IMPACT OF BUSINESS ENVIRONMENT ON ORGANIZATION PERFORMANCE IN NIGERIA- A STUDY OF UNION BANK OF NIGERIA

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Abstract
The study seeks to unravel the factors that affect construction workers’ motivation and the corresponding effect of the identified motivational factors on workers’ performance and overall productivity. To answer research question and test formulated hypotheses, the study relied on questionnaire to generate relevant data out of 39 questionnaires administered on officers in Union Bank of Nigeria, Lagos, only 20 were properly completed and returned. This gave an effective response rate of 51%. The survey revealed that, among the top ten critical factors (i.e. teamwork, work based on contract, supervision based on leadership by example and provision of equipment) had great effect on motivation as well as impact on productivity. More so communication, love and belongingness, opportunity to undertake challenging task, identification with goal and overtime were among the critical factors.

Keywords: Concept of Environment, Business Environment, Organizational Performance and Effects of Business Environment on Organizational Performance

Introduction
Business is any commercial or economic activity that tends towards business profit. The primary, objective of business organizations is to make profit, grow and survive in the environment in which it operates.

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. Unethical
behaviour also affects profit. All these settings provide multiple contexts that influence how the organization operates and how and what it produces.

(Oghojafor, 1998)

In management, the word “Environment” does not necessarily mean physical surroundings, but is used to describe all those influences that bear upon the individual organizations. 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 the business (STEP) social, technological, economical, legal and political. It provides opportunities or poses threats to the organization.

Since business makes demand on the society and the society makes demands on the business, managers in any organization must interact with and respond to environmental factors internal or external to their organizations. The sum of these interrelationships within the business and between the business and the society is what is the management regarded as business environment.

Organizations survival and success depend on the appropriate adoptions to a complex and over changing environment. It is pertinent for top management of organization to identify opportunities and threats in the external environment. Internal environment, it should focus on strengths and weakness, potential and existing ones. It should respond swiftly, in order to know where it can have competitive advantage over its rivals. Therefore, any organization should look or search its environment continuously. Oghojafor (1998).

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 firm.

The need for studying business environment became important considering the fact that business organization do not operate in vacuum and effective management in complex and dynamic society such as Nigeria, requires the assessment of strengths and weaknesses of the organization and the opportunities and threats posed and the challenges of the external environment by the challenges of the external environment. For survival and growth, organization must adapt to these changes. The objective of this study is to examine the impact environmental challenges on the performance of business organization.
Objectives of the study
i. To determine the extent at which environment factor affect Nigeria business.
ii. To evaluate business environment in order to ascertain the type of environment suitable for growth and development
iii. To add to existing knowledge in various categories of business sectors
iv. To explore ways in which effective performance can be ascertained
v. To examine the environment and business relationship.

Research questions
i. How does an economic problem affect the business environment?
ii. How does the improvement on technological level affect development in business environment?
iii. How does ethical behaviour affect the performance of employee or an organization in the environment?
v. To what extent will political instability affect business environment?

Concept of environment
Environment is the totality of the surroundings of the organization for wider concept. Harrison (1996) defines environment as all the conditions circumstances, and influences surrounding and affecting the development of the total organization or any of its internal systems. He argued that environment contains forces of complexity that are dynamic to varying degrees at differences, and under different circumstances.

Atsegbua (2002) described environment as the system of abiotic, biotic and interact and simultaneous to which he adapts and transforms and uses in order to satisfy his needs.

The Black Law Dictionary (6th edition) physical, economical, cultural, aesthetic and social circumstances and factors which surround and affect the desirability and value of property and which also affect the quality of peoples’ lives.

In environment, the word “environment” is used to describe all those influences that bear upon the individual organization. Bernard (1999) notes that environment consists of atoms and molecules, agglomerations of things in motion, laws of men, emotions of physical laws, social laws, social ideas, norms, action, of forces and resistances. Their number is infinite and they are always changing.

The nature of the constituting the environment often confronts management with the need to make decisions under considerable uncertainty. The dynamic nature of variables that are seldom well identified their controls over the outcomes of events initiated within the organization are also complex. However, the frequent lack of control does not mean that
management should disregard the environment, but rather that it must undertake continuous surveillance of the environment so it may respond to adverse reactions or outside changes.

Every organization must exist in some extent; no organization is an island unto itself. Each organization has goals and responsibilities relates to others in its environment. Not only must or organization deal with its environment in coordinating its everybody’s affairs, but it is must also give consideration to the goals of others, as it establishes its own goals and conducts its operations.

**Business environment**

As a concept, business environment is regarded to be a complex and important consequent, the concept has been addressed in a number of ways by different scholars. For example Ola (1993) seems to believe that business environment is phenomenon that is too complex and too varied to be captured by any one definition.

The important of business environment has been attested to by numerous scholars such as Oyebanji (1994), Lawal (1993) and Aldrich (1979). All these scholars have discussed extensively that business environment is an important process to influence on a group in particular situation to motivate others to goals achievement. Environment in management does not mean the surrounding but it covers the factors of forces that affect business effectiveness in the process of producing an intending result.

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.

Ola (1993) classified Nigerian business environment as the Nigerian economy since the businesses are established and managed within an economy. He was of the opinion that the state of affairs has a significant on the business within that economy.

Oyebanji (1994) further testified that Nigerian business environment has witnessed a total change, which started from the oil boom era in 1960s austerity measure in the early 70’s and structural adjustment programme in the 80s.

Aldrich (1979) said the environment was made up of stable and unstable homogenous, heterogeneous, rich and poor, complex and simple, unpredictable variables. He further stressed that business environmental
factors change along with factors of production and environmental influences may be stable over a certain period of time.

The assertion was supported by Ashley and Van de Van (1986), which had the view that the manager’s basic role is to be able to manage and control the organization in the difficult and emergency period. Changes take the form of adaptation. The manager must perceive the process and respond to a changing environment by re-arranging the internal organization structures so as to ensure survival and effectiveness. The need for studying business environment is important considering the fact that business organization do not operate in a vacuum, effective management to complex and dynamic society requires the assessment of strength and weakness of the organization and the opportunity and threat posed by the challenges of the external environment. For survival and growth, organization must adapt these changes.

**Types of environment**

There are two types of environment namely, External environment and internal environment (Lawal, 1993).

**The Internal Environment**

This includes situational factors within the organization. These factors are largely the result of decisions of the management process, most times under management control. It is described as the resources, behaviour, strengths, weaknesses, synergy and distinctive completeness within or internal to the organization.

An organization uses different types of resources produces synergy or dynergy within an organization which leads to the development of strengths of weaknesses over a period of time.

Organizational capability in the design and implementation of corporate policy and strategy rests on the organization’s capacity and ability to use its distinctive competencies to excel in a particular field.

There are five major variables within the organization that management must consider:

(i) Objectives (ii) Structure (iii) Tasks (iv) Technology (v) People

**Objectives**

These are the specific desired results, the group wishes to attain, by working together. Management’s development of objectives through the planning process is a powerful mechanism of co-ordination. It helps the members of the organization know what they are expected to accomplish. It helps the members of the organization know what they are expected to accomplish. The objectives could be in terms of increase in profit,
productivity, cost-effectiveness, market shares, quality service, and new product development, management training and selection, Social responsibility etc.

Structure

Formal organizations are made up of several levels of management and sub-units called functional areas in marketing, personnel, finance, productions etc. Structure of an organization is the logical relationship of specific management levels and functional areas arranged in such a way as to permit the effective attainment of objectives.

Tasks

Assigned work to be completed in a specified manner within a specified period of time. An outgrowth of the division of labour is the creation of tasks. Based on management’s decision on structure, each position is assigned a set pf tasks, intended to make a contribution to the attainment of the organization’s objectives.

Technology

This is a management raw material - people, information, or physical; materials - into desirable goods and services. It also includes machines, equipment supplies of knowledge used in the transformation process.

People

When we speak of organization, management, subordinates, workers we are simply describing groups of people. When a factory close an abstract man management did not make that decision some individual did. When a company’s product is of low quality, it is people who have not done their job correctly. Management attains its objectives through people-therefore, people are important and these differences must be learned. Research has shown that the probability of any two people behaving in an absolutely identical manner in all situations is nil.
All of the internal variables are interrelated. A change in one variable invariably affects others to some degree. If it has a negative effect on one variable it may impede the attainment of organizational objectives.

**External environment**

An organization’s external environment consists of those things outside an organization such as customers, competitors, government agencies, suppliers, labour, financial firms that are relevant to organization’s operations.

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 environment**

There are two types of external environment

**Direct (task) Environment:** These are factors that directly affect and are affected by the organization’s operations and performance. These are: customers, competitors, labour unions, government regulatory agencies.

a. Customers: People and organizations in the environment who acquire goods or services from the organization is the organizations success. The only valid business purpose is to create customers.
b. Competitors: Other organizations in the same industry or types of business that provide goods or services to the same customers. Unique competitive issues, entry difficulty etc are key issues to be addressed here.

c. Suppliers: People and organizations who provide the raw material the organization uses to produce its output (materials, equipment, energy, and capital, labour).

d. Government Regulatory Agencies: There are several government agencies regulate the activities of business through politics and laws which have great influence on business. These laws and policies have positive or negative influence on the businesses.

Indirect (general) environment

It covers a broad dimension and influences it’s surrounding which create the overall not necessarily associated with other specific. Each dimension embodies the condition and events that have the potential of influencing the organization in special ways.

(A) economic dimension

Griffin (1997), in his write-up stressed much 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.

(B) technological dimension

It refers to the method of converting resources into finished products and services by using new machines. The technology, which is applied within an organization, comes from general environment. It includes inventions and improvement of existing methods, machines and materials.

This could mean the vast storage of organized knowledge of doing things mechanically rather than manual. The result of technological influence is on the methods of work, design of production as well as machine and improved services.

The benefit to the society can be itemized as follows:

i. Increased in the availability of goods and services to the society.

ii. Reduction in price, though it encourages large scales production and improves the standard of living of the society.

iii. Efficiency of production is maintained.
iv. It improves the design, planning, scheduling and control of production system.

v. Mechanization and automation of the organization system are made possible. Mechanization is said to be substitution of machinery, which is for labour. Capital-intensive equipment while automation is the manufacturing of product or its parts automatically from one process to another.

(C) ethical/social dimension

This includes the customers, moral values, rules and demographically characteristics of the society in which the organization function. Ethical behaviour process is important because it determine the product, services and the level of conduct that the society is likely to get. 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. Ethical heritage manifest itself in certain behavioural patterns being ob served in business operation.

(D) political dimension

It is observed that political factors are the government regulations on business. The relationship between business and government are important for three basic reasons.

First, the legal system partially defined what an organization should or should not do.

Secondly, the pro-business or anti-business sentiments, in which the government use to influence business activities in organization.

Thirdly, the political stability has ramifications on planning, for example, no organization wants to set up business in another country where the trade relationship are not relatively defined and stable.

Oyebanji (1994) believed that a stable political environment enhance growth and development and also encourages both foreign and local investors. As regards to legal environment, it encourages the business organization to stay abreast to any business legislation. For business organization to be legally fit, the big ones need to establish the legal departments while the small ones hire the service of legal experts. In Nigeria, the present political dispensation does not encourage investors both foreign and local.
(E) government

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.

Organizational performance

Organizational performance involves the 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.

Through firm money intending to take unnecessary action and decision such as embarking on research and development, which may displease the investors who have a short time to stay.

Okunola (1998) described organization as an entity formed by or comprising a group of people with the aims and objective carrying out some specific functions or performance of responsibilities or the other.

Derek (1998) 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.

Effects of business environment on organizational performance

The business environment and its application to work environment is an outcome of his work as director of the institute of social research, university of Michigan, USA. In his book “New Pattern of Management” about high producing supervisors who achieve the highest level of productivity at the lowest production costs with the highest level of employee motivation. In his research work, he indicates that high producing managers tend to build their successful achievement around their interlocking work groups employees whose level of co-operation is sustained through range of business incentive that extend motives and involves the ego and creativity motives. The research noted that the high producing manager utilized the tool of the classical management work-study while recognizing the aspirations of the employees by encouraging participative approaches. Okunola stressed the important of supportive relationship; management can thus achieve very high productive performance when the employees see their
membership of the work group as “Supportive”, that is, when the experience a sense of personal worth, importance and recognition from belonging to the work group.

Okunola (1998) is one management philosopher who focused on the differences between individuals and the class of needs in addition to the market strategy, which include the need for achievement, power and for affiliation.

He further related the strength and/or dominance of each need in individual with high need for achievement strive on jobs projects that tax their own skills and abilities. They also set realistic goals and objective for them, such people are usually individualistic and would want to be appraised as to how well they are. However, the greatest disadvantage for those with achievement need is that they tend to be more task-oriented and less concerned with strong power needs to dominate or gain power influence of control over people. That the motivation managers and supervisors to possess some reasonable degree of all three kinds of needs.

However, the dominant need, according to Okunola’s findings, is the need for achievement. Nevertheless, his ideas are very important as a contribution to our understanding of business environment how best the concept of achievement need might be applied in practice at the work place, and especially when dealing with young, ambitious employees.

Business environment is formed not merely on some sense of objective reality, but on its own perception of reality, business needs to properly taken care of, for profit margin to be accurate. In consonance with this theory, individuals attempt to determine the probability of a measure of expectancy of outcome. The personal outcomes are rewards that organization can provide like pay increase, promotion, bonus, allowances, level and even relationship with workmates etc, while the expected to such outcomes refers to expectancy, the measure of importance attached to such outcomes or reward is known as valence, the value of which are a result of the attractiveness and the opinion of the beneficiaries about the reward in questions.

In order to improve business environment therefore, managers should improve the skill and motivational level or conditions of the employee. In establishment where promotion is perceived as attractive prospect (valance) by a newly appointed staff, it allows the effective performance of works, it encourages the perception of the workers, which they have toward their job, on ‘god fatherism’, and his output is discouraged. All efforts directed towards performance do not necessarily lead to reward but it’s been ascertain that reward increase the effective performance of employees.

The exhibition of negative business environment understanding of course proves to the management the need to control environmental factors
by the creation of certain adequate adjustment and motivational incentives. Lack of free environment problems among workers, employers and customers in the organization allow frustration and negative uncompromising behaviour which are exhibited as apathy, increased, absenteeism, planning and execution of fraudulent acts etc. they become disgruntled, pessimistic, counter-productive and develop defensive mechanisms. In effect, workers indulge in acts and practices that jeopardize and negate the attainment of organizational goals.

The managers should work out the appropriate plans that would enable the workers to be highly task-oriented towards the fulfillment of the organizations ultimate goal in his bid to reach personal goals and achieve them. It is here that the worker intensifies goals-oriented action in his pursuits of both company incentives and personal goals.

At the attainment of his final goals, the previously aroused tension reduces and fails completely. Thus, a continuous exhibition of the same incentive package may fail to elicit further favourable and positive behaviour from the same person. There the manager’s job is more demanding as he is expected to know the proper solution to the situation he might be in the process of achieving the ultimate goals of the organization.

**The implication to management in nigeria**

It is clearly stated that in an environment, certain opportunities or threats may be minimized by the organizations on those activities which are either profitable or a threat to the business organization. The practical example was during the oil boom era in the late 70s and early 80s in Nigeria whereby the oil sector of economy accounted for about 22% of the Gross Domestic Product out of 80% of the total government revenue and over 90% of the export earnings. At the time, the organizations were flourishing until the sudden fall of the oil price in the mid 1981.

However, foreign exchange crises emerged and there was a decline in the price of US dollar, which fell from $25.9 billion in 1980 to $7.2 billion in 1986, which had adverse consequences of the company under study.

Since then, many business organizations have been finding it difficult to survive. They could no longer produce quality product; hence the masses preferred foreign products due to the following reasons.

**Economic factors**

There is quality in the foreign product, price reduction and availability of the product in the market.
Psychological factors

People seek for distinctiveness, exclusiveness and egoism in the quantity of most goods and it is only foreign products that probably have that outstanding quality which most buyers and owners of goods are looking for.

Historical factors

Habits and past experiences can influence the consumers taste and choice, for example, even before independence, Nigerians preferred foreign products to local ones, and this has come to stay in their behaviours.

Government attitude and regard to foreign goods

The government preferred and placed much regard on foreign contractors to the local ones; they also allow foreign products to be imported into the country at low rate of import duties and by its weak attempt to check smuggling.

In conclusion, for many business organizations to succeed in his turbulent time, it has to be managed very well so as to withstand sudden fall and to avail itself of sudden unexpected opportunities.

Research methodology

This study utilized both primary and secondary sources of data collection for the collection relevant information needed in the study. The primary source includes questionnaire and personal interview with the respondents to collect information for the study. The secondary sources include journals, articles, magazines, textbooks and literature review and shall serve as basis of our theoretical framework.

The method of data analysis and test of operational hypothesis is non-parametric technique which utilize chi-square statistic.

The research design is the framework analysis and interpreting the research observation. In actual fact, it reveals inferences concerning casual relation and defines the domain of generalizability. Basically, the survey method is utilized as the basic approach of the study. The method attempts to be fairly representative of the population of interest in its selection sample of study. Questionnaire, structured interview and secondary data are the tools that will be used as descriptive survey to obtain desired information. Osuagwu, L. (2002).

Population of the study

The population of this research study is the entire employees of Union Bank of Nigeria. The population of the study was two hundred and fifty (250) and seventy (62) was administered. However, because of the large number of beverage companies in Lagos and the time framework within
which this study is expected to be completed, a beverage company is selected as a case study.

**Sample and sampling technique**

Union Bank of Nigeria is chosen as the representative of the population. For this study, a sample size of 62 respondents was sampled. The 62 respondents were taken randomly on equal basis from the related departments of the bank.

**Sources of data**

The data employed in compiling this research study are obtained from primary and secondary sources. The primary sources of data collection give the researcher information directly from the subject being selected. The primary sources of data will be through questionnaire and observation. The secondary source of data is data derive internally base on desk research.

**Data analysis and interpretation of results**

The focus of this chapter is mainly on the analysis of facts gathered by the research through the administration of questionnaires. The questionnaires which are mainly administered to Union Bank of Nigeria employees and management staffs was used to gather data in form of getting the opinions of these respondents on the impact of business environment on organizational performance.

The hypotheses formulated and stated will then be subjected to test in order to discussion. This is through the use of scientific analytical tool. The research is also aimed at towards finding out whether or not business or workplace environment has contributed to the performance or not.

**Summary**

The business environment are those factors that influences the individual’s business organization historical factors, psychological factors, government attitude and regard to foreign good, international factors and marketing approaches. The relationship between business and its environment is mutual, that is, the environment exerts pressure on business, while business, in turn influences various aspects of its environment. Business also depends on its environment for the supply of all its inputs and at the same time to absorb its output.

The influence of the environment boils down to two essential forces which the organization must respond to – information gathering and scarce material and financial resources. These forces create uncertainty i.e. lack of information to anticipate external changes and resources availability.
There are two categories of environmental forces that influenced business performance. These are internal environmental forces and external environmental forces. The internal environmental forces or influence are those that affect the enterprise as separate entity. They consist of function structure and relationship in the enterprise. The forces that affect a business unit as well as other enterprises operating within the same environmental are known as external environment. They are external to the enterprise and cannot be effectively controlled by managers. They are relevant for the success of the organization.

The business enterprises in Nigeria have several limitations that account for their inefficiencies and failures sometimes. Many are these problems are unique to small enterprises, while others are general to all business enterprises irrespective of size. The internal problems that affect the small scale enterprise and other enterprises in general include among others; wrong choice of business, lack of export, lack of business connections, management incompetence, lack of adequate attention, marketing problem, unethical, location problem, absence of production improvement technique, etc.

In order to determine the impact of business environment on the performance of organization, questionnaires were distributed to staffs and employees of Union Bank of Nigeria in order to elicit information about environmental forces that influence their company’s performance.

**Recommendations**

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

1. The company should improve on their motivational level, since it is obvious that rewards tends to increase the performance of workers. The management should try to make their workers comfortable.

2. Manager should be properly trained, so as to enable good supervision of their employee’s job. 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. The management should remember to give benefits to workers who are entitled to it; 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, the organization should learn to consider government policies or regulations. This will help to build the business since profit margin of the company will not be hindered by the regulation.
Conclusion

This study focuses on the impact of business environment on organizational performance; it is important for the management to check the relationship between the workers; employees and their customers.

In the absence of good infrastructures, the productivity level could be affected and it may also hinder the performance of the workers. There is need for motivation on the part of employees. However, it is necessary to consider the effect of the research on Union Bank of Nigeria as the sample or case study. The conclusion gathered from the study is that:

1. Environmental factors, which are the basic problems which business faces, should be well tackled. It will help to build the relationship between the management, workers and customers.

2. From the analysis made in the study, it will be suitable to improve on management level, worker welfare, consider government policies, well trained or educated and finally improve on the technological equipment used for business.

3. This research will help in adding to knowledge of people in business. People could use some analysis/techniques in the research to solve certain problems they might face in their business.

4. Knowing that business effectiveness cannot be ascertain, the research will help the company to ascertain or achieve effective performance, through the use of some of the techniques.

5. The research has shown that there is a relationship between business and environment.

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