

Module: English
Branch: Finance and International Trade
Level: First year Master



Lecture 05; Suggestions for Conducting Business Research

By the end of this lesson, students should be able to:

- Explain the importance of continuous business research in response to changing economic, demographic, and competitive environments.
- Differentiate between external and internal research and describe how each influences business decision-making.
- Identify and apply the steps of external research, including understanding industry trends, customer profiling, demographics, and competition.
- Evaluate the need for making adjustments to business ideas based on research findings, including modifying, scaling down, or redirecting the business.
- Conduct an internal analysis by assessing skills, systems, structure, values, personnel strengths/weaknesses, and overhead costs.
- Define overhead costs and explain their role in long-term business sustainability.
- Prepare and interpret a SWOT analysis, recognizing internal strengths/weaknesses and external opportunities/threats.
- Apply strategic tips for effective business management, including responding to negative information, managing costs wisely, and incorporating feedback.

After the fall of the Berlin Wall in 1989, many Polish intellectuals returned home to take advantage of post-communist reforms and a population boom caused by a past curfew policy. Within two years, more than 350 private higher education institutions were established. However, by 2009 student enrollment had peaked, and by 2020 the number of 19-year-olds was projected to drop to half of its 2002 level.

As the student population declined, many public and private universities faced financial difficulties, leading to reduced budgets and increased efforts to attract international students with lower tuition and lenient admission standards. Academics observed a decline in student quality, and many graduates struggled to find well-paid jobs—prompting leaders like former Prime Minister Donald Tusk to argue that vocational skills may offer better prospects than some university degrees.

For entrepreneurs, the key lesson is that even with a strong business opportunity, continuous collection, updating, and interpretation of market information and acting on it is essential due to constantly changing conditions.

1-Conducting External Research

Once a business begins operating, it cannot remain stagnant. Economic conditions and population trends are always shifting, so a smart entrepreneur must pay attention not only to internal operations but also to outside forces. External factors—most of which businesses cannot control—have a direct influence on internal systems and procedures. Therefore, continuous monitoring and timely action are necessary to keep both environments aligned.

Below are steps that help an entrepreneur examine the external environment:

Step 1: Clarify what you have and what you want to achieve

Identify your current resources along with your short- and long-term objectives. Write everything down, because putting ideas on paper always helps refine and sharpen them.

Step 2: Assess your idea or product and the industry behind it

Collect feedback from as many people as possible. What matters most is how customers perceive the idea, not how the entrepreneur sees it. Key questions include:

- What is the industry's past—locally and globally? Is it growing or declining, and why?
- What benefits does the product or service offer?
- How is the product used?
- Is there genuine demand for it, and for how long will that demand last?

Can it be compared to an existing product, and in what way?

Can it be modified for more profitable purposes?

Can the business deliver what customers want, when they want it, and in the way they prefer?

- Does the product require any special licensing, insurance, distribution channels, or other unforeseen costs?

Step 3: Understand your customers

- Who are the users? Be specific—no product appeals to everyone. Build a detailed customer profile including gender, age, ethnicity, religion, income, education, life stage, transportation needs, etc.
- Where are your ideal customers located?
- Why will they buy or use the product?
- How will they use it?
- What advantages will it give them?
- How much will they consume? Can the product be sold in suitable quantities?
- Can they afford it—both initially and over time?

Step 4: Study demographics

- Is the target population growing or shrinking?
- What is the region's current and expected economic situation?
- What are the local buying habits?

Step 5: Analyze competitors

- Who else is offering a similar product?
- Can another company make it at a lower cost or higher quality?
- Will local retailers agree to stock it?

Step 6: For existing businesses

- What do our current customers think about our products and services?
- Are our marketing efforts effective? Why or why not?
- How many customers do we know personally? Have we asked for their feedback?
- Are we using sales and credit records to build customer profiles and databases? Can these help predict future purchasing needs?
- Are we providing incentives for repeat business? If not, why—and how can we change that?

Step 7: Evaluate the research

- Do demographic trends indicate a long-term market?
- Does the information collected in earlier steps suggest sufficient demand to support sales?
- Should the idea or product be modified?
- Will producing or offering the product require more capital or time than initially expected?

If you'd like, I can also shorten it further for a more compact summary.

Here is a clear paraphrased version of the passage:

2-Making Adjustments

Entrepreneurs should not disregard research findings just because the results differ from what they hoped for. Nearly every business concept ends up needing some refinement—or even a complete change—at some point. As the owner of Arpi Holding in Oslo notes, negative feedback should be treated as an opportunity rather than a setback.

If the research indicates that the venture will require more funding than expected, the entrepreneur might consider selling the idea to an established company. Another option may be to begin on a smaller scale and remain small for a longer period, which is perfectly acceptable. Instead of purchasing an office or shop, renting or leasing could be more practical, or even working from home if regulations allow it.

If customers seem unwilling to go out and buy the product, offering delivery could solve the problem. For instance, if opening a restaurant seems unpromising, perhaps customers would

prefer related services such as meal delivery, catering, wholesale food supplies, take-out options, or cooking classes.

The key is to explore every possible alternative and remain flexible. Deciding whether to pursue, modify, or abandon an idea is one of the most challenging decisions an entrepreneur will face.

3-Conducting Internal Research

Evaluating the internal environment of a business requires frankness and a willingness to gather input from more than one person. Whether the business is still being planned or has been operating for many years, ongoing internal assessments should consider the following points:

- Skills: How capable are the business and its staff at performing the tasks required?
- Systems: How effectively and efficiently are customers being served?
- Structure: Is the organizational setup designed to support optimal performance?
- Values: What principles and priorities guide the business?
- People: What strengths and weaknesses do the owner or team members possess?
- Costs: What are the current or projected overhead expenses?

4-Researching the Cost of Overheads

Overheads are the regular expenses required to keep a business running day-to-day. These costs must be paid regardless of whether the business produces or sells anything, making them a key element in estimating long-term expenses. Typical overhead costs include:

- * Costs of raw materials
- * Equipment, tools, office supplies, and other necessary materials
- * Insurance payments
- * Phone bills, printing, rental or hire charges, travel expenses, and repair costs
- * Legal services
- * Rent and utilities
- * Marketing and advertising expenses
- * Shipping and storage (monthly transport and warehousing costs)
- * Employee wages and salaries
- * Accounting services

Many successful entrepreneurs interviewed for this book noted that they consistently look for ways to cut overheads—such as choosing cheaper suppliers, renting less expensive locations, or reducing packaging. In other words, constantly seeking more efficient ways to operate helps lower costs, reduce waste, and improve overall performance.

5-SWOT Analysis

A large portion of the information gathered from both internal and external research can be summarized visually using a SWOT analysis. SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. This tool helps present a business's internal and external conditions in a simple, organized format. When the main opportunities and challenges are clearly displayed, it becomes easier to recognize issues, explore them further, and decide what actions to take.

There is an example of how an ice cream shop can be evaluated using a SWOT analysis. In such a diagram:

Strengths and Weaknesses relate to internal factors within the business.

Opportunities and Threats represent external forces that affect the business from the outside.

The example includes items such as the owner's industry experience and connections (strengths), lack of business management experience (weakness), local tourist activity (opportunity), and competition from nearby restaurants (threat).

The more accurate, honest, and detailed the entrepreneur is when preparing a SWOT analysis, the better positioned they are to confront the realities of starting a business. In practice, most businesses will identify many more critical factors than those shown in the simple example.

6-Strategic Tips for Smarter Business Decisions

- When launching a business, don't concentrate only on what's happening inside your operation. You must also monitor outside factors such as demographic shifts, competitors, and market trends.
- Learn to deal with negative findings. The purpose of research is to uncover problems and address them openly—not to ignore or deny them.
- Stay receptive to guidance and feedback. Listen carefully to others and be willing to act on their suggestions.
- In the ongoing effort to control expenses, aim to reduce waste and boost efficiency rather than simply cutting costs. Excessive cost-cutting often lowers quality, which can drive customers away.

Key Terms

- External Research; Investigation of outside factors such as markets, demographics, competitors, and industry trends that impact a business.
- Internal Research: Assessment of the internal environment, including skills, systems, structures, values, and costs.
- Demographics: Statistical characteristics of populations (age, income, education, etc.) used to identify and analyze target markets.
- Customer Profiling; Creating detailed descriptions of ideal customers based on demographic and behavioral information.

- Competitor Analysis; Studying existing businesses offering similar products or services to evaluate strengths and weaknesses.
- Overhead Costs; Day-to-day operating expenses that do not vary directly with production (rent, utilities, insurance, salaries, etc.).
- SWOT Analysis: A strategic tool used to identify a business's Strengths, Weaknesses, Opportunities, and Threats.
- Opportunities; External factors that a business can exploit for growth or competitive advantage.
- Threats: External risks or challenges that could negatively affect business performance.
- Strengths; Internal abilities or resources that give a business an advantage.
- Weaknesses; Internal limitations or shortcomings that hinder business performance.
- Market Demand; The level of consumer interest and willingness to buy a product or service.
- Industry Trends; Patterns or developments that influence how an industry evolves over time.
- Feedback Mechanism; Processes for gathering customer or stakeholder opinions to guide business improvements.
- Efficiency Improvement; Actions aimed at reducing waste and maximizing productivity within business operations.