business (Nordmeyer, 2019).

### **Significance of Entrepreneur Environmental Analysis**

The environment is very crucial to any enterprise. Entrepreneurs operate within the environmental framework; therefore, the environment regulates business operations and influences entrepreneurial development. The environmental study helps an entrepreneur:

**Identify business opportunities:** A careful environmental analysis helps entrepreneurs identify beneficial opportunities for business operations.

**Identify threats:-** Environmental analysis warns entrepreneurs about possible dangers that may affect entrepreneurial activities to take measures towards averting them or turn the threats into business opportunities. For example, fluctuations in the prices of goods may cause an entrepreneur to reduce the product quantity and prevent loss.

**Manage environmental changes:** Entrepreneurs can devise strategies to survive for long in a business if they monitor the entrepreneurial environment continuously and adjust to its changing nature.

**Achieve business goals:** Environmental analysis helps entrepreneurs achieve their business goals as they continue to respond to environmental demands by adjusting their business strategies and policies.

**Make good decisions:** An entrepreneur is the Chief Executive officer (CEO) of his business; thus directs and manages the business affairs. Environmental analysis facilitates the decision-making process toward business growth and success.

**Market familiarity:** Environmental analysis gets entrepreneurs familiar with the continuing market demands and changes and exposes them to different strategies they can adopt in response to those changes to achieve their business objectives.

**Forecast the business future:** The entrepreneur environment's dynamic nature makes the environment often unpredictable; however, entrepreneurs anticipate some future changes that may affect their business and possible strategies due to environmental analysis.

**Concentrate on customers:** Through environmental analysis, entrepreneurs can understand customers' expectations, tastes, and needs; and focus their business activities on producing goods and services for customers' satisfaction. For instance, the production and sales of sachet/bottled water started as someone noticed that people in the urban centers lack good water sources for consumption.

**Use resources effectively:** Environmental analysis helps entrepreneurs channel resources (such as human and material resources) to appropriate business activities to avoid wastage. They can use resources to expand an existing business or diversify into a different business area.

### **Conclusion**

The environment is a critical component of any entrepreneurship development and sustainability, which every entrepreneur cannot overlook. The entrepreneur environment comprises both internal and external forces that change constantly and affect business activities in diverse ways, especially in this digital age. The dynamic nature of the business environment makes the environment complex, full of uncertainties, and uncontrollable; hence, every entrepreneur must meet all the environmental expectations to exist and remain in business. Entrepreneurs can use different techniques and strategies such as market research, industry, SWOT, and PESTLE analyses to gather and evaluate information about the business environment; to make necessary decisions that will affect a business positively. Regular environmental analysis remains the tool and prerequisite for a healthy entrepreneur environment maintenance and business growth.

### **Suggestions**

1. Future research could explore how digital tools, such as artificial intelligence, blockchain, and automation, specifically impact different sectors of entrepreneurship (e.g., manufacturing, retail, or services). This could provide a more granular understanding of the digital age's effects.
2. A comparative study could be conducted to examine how entrepreneurial environments differ between developed and developing nations, focusing on the role of digital infrastructure, government policies, and cultural attitudes toward entrepreneurship.
3. Further research could investigate how governments can better support digital entrepreneurship through policies, incentives, and infrastructure. This could include case studies from countries that have successfully fostered digital entrepreneurial growth.
4. A study could explore how online education and digital platforms are shaping entrepreneurial skills development. This research could assess the effectiveness of various e-learning tools in preparing future entrepreneurs for success in the digital economy.

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