IMPACT OF EXTERNAL BUSINESS ENVIRONMENT ON ORGANIZATIONAL PERFORMANCE.

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ABSTRACT
This paper examined the impact of external business environment on organizational performance of frozen fish companies in Nigeria. It also reveals literature on business environment, organizational performance and Nigeria business environment. Secondly a questionnaire was developed to collect information from the respondents based on a sample of 3 companies with 120 sample size. Data collected were analyzed using multiple regression analysis. The study concluded that the external business environment political, economic, and technological and socio cultural etc have impact on organizational performance. Thus organization should understand the implications of organizational performance of their business activities in order to identify, opportunities and threats to their business and organization.

Keywords: External Business Environment, Organizational performance, Economic Environment, Political Environment, Technological Environment, Social and Cultural Environment.

INTRODUCTION
Business is regarded as a human activity that is concerned with the production and distribution of goods and service. It is a social device by which societies organize economic efforts. Most specifically business is the sum total of the organized efforts by which the people engaged in commerce and industry, provide the goods and services needed to maintain or improve the standard of living and quality of life to which individual may aspire. In management, the word “Environment” does not necessarily mean physical surroundings, but is used to describe all those influences that bear upon the individual organization. Business environment is used to mean anything, which surrounds the business organization. It affects the decisions, strategies, process and performance of the business. The environment is consisting of factors which are beyond the control of business (STEP) Social, technological, economical, legal and political. It provides opportunities or poses threats to the organization. Modern business today is dynamic, if there is any word which can be best to describe today’s business, it is change the most dynamic change has been that exhibited by competitive pressure. Competitors have being applying one strategy or the other to adapt to the dynamic and unpredictable nature of the business environment. In contemporary Nigerian business environment, performance of Nigeria companies is predicated on factors such as low sales, high cost of production, low capital utilization, lack of foreign exchange to source needed input and materials, poor power supply, and low quality of goods and services among others. These environmental forces have being impeding activities in the economy. The World Bank is of the opinion that improvement in enabling environment leads to greater levels of investment by the Private sector, more wealth, job creation and poverty alleviation (Adeoye 2013). The Nigerian business environment has witnessed a lot changes from the period of the oil boom in the 1960s and the early 1970s. Austerity measures in the early 1980s
and the structured adjustment programme in the late 1980s from the company act of 1960s allied matter decree in the 1990s, undoubtedly brought in the eighty’s the opportunities to be exploited by some firms or the problems that inhibit the survival of so many business (Ogunsile,2013)The relationship between business and its environment is one of mutuality, that is, the environment exerts pressure on the business while the business, in turn influences some aspects of its environment. The above picture therefore, presents the need to examine the effect of external business environment on organizational performance on the frozen fish industry in Nigeria, which is the focus of this write up. The environment in which business organizations operate is a complex, multi-focus dynamic and has a far reaching effect on such organization. The environment tends, shape the outlook, and goal of the organization by placing constraints on them. These constraints in the environment of organizations goal could be in the form of competition, this sets a limit on the goals specify by the organization. For instance, trade union asking for increase in salary, will affect the shareholder dividend. behavior also affects profit. All these settings provide multiple contexts that influence how the organization operates and how and what it produces. (Oghojafor, 1998) These environmental forces have been found to be capable of either impeding or facilitating entrepreneurial activities in any economy. The World Bank is of the opinion that improvement in the enabling environment leads to greater levels of investment by the private sector, more wealth, job creation and poverty alleviation (Adeoye, 2013). The relationship between business and its environment is one of mutuality; that is, the environment exerts pressure on the business while the business, in turn, influences some aspects of its environment. The above picture, therefore, presents the need to examine the effect of business environment on the organizational performance of frozen fish companies in which is the focus of this write-up.

LITERATURE REVIEW

Different scholars have given different definition and views about the concept of business environment. According to business dictionary (2013) business environment can be defined as the combination of internal and external factors that influence organization operating situation. The business environment can include factor such as clients and suppliers, it competitors and owners, improvement in technology laws and government activities, markets, social and economic trends. Fernando (2017) regards business environment as external forces, factors and institutions that are beyond the control of the business and they affect the functioning of a business enterprise, these include customers, competitors, suppliers, distributors, industry trends, substitutes, regulations government activities, the economy, demographics, social and cultural factors, innovations and technological developments. Kinuu (2014) posit that the business environment in which organization operates exerts pressure on them the pressures from the environment provoke different responses as organization seek legitimacy in order to survive and prosper in the environment. Environmental conditions such as uncertainty, dynamism, hostility, the number of relevant components in the environment and the interpersonal relationship between these components, all increase perceived complexity in managing organizations (Lehner, 2004) Machuki and Aosa (2011) suggest that the environmental construct should be treated as consisting two broad aspects, the factors (internal and external) and second dimensions. Murgor (2014) it is impossible to examine everything occurring and some elements could be more relevant to some organizations than others. According to Welch and Welch (2005) an overall assessment of conditions that affect firm today indicates that for most organizations, their external environment is filled with uncertainty. To successfully deal with the uncertainty and achieve strate give competitiveness in order to thrive, firms must be aware of and fully understand the different manifestations of the external environments. Osuagwu (2001) postulate that environment has been seen as the totality of the factors that affect, influence, or determine the operation or performance of a business. The environment determines what is possible for the organization to achieve. In summary, Business environment is the combination of many factors both tangible and non-tangible that provides the live blood for the organizations success by providing a market for its products and services and also by serving as a source of resources to others. According to Ciano (2011), business is a series of collisions with the future while its present day challenges include convergence, corporate governance, corporate reporting, fraud, operating globally, improving business performance, managing assets, change and People, mergers and acquisitions, risk management, shareholder’s values and Sustainability. He opined that since it is neither the strongest of the species that survives, nor the most intelligent; it is the one that is most adaptable to change; hence companies that make up the industry have faced the need for equivalent of self-administered surgery with no insurance, no aesthetic, and no assurance of long-term health.
What is Business Environment?

According to UBC Net Tutor Commerce (2008), environment is the sun total of conditions that surrounds us at a given point of time and space. It is comprised of the interacting systems of physical, biological and cultural elements which are interlinked both individually and collectively. It states further that environment is the sun total of conditions in which an organism has to survive or maintain its life process. It influences the growth and development of living forms. Environment refers to anything that immediately surrounds an object and exerting a direct influence on it. It consists of the interacting systems of business physical and cultural elements which are interlinked both collectively.

Blurtit (2013) also regards business environment as those conditions and forces which are eternal to the business and are beyond the individual business unit, but they all operate within it. Fernando (2011) regards business environment as external forces, factors and institutions that are beyond the control of the business and they affect the functioning of a business enterprise. These include customers, competitors, suppliers, government and the social, political, legal and technological factors etc. Oyebanji (1994) defined business environment as those factors that can influence the individual’s business organization. He stressed further by saying that every organization must take into consideration the environmental constraints, material and human resources in their respective business in spite of their differences in status and that the effect of the environment carries from one situation to another. Business Environment have the following features: (a) Business environment is the sum total of all factors External to the business firm and that greatly influence their functioning. (b) It covers factors and forces like customers, competitors, suppliers, government and the social, cultural, political, technological and legal conditions. (c) The business environment is dynamic in nature, which means, it keeps on changing. (d) The changes in business environment are unpredictable. It is very difficult to predict the exact nature of future happenings and the changes in economic and social environment. (e) Business environment differs from place to place, region to region and country to country. (Ogundele 2012)

According to Adebayo et al. (2005) business environment can be broadly categorized into internal and external environment with the former comprising variables or factors within the control and manipulation of the firm to attain set objective while the latter encompasses factors that are outside the control and manipulation of the firm. Hence, firm must develop a plan that will help it to cope with the various environmental forces (Oluremi and Gbenga, 2011). Similarly, the nature of business environment are said to be classified as dynamic, stable and unstable which often help a firm in the selection of appropriate strategies (Ibidun and Ogundele, 2013). Adeoye (2012) opined that in order for business to cope with the dynamic and rapidly changing business environment, there is a need to develop and implement appropriate strategies that would safeguard their operations and yield the desired results. Similarly, Ogundele (2005) added that a firm perception of the nature of the business environment is a function of its size and industry

TYPES OF ENVIRONMENT

There are two types of environment, External environment and internal environment (Ogundele 2005) internal environment includes situational factors within the organization. These factors are largely the result of decisions of the management process; it is described as the strengths, behavior, resources, and weaknesses within or internal to the organization. An organization consists of those things outside an organization such as customers, competitors, and government agencies, suppliers labour and financial firms. It consists of all elements existing outside the boundary of the organization. In this paper external environment was examined.

EXTERNAL BUSINESS ENVIRONMENT

The concept of external business environment is an attempt to understand the outside forces of the organizational boundaries of business (Shaikh, 2010). It consists of all elements existing outside the boundary of the organization, which have the potential to affect the organization. They are relevant to organizations operation and must be carefully monitored.

TYPES OF EXTERNAL BUSINESS ENVIRONMENT

There are two types of external business which are Direct (Task) Environment and Indirect (General) environment (Adeoye, 2012). Direct (task) environment: These are factors that directly affect the organization operation and performance; these are customer’s competitors, suppliers, government regulatory agencies, labour union. Indirect (general) environment: The elements that compose it have an indirect influence on the organization. This environment is typically composed of factors such as social values, educational political, economic, legal, behavior demographic, natural environment, natural resources, technologies etc.
a. **Economic Environment:** At Segbua (2002) in his write up stressed much on the overall health of the economic system in which many organizations operate Ogundele (2005) says that is vital concern to an organization. He further posits that the economic environment goes a long way to determine and define the opportunities for an organization; this is because an expanding economy provides operational scope for the organizational existence as well as for the establishment of new ones. However a period of recession can bring about failures and probably liquidation of the organization, moreover during liquidity trap it can collapse the organization structure. Nevertheless the important economic factors which affect many businesses are inflation, interest rates and unemployment. Griffin (1997) emphasized on the overall health of the economic system in which many organizations operate. The important economic factors, which affect many businesses, are inflation, interest rates and unemployment. In order to recover such money, companies raise price of their product and the consumer demand will fall because they will be unwilling to pay more on a product. When there is high rate of unemployment, the company becomes selective in the recruitment of personnel and this could cause low production, which eventually makes the company to lose its customer’s demand.

The economic situation in Nigeria at some point has been hinted to be unfavorable for business activities. This could be true to some extent but the fact is that the present economic status of the country has some hope for the conduct of business. Dollar due the importations of some capital goods are left in the hands of particular individuals, it still has a fair day on the common businessman. Some economic factors affecting the Nigeria business environment include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, interest rates affect a firm’s cost of capital and therefore the extent to which a business grows and expands (Otukiti 2005) Dollar exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy (Ogundele 2015).

b. **Political Environment:** Ongeti (2014) observed that political factors are the government regulations on business political instability has ramification on planning, for example no organization want to set up business in another country where the trade relationship are not relatively defined and stable. A good instance is June 12 (1993) crisis that really affected many organization due to political instability in Nigeria. Legal system defined what an organization should or not to do (Murgor, 2014). According to Okeyo (2014), the implication of political environment to a business enterprises is that the risk emanating from it is a measure of likelihood that political events may complicate its pursuit of earnings through direct impacts (such as taxes or fees) or indirect impacts (such as opportunity cost forgone).

c. **Technological Environment:** Technology is understood as the systematic application of scientific or other organized knowledge to practical tasks. Technology changes fast and to keep pace with it. Businessmen should be ever alert to adopt changed technology in their business.

d. **Social and Culture Environment:** It refers to people’s attitude to work and wealth, role of family, marriage, religion and education (Tacheva, 2007). The social environment of business includes social factors like customs, tradition, values, beliefs, poverty, literacy, life expectancy rate etc. Ajonbad (2017) the social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower etc. Due to increase in literacy rate the consumers are becoming more conscious of the quality of the products. Due to change in family composition more nuclear families with single child concepts have come up. This increases the demand for the different types of household goods. It may be noted that the consumption patterns, the dressing and living styles of people belonging to different social structures and culture vary significantly. Nigeria is a nation with diverse cultures and a multi-ethnic background. These connotations have their own spell on the activities that go on in the Nigerian business environment. These are the social and cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety nets. Trends in social factors affect the demand for a company’s products and how that company operates. There are many strong factors which ensure a successful business in the country and abroad. Furthermore, social considerations include protecting the health and safety of the general population, avoiding harm to the natural environment, developing and deploying ethical standards and practices, meeting cultural and social norms, balancing interest of the business with the interests of the society, and being a proactive entity. The culture of a people will go a long way to influence the kind and pattern of business activities to engage in hence the impact of culture on the Nigerian business environment. The culture in riverine areas may permit the trading of fish and other sea or river products. This is not the case of north where the culture makes way for the cultivation or trading of farm produces such as yam, garlic etc.
e. **Natural Environment:** Business an economic pursuit of man continues to be dictated by nature. To what extent business depends on nature and what is the relationship between the two constitutes an interesting study (Kobia 2006). The natural environment includes geographical and ecological factors that influence the business operations. These factors include the availability of natural resources, weather and climatic condition, location aspect, top a graphical factors etc. Business is greatly influenced by the nature of natural environment. For example, sugar factories are set up only at those places where sugarcane can be grown. It is always considered better to establish manufacturing unit near the sources of input. Also, government’s policies maintain ecological balance, conservation responsibility on the business sector (Shaikh, 2010).

f. **Ethical and Demographic Environment:** This includes customers, moral, values, rules, and demographically characteristics of the society in which the organization function. Ethical behavior process is important because it determines the product, services and the level of conduct that the society is likely to get if it allows for a cordial relationship between management, workers and their customers. Oyebanji (1994) said that behaviour are interwoven with each other and it is difficult to distinguish individuals and their behaviour, that the attitude of individuals differs in work habit, risk taking, introducing or accepting challenges, assess the level of authority, material again. Ethnical heritage manifest itself in certain behavioural patterns being observed in business operation. Furthermore these factors shave direct bearing on the demand for agricultural products for instance a country where population rates is high and children constitute a large section of population, then there is more demand for baby food products. Similarly the demand of the people of cities and towns like Lagos, Ibadan, and Port-Harcourt are different from the demand of the people of rural areas. Thus an agro business enterprise owner keeps a watch on the changes on the demographic front and reads them accurately in order to land opportunities knocking at its doorstep (Shaikh, 2010). The demographic structure in Nigeria in places like Lagos, Abuja, Port Harcourt have high population or demographic density. This makes business activities to flourish in such areas in fact these shave almost the highest concentration of industries. This makes case for the influx of people and business activities around there. There is a positive point when it comes to obtaining labour force for new and existing businesses in the country. But on the other hand, the large workforce or population makes the conduct of business to be very tight. This is so because there will be too many sellers or service providers in the environment and this will affect the conduct of business in the Nigeria environment.

g. **Legal Environment:** According to Adeoye (2012) legal environment consist of laws, regulations that improvement in the enabling environment leads to greater levels of investment by the private sector, more wealth, job creation and ultimately more poverty reduction. Government passes regulations on industries, this has considerable effect and impacts on business the regulatory being set up by government to prevent the public from certain business practice for example the FEPA, NAFDAC and NDLEA. According to Adeoye (ibid), legal environment consists of the laws regulations and procedures of a country which SMEs are anticipating to comply with in the course of their operations. These laws may facilitate successful business conduct as well as constitute handicaps to successful performance. Furthermore in carrying out their business operations, agro business, enterprises are required by low to pay taxes, value added tax, capital gain tax, education tax, import duties, excise duties among others.

From the historical colonial time, Nigeria operates a private sector economy with lack of capital or inadequate finding. This lack of capital led to the state owned corporations (more than 50% of the share capital) between (1999-2007) there was economic reform and orientation by ex president Olusegun Obasanjo, among this reforms are gradual removal of subsidy from petroleum sale of national shipping line, the introduction of Economic and Financial Crime Commission (EFCC) monetization policies etc (Onjeti, 2014). In Nigeria today there has been expanding of indigenous centres premiers hip sector because of government’s privatization reforms which continues to expand the entrepreneurship sector, such as Dangote Group, The Zenon Oil Group of Companies, Global com e.t.c. Nevertheless, Asika (2007) cultural beliefs and tradition has a significant effect among Nigerian business people and managers, for instance, thus believe that “Success is from God” “The types of business and individual undertake are ordained from birth “wisdom is measured by age”. Moreover, there is fraught and deficiency in the distribution system in Nigeria which is caused by lack of sufficient and accurate information.However, planning is a vital component of the management process. In Nigeria strategic planning is rarely practiced except as necessary for obtaining loan facilities. Ogundele (2007) posit that organizational structures of the indigenous enterprise are simple and flat. Staffing, labour relations and Business Ethics is another area in Nigeria business environment that Nigeria has failed to their responsibilities. In Nigeria today recruitment and staff selection is characterized by nepotism. Emphasis on paper qualification and age/gender issues.
ORGANIZATIONAL PERFORMANCE

Organization could be defined as two or more people engaged in a systematic effort to produce goods or services. Organizations need to be efficient in doing the right things in the optimum use of their resources and in the ratio of output to input. But organization must also be effective in doing the right thing and in their output related to some specific purpose performance is related to goals of the organizational and the information and formal goal of all its individual participants, including managers (Garino and Martin, 2007). Organizational performance involves using of resources wisely to avoid wastage. Given by the interaction between organizations and environment, it follows that performance relates to how an organization reacts, understands and influence to certain environment changes. Unfortunately, people do not want to perform those duties without a concession. For example they can perform their duties in short time if well planned. The need to take account of external environment variable must not be forgetting. Performance could be related to some such factor as increasing profitability, increase service delivery or obtaining the best result in important area of organizational activities. Satisfaction is an important result of performance (Ruby, 2002). The idea of OP is hanged on the position or premise that is a combination of productive assets made up of human, physical and capital resources, for mayor reasons of fulfilling and to accomplish organization goal (Jones and George, 2009) Otokiti(2010) defined performance as the willingness of an individual to carry out the goals and objectives of an organization. Organization performances is however, defined as a group of people that come together and are willing to carry out goals and objective and planned or strategize. Organization performance is the ability of group of individual to achieve certain of specific goals.(Machuki 2015)

EXTERNAL ENVIRONMENT AND PERFORMANCE

Organization faces turbulent and rapid changing environment, delays in availability of resources, political interference and variations in the economic situations have been attributed to poor organizational performance (Kobia & Mohamed, 2006). Tachera (2007) postulate that factors in the external environment influence organization processes differently. This can be postulated that the external environment has influence on organizational performance.

Hypothesis: Economic and Political environments have no impact on organization performance.

METHODOLOGY

The survey research method was employed by this study similar study by Ombaka and Machuki (2015). Solden and Sowa (2004) had successfully used this philosophy. Samples of 3 organizations in frozen fish companies were randomly selected from the list of sector. Stratification sampling techniques was adopted. Each company was divided into strata. The variables are based on homogeneity and relatedness 120 questionnaires were administered to the respondents in these 3 companies (94) questionnaires were returned back by the respondents which is the actual for this study, thus, 84% of the questionnaire were returned successfully.

ANALYSIS

The focus of this chapter is mainly on the analysis of data collected from the respondents multiple analysis was employed. The variable of the study can be expressed in algebraic form. Thus

\[ \text{OP} = F(E, P, T, S \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots U) \]

Where

- OP = Organizational performance which include efficiency, effectiveness, increase in sales, customer/client satisfaction
- E = Economic environment (monetary policies, interest rate, availability of funds)
- P = Political environment (Political terrain in the country, legal framework, authority relationship)
- T = Technological environment (technological development and innovation)
- S = Socio cultural environment (values, norms, belief, attitudes, religions)

In order to provide an answer to the research question and hypothesis, that the economic and political environment has no impact on OP. Hence, from the regression analysis the regression line is

\[ Y = 85.31 + 4.49 \times 3.01 \]
This implies that the economic environment and political environment has a positive and significant impact on OP in the frozen fish industry. The change in the economic will have a greater contribution on the OP.

The value of $\beta_1$ is 0.93 and $\beta_2$ is 0.68. This indicates that the economic environment has 93% significant impact on OP while political environment has 68% impact on OP. The value of $R^2$ is 1.28. This implies that external business environment has 128% impact on OP. This indicates that they have combined effect on OP in the frozen fish industry in Nigeria. This null hypothesis of this study will be rejected. Hence, the economic and political environment has impact on OP.

CONCLUSION

There is no doubt base on the findings of this paper that external business environment has an impact on organizational performance. The study concluded that frozen companies should understand all these type of external business environment and their implications on organizational performance of their business and update their knowledge understanding and skills to meet the predicted changes in realm of their enterprise and also calls for constant monitoring and conducting environmental scanning always.

The conclusion of this study should be considered in the light of its limitations. First, four external environment were considered which are political, economical, technological social and cultural environments in the analysis other business environment were neglected in the analysis such as Natural environments, ethical, demographic, legal environment etc. Second, the sample used was rather small, thirdly the generalization of the results was rather limited one to the fact that the sample covers only the frozen companies in Nigeria, Hence, other researchers in the frontier of this study can expand their research by using other environmental variables not included in the analysis of this study and to also combine other sectors of the economy.

Recommendations

In order to reduce uncertainty in the environment, the following recommendations are therefore suggested:

1. Organization should improve their motivational level, since it is obvious that rewards tend to increase the performance of workers. Employee satisfaction should be maintained in an organization.
2. Employees should be well trained to enhance better performance. Good supervision of employee’s will enhance job performance. The manager tends to have the ability to control, plan and organize his or her company, when they are well trained for the task.
3. Organization should give rewards and benefits to workers who are entitled to it because this will improve employee satisfaction which will boost organizational performance. It will encourage the workers to take their job as important as possible. The management should also decentralize power or authority; they should learn to listen to workers opinion because it allows for cordial relationship.
4. Finally, Management must understand government policies or regulation because this has impact on organizational performance.

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