



EMPIRICAL REVIEW OF BUSINESS ENVIRONMENT AND THE SURVIVAL OF SMALL AND MEDIUM SCALE ENTERPRISE IN NIGERIA

ABANG, Stanley E.

Department of Economic and Management Science,
Faculty of Social and Management Science,
Nigeria Police Academy Wudil, Kano State - Nigeria.

AKPAN, James E

Department of Economic and Management Science,
Faculty of Social and Management Science,
Nigeria Police Academy Wudil, Kano State - Nigeria.

Abstract

The contribution of small and medium scale business in economic development and sustainability of any country cannot be over emphasis but this vital contribution is often hamper by the environment which these business operate. This paper therefore set out to review the influence of business environmental factors on the growth and survival of small and medium scale business enterprises in Nigeria. The paper relies mostly on secondary documentation, where scholarly articles on the subject matter were review in line with the objective of the study. The review reveals that business environment has great influence on the growth and survival of small scale business in Nigeria. The micro-environmental factors are under the control of the business operators while the macro-factors are not within the control of the operator and some environment factors usually referred to task factors are more influential than the general environmental factors. Based on the findings, it was recommended that small business operators must learn to identifies and differentiate the various levels of business environment affecting their business survival and the strategy to adopt and cope with these different levels of environmental factors in order to enhance the survival and growth the business.

Keywords: Business Environment, Small scale business, medium scale business, business survival

JEL Classifications:

Introduction

The environment of small and medium scale enterprises, like the habitats of animals, contributes to the growth and survival of the business enterprise that operate within it. Like the natural environments of living beings, the environment of small and medium scale business enterprise can either enhance or stifle its growth and survival. The nature and extent of the impact of the business environment on any one business enterprise depends on the internal configuration of such enterprise. Business environment is usually categorized into two components, the micro-environment (internal environment) and the macro-environment (external environment). The internal factors exist within the operational base of an organization and directly affect the different aspect of business enterprise. While the external environmental factors influencing the growth and

survival of small and medium scale business are outside the operational control and manipulation of the business enterprise, hence their influence is much impactful.

According to Bature (2016) more than half of newly established businesses survive beyond five years mostly in the trouble region of Nigeria due to the external environmental factors, therefore the identification of those factors which empirically lead to business enterprise success/failure would assist in equipping small business owners with the necessary managerial skills to survive in today's competitive business environment as well as exploit several strategies that will improve their operational efficiencies. More so, business all over the world does not operate in vacuum, business enterprise operates within an environment where its takes material (raw) both human and non-

human, transform them to consumable goods and services and then return them to the environment and vice versa.

The frequent interface of small and medium scale business with their operational environment has great influence on the survival and otherwise of such small scale business in Nigeria. Over the year's successive government have committed huge resource to create an enabling environment for the growth and survival of small and medium scale business in Nigeria. But these effort by government has not yielded the desire result, as small scale business in Nigeria hardly survival for five to six years due to harsh environmental factors

Literature Review

Business environment is the system the business interface and interact with for it day today operation, by obtaining its input and giving out its product. It's a system that shape and direct the success or otherwise of the business (Abu & Ohim, 2015).Environment is expressed as the sum total of the forces that influences individuals, businesses and communities (Oginni & Faseyiku, 2012). In the views of Adebayo,Enoh,Wunht, Banshuam, Ken, Obun (2015), environment is summarized as the surrounding of a phenomenon which from time dictate and shape the direction of the business. Business enterprise does not operate in vacuum; it operates within the environment where the production and distribution of goods and services are carried out. Duncan (2012) opined that as any other activity of the individual is greatly affected and usually controlled by his total social environment so is the business activity impacted by the environment which they operate.

According to Adebayo et al (2015), Business environment can be group into internal and external environment. Internal business environment is made up of variables or factors that are under the control of the organization and can be easily manipulate to suit its purpose as may be dictated by the prevailing circumstances such as capital, personnel, profit, procedure, policy, structure, objective e.t.c. The external business environment is made up of extraneous variables or factors which are outside the control of the organizational management and cannot be manipulated such as technology, politics, and government legislation.

Oluremi and Gbenga (2011) asserted that business organization that wants to succeed must develop a clear understanding of the trends of business environment and forces that shape competition. The understanding in question will enable the organization to choose the appropriate strategy or

Confronting the operation and survival of such business enterprise in Nigeria (Adebayo, 2015), therefore the need to Empirically review the influence of environmental factors on the growth and survival of small and medium scale enterprise in Nigeria become imperative.

The main objective of the study was to empirically review the influence of business environmental factor on the growth and survival of small and medium scale business in Nigeria.

Specifically, the objective of this paper was to empirically examine how business environmental factors affect the growth and survival of small and medium scale business in Nigeria.

strategies that fit the trends in the business environment arrived at through environmental scanning analysis with focus on the variables such as strengths, weaknesses, opportunities and threat (SWOT). The failure rate of small business in Nigeria is mostly attributed to the poor understanding of the different levels of environmental factors confronting the business enterprise and the inability of the business owners to leverage on the available opportunities in the external business environment by manipulating the variables in the internal business environment.

Based on the reviewed literatures, the business environment is categories into internal business environment which is usually within the control of the business enterprise itself otherwise call micro-environmental factors such as qualified employees, management, corporate culture, leadership style, quality products, business location, size of business, etc. And the external business environment which is outside the control of the business entity call the macro-environmental factors which mostly determine the survival or otherwise of the enterprise such as government policies, electricity supply, socio-cultural factors, technological factors, Weather and various other factors known as the external business environment, which is traditionally divided into Task environment with factors such as suppliers of raw materials, customers, competitors, etc. And the general business environment with factors such as political, economic, cultural, technology etc that small and medium scale business interface with for their day to day operate and survival.

At the most basic level the micro and macro business environment that influence the growth and survival of small and medium scale business are shown on figure 1 below:

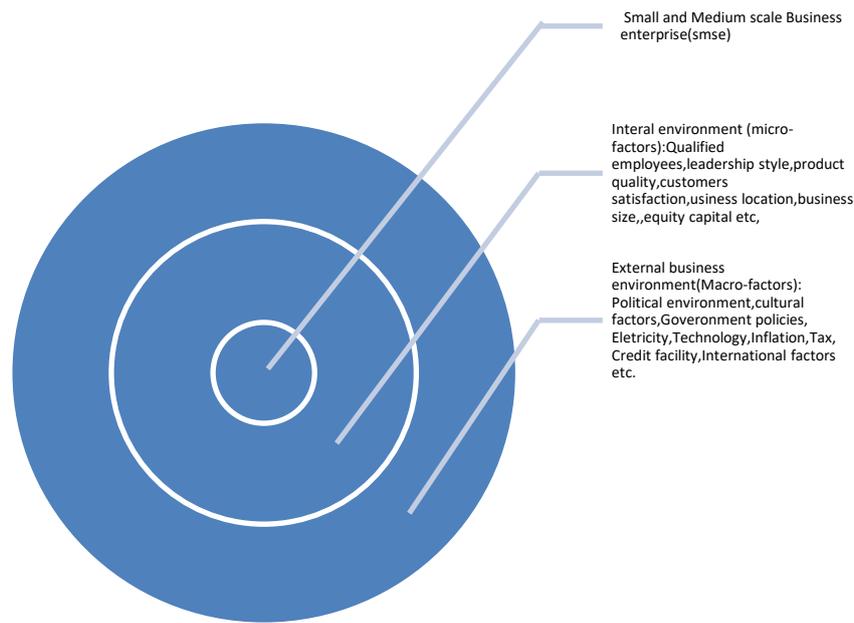


Figure 1: Business environment

Figure 1 shows small and medium scale business and the environment which they interact and interface with for their day to day operation which either enhance their survival or hamper their growth. This environment is traditionally divided into internal and external environment as seen in the figure, and the various factors therein that determine the growth and survival of small scale business in Nigeria.

Small and medium scale business survival

Small scale business survival is the ability of a small scale business to continuously be in operation despite various challenges confronting the business. According to Akindele et al., (2012) the environment which business operate determine to large extend the growth and performance and indeed the survival of such a business. The turbulent and unpredictable business environment in Nigeria is what is responsible to the high mortality rate of small and medium scale business in the country.

Dun and Bradstreet (2009) viewed business failures as a situation where a business go into bankruptcy or cease operations which results in losses and failure to meet its various financial commitment to creditors. In order to survive, small scale business always keeps a close tab on the various activities that determine their continuity. Adeoye (2012) augured that the current form of complexities facing business include leadership styles, changes, uncertainty, conflict, culture, technology, structure, competitive market, profitability and workplace motivation. Hence, firms must develop a

strategically plan and tactical procedure that is appropriate and adaptive to the present business environment that will aid its optimum resources utilization and attainment of set goals.

In the views of Roberts and John (2004), business growth will be gauged by how well a firm does relative to the goals it has set for itself and in the same vein, Coffman et al (2002) in Oginni (2010) were of the opinion that the intention and desire to keep the business to operate on a going concern definitely calls for growth of the enterprise otherwise such enterprise will cease to exist. Aluko etal (2009) however added another dimension to what enterprise growth is all about by saying that it is something for which most enterprise strives, regardless of their size.

Empirical literature

A lot of researches have been carried out on the impact of environmental factors influencing the survival and growth of small and medium scale business in Nigeria, but in a disaggregated manner. Each research normally takes a particular aspect of the environment and examines its impact on business growth and survival. Some of the review work includes the following: SMEDAN (2017) conducted a survey of the total number of small and medium scale business enterprise in the 36 states of the federation including the federal capital territory (FCT) to determine the challenges face by SMEs across the country and the peculiarities in their various states and locality. The findings of the investigation reveals that there is high concentration of SMEs in some States than the

other, and the concentration is in the urban centre (States Capitals), the spread of SMEs across the states also varies in terms of industries and sectors of the economy, but the challenges of these SMEs seems to be the same across the states, ranging from the incompetence of the ventures owners and operators to poor start-up capital as a result of inadequate venture capital institutions, availability of raw material and market, undue competition with foreign and well established companies, multiple taxation to erratic power supply, labor union, to government fiscal and monetary policies among other factors militating against the survival and sustainability of most SMEs across the various states of the federation.

Based on this report, the factors responsible for the high mortality rate of SMEs across the states in

Nigeria can be summaries into the managerial factors, resource factors, Task environmental factors, economic factors and the general business environmental factors as identified by the investigation.

NBS and SMEDAN (2015) carries out a research on the course of high mortality rate of SMEs in Nigeria and how government can encourage and sustained the survival and growth of these SMEs. The research attributed the failure rate of SMEs in Nigeria mostly to fast changes in technology across the globe and the inability of some Nigeria entrepreneurs to cope with the technology trend. Other factors identified were power supply, access to credit, raw materials, lack of market for finish good, socio-political and cultural factors etc.

Table 1: Literature Mapping

S/N	Author's and Year	Research Title	Variables	Methods And Findings	Limitation
1	Agbolade O R.(2014)	The Impact of Business Environment on the Survival of Small Scale Businesses in Nigeria	Business environment, Small scale business, Survival, Strategies, Opportunities, Threats	Cross-sectional survey design was adopted. Logistic regression analysis was performed which predicted a significant influence on environmental factors on the survival on SMSE.	Logistic Regression, restricted to Nigeria only which cannot be generalizes to other Nations
2	Babalola T.E, Oluwayemi W.T, Oginni M. and Abel S. A. (2013)	Business Environmental Factors: Implications on the Survival and Growth of Business Organisations in the Manufacturing Sector of Lagos Metropolis	Environmental factors, Growth, Survival, Manufacturing sector, Lagos metropolis	Survey research design was employed in data collection. and using descriptive statistics, correlation and analysis of variance, which shows a significant effect on the survival and growth of business organisations in the manufacturing sector	Restricted to only Lagos state, Manufacturing industries.
3	Gado, N. D.(2015)	The impact of Nigeria business environment on company performance: a case of 20 most capitalized companies in nigeria.	Business Environment, Company Performance, Nigeria.	Quantitative, 20 capitalized company in Nigeria(Questionnaires), ordeale least Square (OLS) regression ,the findings was significant that business environment impact of the performance on SMS in Nigeria.	The study was limited to 20 capitalizes companies, restricted to Nigeria which become difficult to generalizes to other Nations.
4	Eze and Ogiji (2013)	The impact of Fiscal policy on manufacturing output of Nigerian companies	Fiscal policy, Manufacturing output, Nigeria economy	Secondary data was collected, using E-view to test the correlation between the variable, which show strong relationship between the variables under study.	Manufacturing sector, limited to Nigeria
5	Kwaghe,J.K (2016)	Energy supply and the survival of small business enterprise in Nigeria	Energy supply ,survival of small business enterprise, Nigeria	Primary Data, Descriptive statistics and SPSS. power supply impact on the survival of small business in Nigeria	External factor, primary data
6	Adebayo (2015)	Environmental factors and Business Strategy: An impact analysis of small scale businesses in Nigeria	Environmental factors, Business Strategy, small scale businesses, Nigeria	Qualitative study. Variable stated are from a review of scholarly articles.	Nigeria, The study is conceptual with no empirical data, finding based on previous work with no quantitative work
7	Shah,A.A. and Yadav,C.H (2014)	Impact of the Cultural environment on international business performance in Nigeria	Cultural environment, International business, performance	Longitudinal survey design, Pearson's correlation and finding shows positive relationship between the variable	External factor, The respondents are centralized in one part of Nigeria, International Business
8	Adeoye (2012)	Impacts of External Business Environment on the Performance of Food and Beverage Industry in Nigeria	External Business Environment, performance, Food and Beverage industry, Nigeria	Descriptive research design, data collected were analyzed with multiple regression, result revealed that external environment factors have considerable affect on the performance of organizations	External factor, Food and beverage, Nigeria, The study suggest that external environment had impact on the performance of food and beverage industry but the measurement of performance is ambiguous
9	Imoisi,W.T and Ephraim,F.H (2013)	Small and Medium Scale Enterprises and Economic Growth in Nigeria.	Small and Medium Scale Enterprises, Economic Growth, Nigeria	Secondary data, E-view analysis, Small and medium scale enterprise contribute greatly on Nigeria economic growth.	Secondary Data, Nigeria, E-view vassion7
10	Rotimi,S.Y (2014)	The implications of environmental factors on performance of small scale enterprises in Nigeria	Environmental factors, Performance, Small and medium enterprise, Nigeria	Employed ex-facto research design, of which secondary data were used. Ordinary least Square, co integration and error correction models were, study found that high exchange rate affects the performance of small scale businesses in Nigeria,	Ordinary least Square, Nigeria, Secondary Data The study concentrated on only interest rate as external environmental factor that affect SMS performance.

Source:

Theoretical literature

Nwachukwu (2016) defines a system as “a set of interrelated and interdependent parts arranged in a

manner that produces a united whole” while Kuhn (2014) considers a system as “any pattern whose elements are related in sufficiently regular way to

justify attention". Laszlo and Krippner (2007) view a system as a boundary maintaining entity with complex interacting components that sustain relationships. With the social Sciences these boundaries do not only become weak but keep changing as behaviours change.

The systems theory holds that an organization is a system that needs to work harmoniously not only within itself but that it is a system within a collection of other systems and, therefore, needs to work also in congruence with the other systems around it. What happens in the larger system is capable of affecting the organization either positively or negatively. Boulding (2006), the economist torched on the systems theory but termed it 'The General Empirical Theory' slightly different from Bertalanffy's (2008) 'General Systems Theory'.

The system theory, therefore, has its origin in Biology with the work of Bertalanffy. The theory started with two major assumptions that were later adjusted to the contrary. These are, one that a system could be broken into its component parts and each part analysed separately, two that the different sections of a system can be added linearly to get an understanding of the total system. These assumptions were later adjusted to the effect that a system is not a summation of its component parts which is linear, but a non-linear aggregation of the interactions of these component parts.

All researchers concur on the usefulness of the Systems Theory. The theory is not only interdisciplinary but integrative in nature. As Laszlo and Krippner (2007) put it " Systems theory promises to offer a powerful conceptual approach for grasping the interrelation of human beings and the associated cognitive structures and processes specific to them in both society and nature". It is "concerned with the holistic and integrative exploration of phenomena and events". The term conveys "a complex of interacting components together with the relationships among them that permit the identification of a boundary-maintaining entity or process. The General Systems theory aims at looking at the entire world as a composite of co-existing, interacting and interrelating

Methodology

This paper adopted the qualitative methodology in reviewing the influence of business environment on the survival of small scale businesses enterprise in Nigeria in terms of how the business environment shape the survival, growth and extinction of small scale business in Nigeria. In order to achieve the study objective, the author adopted the conceptual, empirical and theoretical approach in reviewing existing work on the subject matter.

elements. This is not to undermine or downplay the value of studying units, subsystems or even systems within a larger context {a reductionist approach) as is done in specialization, but to place all disciplines within proper perspective of the whole. As captured by Laszlo and Krippner (2007:),"the General systems approach encourages the development of a global, more unitary consciousness, teamwork, collaboration, learning for life and exposure to the universal storehouse of accumulated knowledge and wisdom". Boulding (2006) as cited in Walonick (2013) had earlier indicated this by stating that the general systems theory "aims to provide a framework or structure on which to hang the flesh and blood of particular subject matters in an orderly and coherent corpus of knowledge" In 1974, Kuhn extended the theory to include the fact that the knowledge of a part of a system facilitates the knowledge of another part. A system can either be controlled (cybernetic) or uncontrolled. A controlled system sensed information (Detector), applies rules to take decision on what is sensed (Selector), and makes some transaction or communication between the system (Effector). According to Kuhn (2014), the aim of decision (communication and transaction) between systems is to achieve equilibrium. A system can either be a closed system in which case interactions occur only between elements within the system and not with any system outside it, or an open system where interactions occur both within the system and outside it. Closed systems tend towards negative entropy with the likelihood of decaying due to the absence of exchanges with outside systems.

Kuhn (2014) also gave insights into how systems could be studied. They could be studied by cross-sectional method where the interactions between two systems are examined or by developmental approach by which changes that take place in a system over a period of time are looked at. A system can be evaluated holistically by looking at its functioning in totality or by a reductionist manner where subsystems within the system are studied. Lastly a functionalist approach could be used where an upward examination of the interactions of the system with a larger system is carried out.

Result and Discussion

The influence of business environmental factors in shaping and directing the survival and growth of small and medium scale business is well documented by various scholars. This is due to the influence of these factors on the sustenance or other wise of the business enterprise that interacts with its,(Bature ,2016) . The influence of these environmental factors on small scale business

according to Duncan (2012), varies in terms of the business location, type of business and the size of business. The task environmental factors are said to be more influential in determining the survival and growth of small scale business than the general environmental factors.(Abu & Ohims,2015).

Conclusion and Recommendations

Small and medium scale businesses enterprise is indispensable catalyst and important contributor to the economic growth in every nation due to their vast irreplaceable prospect in the economy. Small business enterprises are the pivot for the development of new ideas and products that stimulate demand in any economy. This special nature of small and medium scale business enterprise makes the personalization and modification of product to meet consumer preference easily and readily. Hence, small business operators must develop and adopt scientific and rational business management strategies that will aid and increase their understanding of the specific business environmental factor that have direct influence on the growth and survival of their business.

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An in-depth understanding of the turbulent business environment by the business operators will facilitate the effective planning and predictions of the significant factors that affect business growth and survival. This study indicated that competition, inflationary trend, technological changes, government policy, Infrastructural facilities accessibility, changing consumer behaviour and income are still problems to small business managers.

Hence, it is concluded that small business operators must learn how to adapt and cope with them in order to enhance the survival and growth of their business.

Based on the theoretical and empirical review of various scholars it is recommended that small and medium scale enterprise should pay adequate attention on the business environment through periodic scanning of the environment to cushion the environmental effect on their business performance. Small business operators must learn how to adapt and cope with both internal and external business environment in order to enhance the survival and growth of their business.

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