Assessing the Influence of External Environmental Factors, on the Performance of Small Business Manufacturing enterprises in Bauchi state, Nigeria.

Mohammed Alkali
PhD candidate faculty of Economics and Business, Universiti Malaysia Sarawak, Malaysia (corresponding author), Prof Dr Abu Hassan Md Isa.
Head department of Finance and Accounting, Universiti Malaysia Sarawak, Malaysia.

Abstract
The study examines the influence of external environmental factors on the performance of small business manufacturing enterprises of Bauchi state, Nigeria. The instrument used was structured questionnaire, to collect data from the sample size of 302 respondents that participated in the study. Data were analyzed using descriptive statistics and multiple regression analysis. Results from the study reveals that, capital access and government support were found to be significantly related to business performance of the enterprises.

Keywords: Small Business, Performance, Environmental Factors, Manufacturing Enterprises.

Introduction
The necessity of entrepreneurship for production was first formally recognized by Alfred Marshall (1890). Where he asserts that there are four factors of production: land, labor, capital and organization. Organization is the coordinating factor, which brings the other factors together, and Marshall believed that entrepreneurship is the driving element behind organization.

Knight (1921) defines entrepreneurship as dealing with uncertainty, marking a distribution between risk, which can be calculated, and uncertainty which cannot. Schumpeter (1934) describes the entrepreneur as the bearer of the mechanism for change and economic development, and entrepreneurship as the undertaking of new ideas and new combinations.

Gnyawali and Fogel (1994) believe that socioeconomic conditions and governmental policies play an important role in the propensity to enterprise. They suggest that factors such as support
from governmental agencies create an enterprise culture that enables firms to take reasonable risk and seek profits.

The business environment

Business environment of an enterprises consist of the internal and external environmental factors affecting the performance of business enterprises. According to Delmar (2008), the business environment has a significant impact on the performance of small business enterprises. Smith (2007), define business environment as all factors or variables, both inside and outside the organization that may influenced the continued and successful existence of the organization. Beck (2006), says that for small businesses to achieve their objectives, they have to strengthen their internal and external business environment.

External environment of small business enterprises

The external environment constitutes the initial conditions facing entrepreneurs in any economy (Aldrich et al., 1999). Environmental characteristics are important in resource-based theory. It is no doubt that environment is an important factor in relation to firm’s performance. Even in behavioral approach the personality, motivation, attitudes of the entrepreneur are dependent from environment (Gartner, 1985).

Resource-based theory argues that firm’s resources are important instruments for achieving success (Andrews, 1980, Almor, 2002). Only rare, hardly-imitational resources are valuable, both tangible and intangible (Barney, 1991). On their own, however, few resources are productive. Resources are the source of firm’s capabilities; capabilities are the main source of its competitive advantage a capability is the capacity for a coordinated set of resources to perform some task or activity (Grant, 1991).
Technology
Woodward's (1965), from their study of the relationship between technology and other aspects of organizational structure was based on data describing all manufacturing in Essex. Many subsequent studies have tended to include technology as just one factor mediating relationships between organizational structural and outcomes or, less often, processes. However a few large surveys exist that take a more focused look at relationships between technology and organizational processes. Colombo and Delmastro's (1999) study of 438 Italian manufacturers during 1975-96 associated organizational change more with the adoption of advanced production technologies than with changes in human resource management, although sunk costs also inhibited organizational change. Systems for staff promotion from within organizations are more common in firms that produce products.

Marketing
E J Mecarthy (2000) defines marketing as the performance of business activities that direct the flow of goods and services from producer to consumer in order to satisfy customers and accomplish the firms’ objectives. So going by the definition above, the business enterprises should be up and doing in order to come up with the improved marketing strategies so as to make their products move in the market.

Competition
Competition is an activity involving two or more companies, were each company tries to overcome its competitor buy trying to win peoples loyalty towards their products (Ahmad, 2010). Lack of empirically tested profile of small business manufacturing firms in Bauchi state Nigeria makes the enterprises dispersed throughout the state, therefore making increased competition all the times.
Entrepreneurship readiness

Entrepreneurship readiness from the words of (Holt, 2007), view it as involving Training which is crucial for the productivity and quality of work in an organization. Also it leads to effectiveness, efficiency and motivation of the employees of the organization (Hassan Banjong, 2009). The owners of the enterprises have considerable personal influence over a firms operations and decision making.

Information access

Information access is very vital to the performance and development of business organization because it will identify appropriate needed requirements which are important in the daily operations of the SMEs also information will keep the enterprises in a better position through provision of informed ideas that will improve the performance, operations, and competitiveness to their activities generally. (Umar, 2009)

Business Plan

Business plan is a written document that serves as a road map in the entrepreneur’s journey from start up to project implementation. It describes all the relevant elements involved in starting a new business enterprise. It is often an integration of functional plans such as marketing, finance, manufacturing and human resource. (f m e,2009) the importance of business plan include;

- It helps the entrepreneur to decide where he wants to go.
- It helps the entrepreneur to determine the viability of the venture.
- It provides guidance to the entrepreneur in planning realistic goals and targets.

Objectives

The objectives of the study is to identify the external environmental factors influencing the performance of small business manufacturing enterprises in Bauchi state.
Methodology

The study used survey research design to collect data from respondents through structured questionnaire. Sekaran, (2000) defines questionnaire as a preformatted written set of questions in which respondents record their answers, usually within closely defined alternatives. The study was carried out to assess the influence of external environmental factors on the performance of small business manufacturing enterprises in Bauchi state. Based on a random sampling, the sample size of the study was 302 small business enterprises in Bauchi state. A structured questionnaire was used to gather the data from owner managers of the enterprises.

Findings and discussions

The study utilizes both descriptive statistics and multiple regression analysis, to analyse the data collected from the field. Were the result reveals that, from among the 302 respondents that participated in the survey, (67.9%) of the respondents are male, while the remaining 32.1%) are females. Majority of the respondents that is (61.3%) belongs to the age group of 40-50 years of age. The descriptive result also indicates that, majority of the respondents are having three years of experience.

External environmental factors

External environmental factors are outside factors that might affect the performance of the business enterprises, where Table 1 below present the summary of multiple regression analysis conducted with the aim of achieving the objective of the research study, which is to identify factors influencing the performance of business enterprises in Bauchi state. Where multiple regression analysis was carried out between the external environmental factors and business performance as the dependent variable, were the result indicates that capital access and government support were significantly associated
with business performance of small business manufacturing enterprises in Bauchi state, with significant level of 0.03 and 0.00 respectively for capital access and government support. This indicates that capital access is of paramount importance to the performance of business enterprises. In order achieve their objectives, business enterprises needs capital to finance their businesses well. The study is in support of the study of Atieno, (2001) who view finance as a critical component in SMEs performance and development. Also the study is in support of the study by Nelson, (2012) were they carried out a study in Zimbabwe to determine the impact of Government support on SMEs development where they found a strong relationship.

While marketing variables with significant level of 0.63, entrepreneurial readiness with significant level of .181, business plan with 0.21, technology usage at .694 were found to be insignificant to business performance of my study area. This is because the entrepreneurs lack enough knowledge and skills of entrepreneurial competencies, as well as lack of enough financial resources to upgrade the technological position of their enterprises. The result appears to be in consistent with the study of Hassan (2010) on the performance of selected SMEs in Niger, were the study reveals that, marketing strategy, entrepreneurial readiness, and technological factors were not significant to business performance, where he refers to lack of enough knowledge and the entrepreneurs are not financially sound as some of the reasons which make their businesses as such.
Table 1 Summary of multiple regression results: External environmental factors as the independent variables and business performance as the dependent variable.

<table>
<thead>
<tr>
<th>Model</th>
<th>Rs</th>
<th>Adjusted Rs</th>
<th>F change</th>
<th>sig</th>
<th>F</th>
<th>β</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing variables</td>
<td>.508</td>
<td>.143</td>
<td>2.249</td>
<td>.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology variables</td>
<td>.192</td>
<td>0.63</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital access variables</td>
<td>.050</td>
<td>.694</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial readiness</td>
<td>.375</td>
<td>0.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government support</td>
<td>.152</td>
<td>.181</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information access</td>
<td>.284</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legality variables</td>
<td>.250</td>
<td>.031</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business plan variables</td>
<td>.289</td>
<td>.008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.270</td>
<td>.021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summary

The study begins with introduction so as to have clear view of what the study is talking about, after which the result of the analysis was presented and discussed based on the objective of the study. The research explains what the concept of business environment means, it was explained that business environment consist of internal and external environmental factors affecting the performance of business enterprises. Some of the external environmental factors discussed where technology, marketing, competition, information access and business plan.
References


