

IMPACT OF EXTERNAL ENVIRONMENT INDICATORS ON ORGANISATIONAL PERFORMANCE (A STUDY OF SELECTED SMES IN ABIA STATE)

OZIOMA-ELEODINMUO P. O

DEPARTMENT OF BUSINESS ADMINISTRATION

MICHAEL OKPARA UNIVERSITY OF AGRICULTURE, UMUDIKE

&

NNOCHIRI N.V.

DEPARTMENT OF BUSINESS ADMINISTRATION

MICHAEL OKPARA UNIVERSITY OF AGRICULTURE, UMUDIKE

Abstract

This research study examines the impact of external environment indicators on organizational performance using selected SMEs in Abia State as the study. The study adopted a descriptive survey research design that suits the research because of its descriptive nature. The data were analyzed using the Regression Analysis and Pearson Product Moment Correlation analysis. The result from the analysis reveals that there is a positive correlation effect of SMEs' external environment on organizational performance. The positive effect is evidenced by the Pearson correlation value of .602. Statistically, Sig. (value) of the correlation .022 is lower than the acceptable significance value of 0.05. This implies that when the external forces from the environment are well management small and medium enterprises perform better. The Pearson correlation result also indicates that there is also a positive relationship between government regulation and organizational performance. This is evidenced by the Pearson correlation value of 0.761. Statistically, Sig. (value) of the correlation .009 is lower than the acceptable significance value of 0.05. This result is in accord with the fact that when small and medium enterprises are strategically structured, in accordance with environmental laws there is a positive organizational performance. The study, therefore, concludes that for long term growth in various SMEs to be sustained, small and medium enterprises must strictly management external environmental forces where it operates and encourage compliance of government and relevant authority in order to create a favorable atmosphere for smooth operation. The study recommends that continuous evaluation of various needs in the external environment is advocated. This is to reduce breakdowns that may rut periodically during the work process. Also, a strategic consideration is recommended when tightening or relaxing the policies about the activities of staff in the work process. This will promote friendly inter-personal relationship among the staff.

Introduction

The external environment is a firm's aggregate of factors, exogenous to the organization that may have the potential to impact organizational performance (Sinha, 2015). The environment is source of constraints, contingencies, problems as well as opportunities that affect the terms on which organizations transact business. Regardless of the industry in which organizations compete, the external environment influences firms as they seek strategic competitiveness and the earning above-average returns (Nijman, 2014). According to Brill (2017), an overall assessment of the

conditions that affect firms today indicates that for most organizations, their external environment is filled with uncertainty. To successfully deal with this uncertainty and achieve strategic competitiveness, firms must be aware of and fully understand the different manifestations of the external environment. It is such an understanding that organizations can take actions such as building capabilities and core competencies that would help them in buffering themselves from any negative environmental effects while pursuing opportunities (Cooper and Dewe, 2014).

Concerns on what should be observed and measured in the external environment remain unresolved because it is impossible to examine everything occurring and some elements could be more relevant to some organizations than others (Taiwo, 2016).

The business environment is becoming very competitive, dynamic and complex. Management should, therefore, find ways to ensure that the workplace environment is conducive enough to enable staff performance in order to remain competitive. Based on the above background, this research work seeks to assess the impact of external environment indicators on organizational performance using selected SMEs in Abia State. The specific objectives are;

- To examine the impact of the external environment on organizational performance.
- To identify how government regulation affects organizational performance.

Methodology

A descriptive survey research design was adopted for this study. Both primary and secondary sources of data were utilized in gathering relevant information for the purpose of this study. The

population of Starline Nigeria Limited and Rosies Textile Mill Nigeria Limited both located in Aba includes the managers, supervisors, clerks and field workers. The total population of the study comprise of 176. The researcher chooses to determine the sample size using Taro Yamane formula: This gave a sample of 122. This research work adopted random sampling techniques and, the research instrument used is a questionnaire that was administered to the staff and management of the organization. The questionnaire was divided into two sections. Section A captures the socio-economic characteristics of the respondents, while section B captures specific questions leading to the achievement of the aim of the study. The Regression Analysis and Pearson Moment correlation were adopted as a data analysis technique.

Result and Data Presentation

A total number of one hundred and twenty-two (122) questionnaires were issued out by the researcher to the staff of the selected SMEs under study. The table below presents the distribution of the questionnaire to the sampled respondents.

Table 1: Distributed and Collected Questionnaires.

Department	Number Issued	Number Returned	Percentage of Returned (%)	Number Not Returned	Percentage of Returned (%)
Administration	28	25	20.5	3	2.5
Personnel	57	52	42.6	5	4.1
Accounts/Finance	16	15	12.3	1	0.8
Operation/Research and Marketing	21	18	14.8	3	2.4
Total	122	110	90.2	12	9.8

Source: Field Work, 2018

Hypothesis Testing

H0₁: There is no significant relationship between external environment and organizational performance.

Table 2.

		External Environment	Organizational Performance
External Environment	Pearson Correlation	1	.608*
	Sig. (2-tailed)		.022
	N	110	110
Organizational Performance	Pearson Correlation	.608*	1
	Sig. (2-tailed)	.022	
	N	110	110

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS 20.0

The table above shows the relationship between the external environment and organizational performance. From the result of the correlation, it is observed that the external environment has a positive relationship with organizational performance. The correlation coefficient value is

H0₂: There is no significant effect of government regulation on organizational performance.

Table 3

		Government Regulation	Organizational Performance
Government Regulation	Pearson Correlation	0.761	0.009**
	Sig. (2-tailed)		0.009
	N	110	110
Organizational Performance	Pearson Correlation	0.761	0.009**
	Sig. (2-tailed)		0.009
	N	110	110

** Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS 20.0

The table above shows the relationship between government regulation and organizational performance. From the result of the correlation, it was observed that government regulation has a positive relationship with organizational performance. The correlation coefficient value is 0.761. Statistically, Sig. (2-tailed) value of 0.009 shows that the relationship was significant. We, therefore, reject the null hypothesis that there is no significant effect of government regulation on organizational performance.

Conclusion

The study was carried out to investigate the impact of external environment indicators on organizational

0.608. Statistically, Sig. (2-tailed) value of 0.022 shows that the relationship was significant. We, therefore, reject the null hypothesis that there is no significant relationship between the external environment and organizational performance.

performance using selected SMEs in Abia State. The analysis and results show that there is a positive correlation effect of SME's external environment on organizational performance. Also, there is a positive relationship between government regulation and organizational performance. The strategy adopted by the administrators of corporate organizations goes a long way to determine the efficiency and effectiveness of staff in the organization. Productive innovation by workers and a high level of commitment can be discouraged when obsolete instruments are used and a volatile work process exists. Such a pitiable situation can lead to the loss of skilled workers and raise the level of staff turnover, organization leaders must endeavor to organize and control their work environment in order to inspire their workforce into production operations. The study, therefore, concludes that for long term growth in various SMEs to be sustained, small and medium enterprises must strictly management external environmental forces where it operates and encourage compliance of government and relevant authority in order to create a favorable atmosphere for smooth operation.

Recommendations

Sequel to the findings above, the following recommendations were made;

- Continuous evaluation of various needs in the external environment is advocated. This is to reduce breakdowns that may run periodically during the work process.
- Strategic considerations are recommended when tightening or relaxing the policies about the activities of staff in the work process. This will promote friendly inter-personal relationship among the staff.
- The study also advocates that competencies and accumulated experience be the criteria for assigning responsibility rather than concessional and inter-personal reasons.
- Stakeholders meetings and adequate representation of staff are recommended in order to discuss critical issues concerning the work environment affecting the staff performance.

References

- Brill, M. (2017). How design affects productivity in settings where office-like work is done. *Journal of Health Care Design*, 4, 11–16.
- Chandrasekar, K. (2015). Workplace environment and its impact on organizational performance in Public Sector Organizations, Alagappa University, Karaikudi, India.
- Cooper, C., & Dewe, P. (2014). *Stress, a brief history*. Oxford: Blackwell Publishing.
- Elangovan, A. R., & Karakowsky, L. (2014). The role of trainee and environmental factors in transfer of training: *Journal of Finance and Accounting*. 9(2) 78 – 91.
- El-Zeiny, R.M.A. (2016). Interior design of workplace and performance relationship: private sector corporations in Egypt, *Asian Journal of Environment-Behavior Studies*, Vol. 4, No. 11
- Maslow, Abraham H. (1977). "Motivation and personality", New York, P.74- 105
- McCoy, J. M., & Evans, G. W. (2015). Physical work environment. *In: J. Barling*,
- Nijman, D. J. J. (2014). Differential effects of supervisor support on transfer of training. Enchede: University of Twente.
- Opperman C. S. (2017).Tropical business issues. partner price water house coopers. international business review.
- Shikdar, A & Shawaqed, N. M., (2016), Worker Productivity, and Occupational Health And Safety Issues in Selected Industries, *Journal of Computers & Industrial Engineering Volume 45* (2003) 563–572, Elsevier.
- Sinha, E. S. (2015). The skills and career path of an effective project manager. *International Journal of Project Management*, 19, 1-7.
- Stup, R. (2016). Control the factors that influence employee success. Managing the Hispanic workforce Conference. Cornell University and Pennsylvania State University.
- Taiwo, A. S. (2016). The influence of work environment on workers' productivity: a case of selected oil and gas industry in Lagos, Nigeria. *African Journal of Business Management*, Vol. 4,pp. 299-307
- Temessek, (2009) Expanding the Psychosocial Work Environment: Workplace Norms and 34 Work–Family Conflict as Correlates of Stress and Health 3(1) 71 -88.