Effect of External Environment on the Performance of Small and Medium Scale Enterprises in Benue State

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Abstract:

The study assessed the effect of External Environment on the Performance of Small and Medium Scale Enterprises in Benue State. Primary and secondary data were used for the study. Primary data were obtained by the use of a well-structured questionnaire. The study made use of 316 respondents from the SMEs in the selected geopolitical zones in Benue. Demographic data obtained from the study were analyzed by the use of descriptive statistics such as percentages, frequencies and multiple regressions Analysis. The result also shows that a positive relationship between Political environment, Technological environment and competitive environment with Small and medium scale enterprises performance in Benue State and it is in line with a priori expectation and it is statistically significant (p<0.05). This implies that these external environments dimension significantly contributes in varying degree to the performance of SMEs in Benue State. The coefficient of determination R² for the study is 77.0% indicating that 77.0% of the variations in the model can be explained by the explanatory variables of the model while 23.0% can be attributed to unexplained variation captured by the stochastic term while the Durbin Watson statistics does not suggest that autocorrelation was a problem in the model of the study. It was also recommended among others that since economic environment made a negative contribution to the performance of small and medium scale enterprises in Benue State, management of SMEs should ensure that all factors caused by economic environment is resolved to enhance effective performance of SMEs in Benue State.

Keywords: Business, Environment, SMEs, Performance, Benue, Nigeria.

1.0 Introduction:

The environmental analysis is very important for the business managers and entrepreneurs in doing their business because it will help enhance the business capability to increase their business performance. However, the external environment is considerably more important for the entrepreneurs and managers because it will stimulate the alertness to monitor the unexpected factors and prepare for business guard (Birkinshaw, Hood and Young, 2005).

Considering that performance is crucial objective of an organisation, it is generally accepted that the structure and decision making in an organisation is influenced by environmental complexity and volatility (May et al., 2000). Furthermore, it is argued that the alignment of strategies of organisations with the requirements of their environment outperform organisations that fails to achieve such alignment (Beal, 2000).
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Thus, business organisations had perceived the environment as opportunities and threats presented by such external environment as variables as socio-cultural, legal, political, economic, technology and infrastructural factors. This is not to conclude that other factors found in the micro (internal) and intermediate business environments are not important. It shows how important the scanning of the macro (external) environment is, because this in turn affects the other two environments. Where there is absence of good understanding of the external business environment, the attendance effect of this on organisational performance cannot be over emphasized. After all, it is the good performance (effectiveness, efficiency and responsiveness) that can guarantee the sustainability of the organisation in relation to its corporate goals and objectives. It must be noted, that amidst the environmental scanning and considering the fact that the Nigerian business environment is fast changing which deserves the means by which future opportunities and problems can be anticipated by organisation and company executives and administrators needs adequate attention (Birkinshaw, Hood and Young, 2005).

The modern business manager operates in a more dynamic environment. The change in the environment has been rapid and unpredictable impact on the performance of Small and Medium Scale Enterprises (SMEs). Economic and other external variables has been complex both in form and impact on the practice of business in Nigeria. Consumers and clients have shown complex behaviours both in local and international markets. The most dramatic change has been that exhibited by competitive pressures. Competitors have been applying one strategy or the other to adapt to the dynamic and unpredictable nature of the business environment. The most single significant influence on organisational policy and strategy is the environment outside and inside the organisation (Duncan, 2012; Giannopoulos et al., 2013). Organisations are institutions deliberately designed to achieve and accomplish certain goals. The activities in these organisations are affected by both the situations within the organisation and also, the situations within the larger society or environment in which the organisations operate. Currently, business environment is perceived to have been rarely exceeded in complexity, turbulence and rapid in change. all Nigerian organisations (large or small) must pay greater attention than ever before to their environments when formulating and implementing policies and strategies in order to survive and grow (Otokiti and Awodun, 2013).

There is a growing concern arising from the unpredictability of business operating environment especially for those in small and medium scale enterprises. The inconsistency of government on economic environment clearly reveals the need for environmental assessment which is apparently significant to the Nigeria SMEs. Therefore the need to understand environmental factors is a necessity. Importantly, SMEs in Nigeria had long been faced and plagued by the changes in market forces, competitions among others intending to undermine their performances, due to constant changes in the business environment. Most SMEs in Benue State are yet to have a definitive solution or answers for this endemic problem. Therefore, there is need for critical and renewed research on assessing the effect of external environment on the performance of SMEs in Benue State. Nigeria business environment in relation to the food and beverages companies in Nigeria.

The main objective of this research is the assessment of external environment on the performance of SMEs in Benue State. The specific objectives however are to: assess the effect of political environment on the performance of Small and Medium Scale Enterprises in Benue State, examine the effect of technological environment on the performance of Small and Medium Scale Enterprises in Benue State, examine the extent to which economic environment affects the on the performance of Small and Medium Scale Enterprises in Benue State and determine the effect of competitive environment on the on the performance of Small and Medium Scale Enterprises in Benue State.

2.0 Review of Related Literature:

Theoretical framework:

This study used theoretical triangulation to explain the relationship between the variables of this study by making a connection between independent and the dependent variables of the study.

The Emerging Theory:

This emergence theory is an important aspect of complexity theory. It happens when the environment parameters change, leading to a movement towards disorder of social and industrial system – as such understanding emerging aspects of the environment is important because its
influence can make an industry become ossified. In addition, organization should keep abreast of the emerging situations from the environment, developing a new strategy (Conner, 1998), development of marketing tactics for specific prospects (Forrest and Mizerski, 1996), (Gault and Jaccaci, 1996) and growth of strategic alliances (Wilkinson and Young, 1998). To be successful in a business environment, a company must recognize the patterns of the environment that indicate changes (Ball and Asbury, 1989; Morrison and Quella, 1999). If practice, such companies will be able to influence environmental changes in ways that are favourable to them.

Complexity Theory:
A collection of theories makes up the body of knowledge known as complexity and chaos theory (Boisot, 1999). The underlying idea “is that all things tend to self-organize in the business environments” (Kelly, 1999, p. 5). Invariably the complexity theory explains that environments created a difficult pattern when a number of simple rules are applied. Which means small differences in the environments can eventually result in large differences in the organization effectiveness. Also it is assume that interactions in an environment produces unexpected patterns or behaviours (Goldberg and Markoczy, 1998) because stimulating one part of the environments can have unexpected effects in other. Such unexpectedness is due to the nature, (Stacey, 1996) and the interconnectivity of the business environments (Bar-Yam, 2000). However, despite apparent uncontrollability, the environment is not totally chaotic. Also environments’ behaviours cannot be predicted, they are influenced by mutual relationships between members of the environment variables (Baskin, 1998). The complex theory allows organization to continually adapt, and close to edge of chaos business environment for creativity and innovation. Creativity used to cope with business environment using complex theory includes corporate vision and values (Frederick, 1998; Bates, 1999), market entry and development activities (Black and Farias, 1998) and customer relationship management (Kurtyka, 2000). It has also been shown inventory levels (Rasmussen and Mosekilde, 1988), and advertising (Feichtinger, Hommes & Milik, 1994).

In this line of thought, several chaos and complexity theory have relevance to business organization, reason is because it will help an organization understands the process of a pattern of order emerging from a set of changes in an interconnected environments. Also the environment is not controlled by an outside influence only but through the inter-relationships of the environments. As a result, individual organization cannot predict and have a longer-plan (Wilkinson and Young, 1998; Frederick, 1998; Kelly, 1999); this continuous self-organization allows and encourages organization to develop creative responses against emerging changes in the environment.

Conceptual Framework:
The External Environment:
Many companies are now competing in a global market, not only in the domestic market. Changes in technology and increased ability to acquire and process information require the implementation and competing responses are more timely and effective (Chuck, 2011). Rapid sociological changes that occur in many countries affects employment, in addition to the desired product properties consumers increasingly varied. Policies and laws that affect the government outlined the company's choice of where and how they will try and compete. Companies should be alert and aware of the impact of the reality of this environment, so it can be an effective actor in the global economy. In organizations that compete strategically, the owner/manager of the company will look for patterns that can help them understand their external environment, and this may be different from what they expected. It is important for decision makers to have an understanding of the competitive position of the company and accurately. Decision-makers in SMEs, in this case the owners/managers of SMEs should be aware that the knowledge of their corporate environment will help in improving the competitive position of the company, improve operating efficiency, as well as winning the battle in the global economy (Ireland, Hoskisson and Hitt, 2011).

The concept of external environment is important for effective firm’s operations; most business organization attempt is to understand the outside forces of the organization boundaries because it helps to shape them positively or negatively. The key dimensions of the external environment principally consist of a micro environment and macro environment. The micro environment of a firm consists of, human resources (employees) of a
firm and value. It analyzes the customer-base of a firm, those representing the minor and major clients. It deals with suppliers and the chain of network. It deals with financial resources of the organization. It deals with technological resources of the organization; he further posit that, macro environment involves the overall issues of firms broader dimensions, because it principally consist of economic, technological, political, legal and international environment; competitive environment (Birkinshaw, Hood and Young, 2005).

Dimensions of external Business Environment:

a) Technological Environment:

According to McNamara and Watson, 2005:184-190, technology can be defined as the totality of means – means such as knowledge, methods, materials, and tools used to achieve practical outcome. A way for the company to establish work methods, work patterns, and information structures. It is the tools and the means, but not the primary goal or result to be pursued…Technologies have the potential to improve speed, quality and efficiency. In the mainstream of modern culture, technology is considered to be one of the answers to most problems and/or restrictions in business. It is seen as the way that a business can emerge from the past and enter a brighter, more efficient future. There are many and various technologies that could be addressed in terms of benefiting SMEs. For this research, only a specific few will be dealt with in terms of those that are considered to be leading edge and most appropriate for SMEs.

Many SMEs have a very local flavour to technology and they do not see the “need for connectivity”. They address the needs of a very local market and do not recognize any need for expanding their current operations technologically. These businesses do know that adapting new technologies will further benefit their current business model because most of their businesses are done within a small community and their customers rely fully on them for service and product guarantee. Some small business owners or managers are reluctant to enter the technology scene because they are uncertain of the security and privacy concerns that are almost certain to occur. For such business owners, the idea of e-commerce in any shape is too risky for their business. The idea of Internet related business activities or electronic data is not a necessary thing but something to be avoided at all costs. Other issues relate to the lack of Information Technology professionals, because technology industry seems to be so complicated, there are many companies who do not engage in new technologies due to lack of the expertise on their staff to handle the potential problems that might arise.

Mihyo (2014) posits that ‘budget for the technology’ as seen to be quite expensive and also ‘lack of proper infrastructure’ (incompatibility between the old and new technology). Available technologies for SMEs are Voice over Internet Protocol (VoIP) which is a technology that “allows you to make telephone calls using a computer network, over a data network like the Internet” (Chandler, 2005:32-68). The major benefit of VoIP is that it takes what would otherwise be a long distance call and makes it a local call. The reduction in cell phone bills alone for one company can make up for the costs of implementation. There are several different technologies that fall under the category of data protection. For those networks that are linked both internally and externally, a firewall is necessary to keep would be hackers and pilferers out.

b) Economic Environment:

Ogundele (2005) says that economic environment is vital concern to any organisation. He further said that, the economic environment goes a long way to determine and define the opportunities for an organisation; 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 organisation. It is of paramount importance that the management should be able to distinguish between short-run phenomena and more fundamental changes in its assessment of the overall economy. The political environment is viewed via the legal framework where the organisation operates and this is done through the laws and regulations that guides the operations of the business in question. The political stability of the environment is also a necessity for effective and efficient operation of the business. The management of the organisation must take cognisance of these constraints, actual and potential, and seek out the implications for the business organisation from legal advisers (Ogundele, 2005).
c) Political and Legal Environment:
Political processes and legislation influence the activities a business organisation, these factors being restrictive in nature, tends to reduce the potential ability of a financial institution. As such, some of the important factors capable of influencing the political environment of a firm include; The political system of a country, its goals and stability, the political structure and ideology, the political philosophy of a country, that government’s role in business, its policies and interventions in business development (Kazmi, 2008). Over the years, government involvement in the affairs of business has steadily increased, because of the need to ensure adherence to high ethical principles in the conduct of business enforced by regulatory agencies. Basically business organization are mostly influenced by price control, valuation of imports and exports, trade practices, labeling, food and drug regulations, employment conditions, collective bargaining, competitive practices, and so on. The influence of regulatory agencies is pervasive, and an understanding of how they operate is essential to protecting business interest and the advancing of new programs to achieve higher performance. Importantly, understanding the complexity of the legal environment is very important to avoid situations of ineffectiveness. In particular, a business industry has to be aware of the regulation on doing business, the protection against patents and trademarks, changes in taxation, such as corporation tax, capital gains tax, value added tax, etc., legislation to control companies, monopolies, mergers and restrictive practices. In the context of Nigeria, the government is characterized by constant changes in leadership, which most often result in constant changes in policies.

d) Competitive Environment:
Small and medium scale enterprises in Benue State must also consider the competitive environment, by evaluating the nature of competition in the industry, as well as the profitability within the industry because these often produce direct influence on the development of such industry, given this, Dess et al., (2008) posits that a firm competitive environment consists of many factors that particularly relevant to resource strategy, they include: competitor’s potential or existing customers and suppliers. There is an increasing trend for firms to expand their operations and market reach beyond the borders of their “home country”. Globalization provides both opportunities to access larger potential markets and a broad base of production factors such as raw material, labour, skill managers and technical professionals.
However, such endeavours also carry many political and economic risks (Dess et al., 2008). More importantly, Kazmi (2008) suggest that factors in the global environment that have high impact on firm’s operations, includes: Globalization, Global financial system, Global trade and commerce, its process and trend, Global demographic patterns and shifts, Global human resource institutions, availability nature and quality of skills and expertise mobility of labour and other skilled personnel, Global technological and quality systems and standards, Global markets and competitiveness.

Organizational Performance:
Organizational performance (OP) has been taught with many conflicting definitions and it is not a new phenomenon among the academics and the industrialists as well as public institutions. Organizational Performance has been a source of influence to the actions taking by companies and the degree to which an organisation realizes its goals as well as the stated objectives of the organisation through the strategies and policies of the organisation (Folan and Browne, 2005). The idea of OP is hanged on the position or premise that it is a combination of productive assets made up of human, physical, and capital resources, for the major reason of fulfilling a dream, vision or accomplishing a shared purpose (Barney, 2002; Carton & Hofer, 2006). Organizational Performance is also viewed as the measure of how a manager utilizes the resources of the organisation efficiently and effectively to accomplish the goals of the organisation as well as satisfying all the stakeholders (Jones and George, 2009). Richard et al. (2009) described Organizational Performance as the real output measured against the intended or expected output. They viewed Organizational Performance as a term that is made up of three major areas of firm outcomes and these three areas are: Financial Performance that is made up of profits, return on assets (ROA), return on investment (ROI) etc. Product Market Performance such as sales, market share, etc. Shareholders return such as total shareholder return (TSR), economic value added (EVA).
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Review of Related Empirical Studies:

Adeoye and Elegunde (2012) studied Impacts of External Business Environment on Organisational Performance in the Food and Beverage Industry in Nigeria. The specific objective of the study is to investigate the influence of economic and political environment on organisational performance. A questionnaire was developed to collect information from the respondents based on a sample of 3 companies with 150 sample size. Data collected were analyzed using multiple regression analysis. The findings of the analysis shows that the external business environment (political, economic, socio-cultural, technological, etc.) have impact on organisational performance (effectiveness, efficiency, increase in sales, achievement of corporate goals etc.). It was thus recommended that organisations should pay more attentions to their environment by doing periodic scanning.

Mai and Phuong (2013) studied The Impact of External Environment, Technology and Innovation Capacities, and Leadership Development on Organizational Performance in Food Industry: A Qualitative Study of Food Enterprises in Ho Chi Minh City, Vietnam. The study investigates the current issues for conducting technology transfer and innovation processes at food processing enterprises in Ho Chi Minh city, Vietnam. By conducting an extensive qualitative study comprised of 8 in-depth interviews with Executive managers and R&D managers, we identify seven main themes that emerged from the data concerning the specific contents for food processing enterprises. Correspondents described how the relative issues of externals, capacities, leadership in their organizations contribute to technology transfer and innovation effectiveness, and in turn lead to sustainable performance. In addition, respondents also noted challenges associated with implementing technology transfer projects. Based on prior studies and these challenges, we propose a conceptual model of innovation process and technology transfer in food processing enterprises as influenced three main factors - external environment, technology transfer and innovation capacities, and leadership. Changes in any of the three factors can potentially influence both technology transfer and innovation effectiveness and overall organizational performance.

Bojan and Zoran (2014) studied Analysis of External Environment’s Moderating Role on the Entrepreneurial Orientation and Business Performance Relationship among Italian Small Enterprises. According to the author, scientific research of entrepreneurship has produced the concept of entrepreneurial orientation, which has grown into one of the most important factors when it comes to management research. Thus, the study explored relations between the constructs of entrepreneurial orientation and business performance in small companies, as well as the moderating effects of external environment factors. Findings of the study indicate that relationship between the entrepreneurial orientation and performance is extremely complex because it is moderated by many internal and external factors. Although a lot of research on the topic has already been done, global changes condition the necessity for new findings in light of these changes. In order to gain new insights, authors conduct primary research.

Sofyan and Ina (2015) studied Internal and External Environment Analysis on the Performance of Small and Medium Industries (SMEs) In Indonesia. The researchers indicated that many countries around the world make the construction and development of Industrial Micro, Small and Medium Enterprises as one of the crucial driving force for economic growth of their country. One of the characteristics of the dynamics and good economic performance with high growth rates in the countries of East and Southeast Asia is a performance Industrial Micro, Small and Medium Enterprises highly efficient, productive, and has a high level of competitiveness. The existence of industrial Micro, Small, and Medium Enterprises is essential for the economic stability of a country. This industry has a role in facilitating the development of the global economy, because this sector is seen to provide an important contribution in the transition to a market economy through the process of creativity, encourage the advancement of technology, organizational innovation, change, job creation, income generation, economic competitiveness, and other aspects of social development in general, and industrial expansion, in particular. The theoretical results showed that internal and external environment analysis have a significant effect on the performance of small and medium industries (SMEs) in Indonesia.

Heather, (2010) studied External Environmental Analysis for Small and Medium Enterprises (SMEs). According to the researcher, Small and
Medium Enterprises (SMEs) face unique challenges in the business environment. SMEs need to successfully deal with the prevalent forces for change if they are to survive and grow and meet the expectations to create investment and employment opportunities. Successfully adapting to change from technological advances, customer expectations, supplier requirements, the regulatory environment and increasing competition requires successful implementation of organizational change. The ‘Degrees of Turbulence’ Model is proposed as a self assessment tool to aid SMEs in their environmental scan and to assist in assessing the potential impact and adjusting to the impending changes in the external environment to ensure continued viability.

Shah and Mohammed (2012) studied Effects of Internal and External Factors on Internet-Based Digital Technology Usage by SMEs in a Developing Country. This study analyses the effects of culture and environment on the adoption and use of Internet based digital technology (IBDT) by small and medium sized enterprises (SMEs) from a developing country perspective. A structural equation modeling was employed within a mix method research setting with a cross-sectional dataset of 557 SMEs in Bangladesh. The study reveals a significant association of normative pressures, coercive pressures, power distance, in-group collectivism, Bengali values, perceived usefulness, and perceived ease of use with SMEs intention to use IBDT while intention significantly affects actual usage behavior.

3.0 Research Methodology:

Research Design:

The researcher adopts the survey research design in this research work because survey research studies large and small populations to discover the relative incidence, the distribution and interrelations of some certain variables. It involves the use of questionnaires, and generalization of the results of the sample to the population from which it is drawn. The target population for this study consists of all the respondents from all the duly registered SMEs in Makurdi, Katsina Ala and Otukpo Metropolis of Benue State being the three Local Government Areas with the largest concentration of SMEs and also representing the three geopolitical zones in Benue State. Record from the state ministry of commerce and industries shows the following statistics of registered SMEs in Makurdi, Katsina Ala and Otukpo: Makurdi is 748, Katsina Ala is 318 and Otukpo is 424 with a total of 1490 (Ministry of commerce and industry, 2018).

The sample size for this research was determined quantitatively using the 1969 Taro Yamane formula and the estimated sample size estimate is 316. Primary data was used for the study and the data was obtained using a structured questionnaire. To ensure that the data gathering instrument being used will measure what it is supposed to measure and will do this in a consistent manner, the validity and reliability of the instrument must be tested. One of the methods of testing the validity of a data gathering instrument is to submit it to experts to validate it. This approach was used in this research work. The data collection instrument was submitted to the data analysts and experts on the field for validation and thereafter, the instrument was administered on the respondents at least on two different occasions. The result of the pilot study was subjected to factor analysis, a statistical test to determine the validity of the questionnaire after a pilot study and the result indicates that the instrument is valid. The result of the pilot test will be used to examine the reliability of the instrument used for the study. This is done by the use of Cronbach Alpha analysis. The result shows a Cronbach Alpha coefficient of 0.894 which falls above the limit of acceptable reliability for a research instrument.

Model Specification:

Based on the empirical review of related literature in chapter two, general model of this study is stated as shown below where External Environment (EXTE) has the following four dimensions. In implicit form the above relationship can be expressed in the following model specifications:

\[ SMEP = f(PE, TE, EE, CE) \]  

Where,

PE = Political Environment  
TE = Technological Environment  
EE = Economic environment  
CE = Competitive Environment  
SMEP = SME Performance

In explicit form, the model can be expressed in the form:
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\[ \text{SMEP} = b_0 + b_1 \text{PE} + b_2 \text{TE} + b_3 \text{EE} + b_4 \text{CE} + U_t \]

\( - (2) \)

Where,

- \( b_0 = \) Regression constant or intercept
- \( b_1, b_2, b_3, b_4 = \text{Regression coefficient} \)
- \( U_t = \text{Error term} \)

**A priori:** \( b_1 > 0, b_2 > 0, b_3 > 0, b_4 > 0 \)

\( (X_1) = \text{Political Environment; a priori expectation is positive} \)

\( (X_2) = \text{Technological Environment; a priori expectation is positive} \)

\( (X_3) = \text{Economic environment; a priori expectation is positive} \)

\( (X_4) = \text{Competitive Environment; a priori expectation is positive} \)

**Data Analysis:**

In this research, the Statistical Package for Social Sciences (SPSS) will be used for data entry and analysis. Descriptive statistics will be used to summarize respondent’s characteristics, including demographic information, while inferential statistics (simple multiple linear regression analysis) will be used to examine the effect of external environment on performance of SMEs in Benue State.

The hypotheses will be tested by the use of standard error test as specified by Koutsoyiannis (2001) with the following decision rule which will be adopted for accepting or rejecting hypotheses: *If the standard error of \( b_i \), \( S (b_i) > 1/2b_i \) we accept the null hypothesis, that is, we accept that the estimate \( b_i \) is not statistically significant at the 5% level of significance. If the standard error of \( b_i \), \( S (b_i) < 1/2b_i \) we reject the null hypothesis, in other words, that is, we accept that the estimate \( b_i \) is statistically significant at the 5% level of significance.*

**4.0 Results and Discussion:**

This section presents the result of the regression analysis on the effect of the independent variables on the dependent variables of the study. This starts with the presenting the result of the normality assumption.

**Fig. 1: Regression standardized residual**

*Source: Author Computation, 2019*

Figure 1 above shows a histogram of the residuals with a normal curve superimposed. The residuals look close to normal, implying a normal distribution of data. Here is a plot of the residuals versus predicted dependent variable of Small and Medium Scale Enterprises Performance (SMEP). The pattern shown above indicates no problems with the assumption that the residuals are normally distributed at each level of the dependent variable and constant in variance across levels of \( Y \). It is very unlikely that a histogram of sample data will produce a perfectly smooth normal curve like the one displayed over the histogram, especially if the sample size is small. As long as the data is approximately normally distributed, with a peak in the middle and fairly symmetrical, the assumption of normality has been met.
When the sample size of the study is not very large, it is important to examine the normal P-P plot as it provides a clearer picture of data distribution. The plot of regression standardized residuals shows equal numbers of points on either side of the regression line. The normal P-P plot is an alternative graphical method of assessing normality to the histogram and is easier to use when there are small sample sizes. The scatter should lie as close to the line as possible in opposite direction with no obvious pattern coming away from the line for the data to be considered normally distributed as in the case of the data for this study.

**Table 1: Model Summary**

| Model | R     | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------|-------------------|-----------------------------|---------------|
| 1     | .812<sup>a</sup> | .770              | 14.16460                   | 2.420         |

a. Predictors: (Constant), CE, TE, PE, EE
b. Dependent Variable: SMEP

*Source: Author Computation, 2019*

The coefficient of determination R<sup>2</sup> for the study is 0.770 or 77.0%. This indicates that 77.0% of the variations in the model can be explained by the explanatory variables of the model while 23.0% can be attributed to unexplained variation captured by the stochastic term. The Durbin-Watson statistics is 2.420; this shows that there is a minimal degree of negative autocorrelation in the model of the study which falls within the limit of acceptance.

**Table 2: Regressions coefficient**

| Model | Unstandardized Coefficients | Standardized Coefficients | t     | Sig.  |
|-------|-----------------------------|---------------------------|-------|-------|
|       | B| Std. Error | Beta | | | |
| 1     | 30.259 | 27.586 | 1.097 | .286 |
| PE    | .501 | .111 | .421 | .857 | .040 |
| TE    | .628 | .129 | .552 | .974 | .034 |
| EE    | -.459 | .013 | -.436 | -.760 | .094 |
| CE    | .573 | .019 | .509 | .717 | .008 |

a. Dependent Variable: SMEP

*Source: Author Computation, 2019*
Discussion of Findings:

The analysis of our study indicates that male respondents were higher in number with percentage than the female distribution. The distribution of the respondents based on age shows that majority of the respondent are above the age of critical reasoning. This distribution of the respondents based on educational qualification displays a literal sample of respondents who are educated to the level of giving rational answers to questions which will help to provide a reasonable conclusion to this study. The distribution of respondents based on their marital status identifies that majority of the respondents are married people with a percentage value of 66.77% while 33.23% of the sampled respondents are singles. Sofyan (2015) who studied Internal and External Environment Analysis on the Performance of Small and Medium Industries (SMEs) In Indonesia found similar result. The research findings identified that respondent indicated that the Nigeria business environment is strategic to the performance of Small and Medium Scale Enterprises in Benue State. Also the research findings reveals that the Nigeria business environment affects the the performance of Small and Medium Scale Enterprises in Benue State. Moreso, majority of the research participant agreed that the Nigeria business environment does not affect the the performance of Small and Medium Scale Enterprises in Benue State, as 50% of participant strongly agree. Also participants accept by stating that the reason for proper assessment of the business environment is to reduce its effects on the performance of Small and Medium Scale Enterprises in Benue State.

Respondent's level of agreement indicates that that the unpredictability of the business environment has affected the entire profit of SMEs in Benue State. In the same vein, respondent suggested that the SMEs in Benue State are experiencing low profit margin due to unpredictability of the environment as it appears 56% participants strongly agree. Findings show that despite the strategic importance of the performance of Small and Medium Scale Enterprises in Benue State economic environment has affected their performance. Findings reveal that the constant change of the business environment has overtime affected the sustainable sales in the market. It’s obvious that the SMEs in Benue State is not effective in terms national development due to constant market forces, as shown by the results of the descriptive statistics. Importantly it was discovered through that the SMEs in Benue State is mostly affected by changes in consumer behaviour. Notably the unstable market demand is the major market forces that affect the substantial performance of SMEs in Benue State. The coefficient of determination R² for the study is 0.770 or 77.0%. This indicates that 77.0% of the variations in the model can be explained by the explanatory variables of the model while 23.0% can be attributed to unexplained variation captured by the stochastic term. The Durbin Watson statistics is 2.420; this shows that there is a minimal degree of negative autocorrelation in the model of the study which falls within the limit of acceptance.

The result of the regression model above, shows a positive relationship between political environment (PE) and Small and Medium Scale Enterprises Performance (SMEP) and the relationship is statistically significant (p<0.05). The relationship is in line with a priori expectation. This result is in line with the findings of Ebrahimi (2000) in his study of Perceived strategic uncertainty and environmental scanning behaviour of Hong Kong Chinese Executives. A positive relationship exists between Technological Environment (TE) and Medium Scale Enterprises Performance (SMEP) and the relationship is statistically significant (p<0.05). It is also in line with a priori expectation. The study by Cerenkov and Judge (2005) in Organizational capacity for change and environmental performance: An empirical assessment of Bulgarian firms found similar result. A negative relationship exist between Economic Environment (EE) and Small and Medium Scale Enterprises Performance (SMEP) and the relationship is not statistically (p>0.05) and not in line with a priori expectation. Mai and Phuong (2013) who studied the impact of external environment, technology and Innovation Capacities, and Leadership Development on Organizational Performance in Food Industry: A Qualitative Study of Food Enterprises in Ho Chi Minh City found.

The findings indicates that a positive relationship exists between Competitive Environment (CE) and Small and Medium Scale Enterprises Performance.
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(SMEP) and the relationship is statistically significant \(p < 0.05\) and in line with a priori expectation. This could be attributed to several factors such the market forces which are dictated by the forces of demand and supply which may affect the competitive environment of the goods and services from the companies under study. This is supported by the work of Bojan and Zoran (2014) studied the Analysis of External Environment’s Moderating Role on the Entrepreneurial Orientation and Business Performance Relationship among Italian Small Enterprises. Hypothesis one shows that there is a significant relationship between political environment and performance of Small and Medium Scale Enterprises in Benue State. This result is in line with the findings of Brush, (1992) which found the same relationship.

Hypothesis two indicates that technological environment does have a significant effect on the performance of Small and Medium Scale Enterprises in Benue State. This result is different from the findings of Child (2007), which found an inverse relationship between technology and performance of Small and Medium Scale Enterprises in Benue State. The result of hypothesis three implies that Economic Environment does have a significant effect on the performance of Small and Medium Scale Enterprises in Benue State. This result is in line or with the findings of Chae, and Hill (1997) in their study which found the same, results. The findings of hypothesis four implies that there is a significant relationship between competitive environment and the performance of Small and Medium Scale Enterprises in Benue State. This result is in line with the findings of Venkatraman, and Ramanujam, (2006) in their study of “measurement of business performance and strategy found the same result.

5.0 Conclusion and Recommendations:

Conclusion:

The examination of external environment provides an effective analysis to determine its impact on SMEs in Benue State. There is absence of good understanding of the external business environment and the attendance effect of this on organisational performance. It was noted that organisational performance does not happen in a vacuum but within a certain environment which has challenges and opportunities. This study has provided that nexus to understand the interrelationship between external environment and the performance of small and medium scale enterprises in Benue State. If the SMEs in Benue State espouse their business objectives effectively in line with existing environment they will actively and favourably enjoy good performance and effectiveness. Importantly, assessment of business environment does not only add to the SMEs efficiency and effectiveness it also promotes and enhance performance that will lead to enhancement or increasing market share, operations and competitive advantage. This general environment is a relatively remote environment and the elements that compose it have an indirect influence on the organizational performance.

External business environment are strongly correlated with the Small and Medium Scale Enterprises effective performance, hence it is an important aspect of achieving an effective performance of Small and Medium Scale Enterprises in Benue State.

Recommendations:

Based on the findings of the study, the following recommendations are made:

(i) The performance of small and medium scale enterprises in Benue State should be strategically pursued as it has been found to be affected by wide array of several factors.

(ii) Economic environment made a negative contribution to the performance of small and medium scale enterprises in Benue State, hence management should ensure that all factors caused by economic environment is resolved to enhance effective performance.

(iii) The risk posed by the various external environments is huge; hence it is very important to mitigate these risks if the business must perform effectively.

(iv) The SMEs major stakeholder should ensure effective application of strategic plans to help strengthen existing industry orientation capable of reducing business environment impacts.

(v) The SMEs in Benue State must balance the emphasis placed on market opportunities in terms
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of achievement of objectives and assessment of business environment.

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