Appraising the Effects of Environmental Factors on the Performance of Small Scale Businesses in Ondo State

Dr. Timothy IHINMOYAN
Department of Business Administration
Faculty of Administration and Management Sciences
Adekunle Ajasin University, Akungba-Akoko Ondo State

Dr. Olorunleke, G. K
Department of Business Administration
Faculty of Administration and Management Sciences
Adekunle Ajasin University, Akungba-Akoko Ondo State

Abstract
The business environment is becoming more dynamic and competitive and since business organizations do not operate in a vacuum, they affect and are affected by environmental conditions. Therefore, business organizations irrespective of their objectives must take into consideration, these environmental opportunities and constraints. The study appraised the effects of environmental factors on performance of small scale businesses in Ondo State. Survey research design was adopted for the study. Accidental sampling technique was used to select one thousand two hundred and three small scale business owners and employees in Akure-South and Akure North Local Government Area Ondo State. Data was collected and measured using a 48-item questionnaire developed by the researchers and was validated which measured four dimensions of environmental factors (political, socio-cultural, economic and technological). Pearson Product Moment Correlation was used to ascertain relationship among variables and Multiple Regression Analysis to test hypotheses 1, 2 and 3. The results’ of the study revealed political factors \[ B (1, 203) = .15; p < 0.01 \]; economic factors \[ B (1,203) = .47; p < 0.01 \]; socio-cultural factors \[ B (1,203) = .25; p < 0.01 \] and technological factors \[ B (1,203) = .25; p < 0.01 \] predicted performance of small scale businesses in Ondo State. Based on the findings of the study, it was recommended that government should provide enabling infrastructure that act as platforms to encourage social structure growth and sustainable business environment; government should develop and implement policies that encourage the development and sustenance of small scale business. 

Key Words: Environmental, Political, Economic, Socio-cultural, Technological factors Word Count: 242

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I. Introduction
There is no controversy that small and medium scale business in any country where they operate or play important role in the economic growth and development of that country or nation and it improves the quality of life of individuals (Abdul, 2011). Business organization anywhere in the world-operate within environments which according to Adidu & Olanye (2006) is an aggregate of all conditions, events, circumstances and influences that surround and effect the business organization.

In management, the term "Environment" does not necessarily mean physical surroundings but, it is used as a total force, factors and influences that surround and affect business organizations as a separate entity as well as other business organizations (Abdul, Muhammad, Hafiz, Kashif, Ghazanfar & Muhammad, 2014). This means that business organization must interact with those forces that influences it decisions, directions, actions, size, health, profitability and performance of the organization as a whole (Abu-Doleh & Weir, 2007).

Affrev (2013) stated that the contemporary environment is becoming dynamic and competitive and since business organizations do not operate in a vacuum, they affect and are affected by environmental conditions. Therefore, business organizations irrespective of their objectives must take into consideration, these environmental opportunities and constraints.

Businesses affect the environment by providing the required goods and services thereby contributing to development of the environment (Adeniji, 2013). Also, business environment present opportunities and threats. One thing to be emphasized at this point is that, the extent to which managers could identify, evaluate and react to the environmental forces will have considerable impact on organizational performances (Affrev, 2013).
Business environment is considered to be of two types, these are,
(i) Internal environmental factors and;
(ii) External environmental factors

Aguinis (2005) asserted that, internal environmental factors are events that occur within internal environment while external environmental factors are events that took place outside the organization. John (2012), emphasized that the need to study business environments is very important considering the fact that business organizations do not operate in vacuum and an effective management in complex and dynamic society requires the assessments of strengths and weakness of the organization and the opportunities and threats provided by the challenges of the external environment, which the organization does not have control over. Hence for survival and growth, organizations must cope and adopt to these challenges posed by the ever changing environment (internal & external) in which managers operate means that managers must not only be aware of what constitutes elements of their business environment but also should be able to respond to the forces of the environment which inevitably impinges on the operations of the business organization (Aguinis & Pierce, 2008).

Aidah (2013), further stated that the relationship between a business organization and its host environment can be examined from three strategic ways; Firstly, the organization can be viewed as importing various kinds of inputs resources), such as human resources, capital, managerial and technical inputs and these inputs are then transformed to produce output which takes the form of goods and services. A second approach is the study of relationship between the organization and the society (Ahmad, Iqbal, Mir, Haider & Hamad, (2014).

OBJECTIVES OF THE STUDY
The general objective of the study is to examine the effect environmental factors on performance of small scale businesses. The specific objectives are;
1. To determine the extent to which political factors influence the level of performance of small scale businesses.
2. To access the extent to which social factors influence the level of performance of small scale businesses.
3. To examine the extent to which economic factors influence the level of performance of small scale businesses.
4. To examine the extent to which technological factors influence the level of performance of small scale businesses.
5. To determine the joint relationship among the environmental factors on the performance of small scale business.

HYPOTHESIS
The following hypotheses were formulated to guide the study;

I. There is no relationship between political factors and the performance of small scale business in Akure-South and North LGA, Ondo State.
2. There is no relationship between social factors and the performance of small scale business in Akure-South and North LGA, Ondo State.
3. There is no relationship between economic factors and the performance of small scale business in Akure-South and North LGA, Ondo State.
4. There is no relationship between technological factors and the performance of small scale business in Akure-South and North LGA, Ondo State.
5. There is no relationship among combined effects of economic, political, social and technological factors on the level of performance of small scale business in Akure-South and North LGA, Ondo State.

II. Literature Review

Business as it has been said is the creative measure by which the activities of goods and services are carried out (Edward, 2012). Business is the sum total of activities involving production and distribution of goods and services for consumption and profit making (Dessler, 2012). The main purpose of a business in a given economy is to improve the material and financial welfare of the people (Dessler, 2011). These participants include entrepreneur, managers, workers and customers. In Nigeria, business enterprises ranges from small scale to large scale set-up (Briscoc & Claus, 2008).

Broady-Preston and Steel (2012), suggested that, small scale Business have lesser capital outlay, e.g. one-man business, partnership, etc, the large scale business enterprises ranges from those with large investment and which can boast of huge capital outlay, e.g. corporations, public limited company (PLC). Business enterprises can be grouped into two, prior-making and non-profit-making enterprises. The two are managed by individuals, usually referred to as managers (Brotherton & Evans, 2010). The prevailing economic situations

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Small Medium Scale Business and Entrepreneurship

According to Jocelyn, Kimanichege and Musiega (2013), it has become widely acknowledged that entrepreneurship is a vital force in the economics of developed countries, there is little consensus about what actually constitutes entrepreneurial activity scholars have proposed a broad array of definitions, which when operationalized, have generated a number of different measures. Jocelyn et al. (2013), further identified three distinct intellectual traditions in the development of the entrepreneurship literature. These three traditions can be characterized, as the German tradition, based on Thuenen and Schumpeter, the Chicago tradition, based on Knight and Schultz, and the Austrian tradition, based on Kum, Cowden and Karodia, (2014). Lim and Trimi, (2014) proposed a theory of creative destruction, where new firms with the entrepreneurial spirit displace less innovative incumbents, ultimately leading to a higher degree of economic growth.

Even in his 1942 classic, capitalism and democracy, Jocelyn et al. (20r3) still argued that entrenched large corporation tends to resist change, forcing entrepreneurs to start new firms in order to pursue innovative activity. "The function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention, or more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way. Lu, Willoughby and Arnett (2011) asserted that despite the Schumpeterian emphasis on the process of starting a new enterprise as the definition of entrepreneurial activity, there is no generally accepted definition of entrepreneurship for the developed countries. It is multidimensional concept. For example, definitions of entrepreneurship typically vary between the economic and management perspectives. From the economic perspective, Malaolu and Ogbuabor (2013) distinguished between the supply of financial capital, innovation of resources among alternative uses and decision-making.

Thus, an entrepreneur is someone encompassing the entire spectrum of these functions: "The entrepreneur is someone who specializes in taking responsibility for the making judgmental decisions that affect the location, form, the use of goods and resources or institutions." By contrast, from the management perspective, Mone and London (2010) differentiated between entrepreneurs and mangers in that entrepreneurship is a way of management that involves pursuing opportunity without regard to the sources currently controlled. Entrepreneurs’ identity opportunity without regard to the resources currently controlled. Entrepreneurs identify opportunity, assemble required resources, implement a practical action, plan harvest the reward in a timely, flexible way (Mwema & Gachunga, 2014). The most prevailing and compelling views of entrepreneurship focus on the perception of new economic opportunities and the subsequent introduction of new ideas in the market (Naveed, Nadeem, Maryam, Zeeshan & Naqvi, 2014).

Effects of the Environment on Small Scale Businesses

The environmental factor may be opportunities that must be exploited or threats or problems that must be contained by the organization. An opportunity is simply referred to as business activities that can be profitability exploited by an organization (Sheriff, Alibaba, & Aliyu, 2012). The opportunity may be visible or invisible (Sheeba, 2011). The environmental influences may open new investment opportunities for the organization i.e., provide new products and new uses of the products. Threats or problem can be regarded as "limited factors" that is the factors that have negative impact on the success, growth and survival of the organization (Singh, Kochar & Yüksel, 2010).

Environmental forces may be controllable, that is, mangers can use their managerial skills and experience to change these environmental forces (Stansfield & Longenecker, 2006). On the other hand, the forces may be uncontrollable, that is, they are beyond the ability of individual mangers and mangers must consider the environment given and adapt their management practices to suit the environment. According to Sudarsan (2009), the environmental forces are now classified into three main categories namely: internal environment, task environment and external environment.

The Role of Government in Encouraging Small Scale Businesses

Tangen (2004) stated that in Nigeria today, a number of laws (Decrees and Acts) have been promulgated to aid industrial promotion and in participation and control of the industrial sector of the economy. Some of such laws are:

a. Regulation concerning incorporation of companies in Nigeria as contained in decree of 1968.
b. Growth accelerating policies such as the granting of tax holidays, Acceleration Depreciation Allowance to some groups of manufacturers;
C. Tariff protection for industries like textiles, motor vehicles, furniture, etc.
d. The popular Nigeria Enterprises Promotion Decree (1972) which aims mainly increasing indigenous control of industries and business in the country.

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These and many other forms of government interventions are known to exist in the country, which in essence means they are federal government policies. Tangen (2005) argued that a good number of these policies exist merely in theory and are not effectively implemented. For these reasons and the need to stimulate both the formal and informal sectors towards achieving economic growth and development through empowerment and wealth creation achievable through small scale Businesses. Tarafdar and Gordon (2010) opined that, it becomes imperative that the federal government steps up in its obligation to aid industrial promotional activities by:

1. Alleviating financial problem of investors by setting up financial houses where willing investors could obtain loans with less stringent conditions and regulations.
2. Provide economic policy guidelines to investors so that more Nigerians can have the opportunity to venture into some business activities. Seminars, Trade fairs, Lectures exhibitions, workshop, etc. could be organized for willing business of various cadres and types. These activities should be given wide publicity and should be such that willing investors could be made to know avenue that could be desirable and government aids should be available to them. In this direction, even the illiterate investors could be well advised and aided to achieve success.
3. Provision of infrastructural facilities as an agent of development, cannot be overemphasized. Good transport system, land, air, and water helps in no little way to reduce cost risk and in fact put the remote parts of the country within easy reach.
4. Encourage Nigerians to patronise locally made goods instead of foreign goods. Concerted efforts should be made to check smuggling and bringing in of contraband goods into the country. If this is not done Nigerian industries will gradually close down and the internal revenue derived from them will come to a halt. In addition to the above, the following objectives should form some of the specific areas of emphasis by the Federal Government of Nigeria:
   i. Increasing awareness of probable short and long term effects of the total ownership mix of entrepreneurship, self-reliance, individual freedom an economic growth.
   ii. Promote and strengthen domestic entrepreneurship by making improvement in several sectors.
   iii. Take initiative in dealing with the shortage of capital problems of private industry
   iv. Private industrialist: Small and Medium scale industries should be protected and helped to survive.
   v. State laws should aim at encouraging rather than discouraging business of all categories especially small and medium scale industries.

III. Methodology

Research Design

This study was conducted using correlation survey design. The dependent variable was level performance of Small and Medium, Scale Businesses. The independent variables were environmental factors which have four dimensions; political, social, economic and technological. A questionnaire survey was conducted to obtain the information required for the study.

The population for the study are small scale business owners in Akure South and North Local Government Area Ondo state. The sample for the study is one thousand two hundred and three small scale owners in Ondo state. The study made use of accidental sampling technique was used to select the participants among small scale businesses in Akure South and North Local Government Ondo State. Accidental sampling technique was used because the researcher did not inform the participant before going to meet them for collection of data.

This study made use of primary source of data collection which involves the use of self-constructed questionnaire.

Data Analysis

Pearson Product Moment Correlation (PPMC) analysis was used to evaluate the type and level of interrelatedness of the variables in this study. Hypotheses 1, 2, 3, 4 and 5 were analysed using multiple regression. All analyses were conducted with IBM/SPSS Statistical Package for Social Sciences (SPSS) version 20.0.

IV. Results

Test of Relationships among Variable Pearson Product Moment Correlation (PPMC) analysis was conducted to test the relationship among the variables of the study. The results are presented below Table 1: Correlation Matrix Showing the Relationship Mean, Standard Deviation and the Relationship among the Study Variables
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Table 1: Correlation Matrix showing the Mean, SD and the Relationship among the Study Variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>39.30</td>
<td>8.35</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital base</td>
<td>21.3</td>
<td>.474</td>
<td>.090</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political factor</td>
<td>1.35</td>
<td>.737</td>
<td>.606</td>
<td>.377</td>
<td>.115</td>
<td>.014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socio-cultural factor</td>
<td>11.03</td>
<td>5.99</td>
<td>.734</td>
<td>.156</td>
<td>.029</td>
<td>.530</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological factor</td>
<td>48.22</td>
<td>6.78</td>
<td>.210</td>
<td>.224</td>
<td>-.230</td>
<td>.125</td>
<td>.250</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Performance of small scale business</td>
<td>13.13</td>
<td>2.65</td>
<td>.161</td>
<td>-.332</td>
<td>.224</td>
<td>.234</td>
<td>.375</td>
<td>.433</td>
<td>1</td>
</tr>
</tbody>
</table>

** p < 0.01, * p < .05, N= 1, 203

Results in Table 1, indicated that age had significant indirect relationship with performance of small scale businesses [r = .16, p< .01], implying that the higher the age, the higher the performance of small scale Businesses in Akure South and North Local Government Ondo State. Capital base showed significant relationship with performance of small scale businesses =.33, p > .05]. This implies that capital base had significant relationship with performance of small scale Businesses in Akure South and North Local Government Ondo State.

Similarly, political factors had no significant relationship with performance of small scale businesses [r = 22, p > .05]. This implies that political factors showed no significant relationship with performance of small scale Businesses in Akure South and North Local Government Ondo State. Economic factors showed significant relationship with performance of small scale Businesses in Ondo State [r = 23, p > .05]. This implies that economic factors had significant relationship with performance of small scale Businesses in Akure South and North Local Government Ondo State.

In addition, socio-cultural factors showed significant relationship with performance of small scale Businesses in Ondo State with [r = .37, p > .05]. This implies that socio-cultural factors increases, the higher the inclination in performance of small scale Businesses.

However, technological factors showed direct significant relationship with performance of small scale businesses [r = -.43, p > .05]. This implies that when technological factors increases, the higher the performance of small scale Businesses in Akure South and North Local Government Ondo State.

Test of Hypotheses

To test the study hypothesis a multiple regression analysis was conducted. The results are below. This statistical analysis is appropriate because the aim of the researcher is to examine the independent and joint influence of perceived environmental factors (political, economic, socio-cultural and technological) on performance of small scale Businesses.

Summary of Multiple Regression Analysis Showing Influence of Dimensions of Environmental Factors on Performance of Small Scale Businesses in Ondo State

<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>T</th>
<th>R</th>
<th>R²</th>
<th>df</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political factor</td>
<td>.15</td>
<td>3.99</td>
<td>.24</td>
<td>.06</td>
<td>2,1203</td>
<td>20.47**</td>
</tr>
<tr>
<td>Economic factor</td>
<td>.47</td>
<td>7.75</td>
<td>.63</td>
<td>.03</td>
<td>2,1203</td>
<td>20.47**</td>
</tr>
<tr>
<td>Socio-cultural factors</td>
<td>.25</td>
<td>1.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological factor</td>
<td>.55</td>
<td>2.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: ** p < .01, N= 1,203

The result in Table 4, indicated that perceived political factors predicted performance of small scale Businesses among small scale businesses owners (B = .15, p< .01). Therefore, hypothesis 1 was accepted. This implies that perceived political factors predict performance of small scale Businesses among small scale businesses owners in Ondo State. However, economic factors showed significant prediction on performance of small scale Businesses in Ondo State (B = .4p.05), as a result hypothesis 2 was accepted. The results demonstrated that owners and employees or small scale businesses owners showed increased perception to economic factor are more inclined to engage in high level of performance in small scale businesses. Socio-cultural factors predicted performance of small scale Businesses among small scale businesses owners (= .23, p< .01).

Therefore, hypothesis 3 was accepted. This implies that perceived socio-cultural factors predict performance of small scale businesses among small scale businesses owners in Akure South and North Local Government Ondo State. Also, perceived technological factors predicted performance of small scale businesses among small scale businesses owners in Akure South and North Local Government Ondo State.
Lastly, perceived political, economic, socio-cultural and technological factors jointly and significantly predicted performance of small scale business in Akure South and North Local Government Ondo State (F = 8.28; p < .01). The four variables (political, economic, socio-cultural and technological factors) accounted for 6% (R² = .06) variance in performance of small scale business in Akure South and North Local Government Ondo State. This is an indication that all the independent variables contributed 6% of the variance in performance of small scale Businesses. Meanwhile, other variables not considered in this study therefore accounts for 94%. With these results, the hypothesis 5 was confirmed.

V. Conclusion

Dimensions of environmental factors showed significant prediction on the levels of performance of small scale Businesses. Political factors tend to affect the modus operandi of the organization, as it affects the overall performance of the organization. Economic factors greatly influence the outcome of production. Socio-cultural factors of the organization largely influence operational outcomes in organizations and technological advancement is the key driver of the organizations today. It therefore, follows that, environmental factors play a dominant role in the survival and performance of small scale organizations.

VI. Recommendation

Based On the findings of the study it was recommended that
1. Government should foster the development of environmental factors that will encouraged the growth and development of small scale Businesses.
2. Stakeholders of small scale businesses should partner with local authorities to ensure that environmental factors are considered when setting up small scale Businesses.
3. The government should develop and implement policies that encourage the development and sustenance of small scale businesses by establishing environment friendly infrastructure for small start-up business.

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