

## Impact of Political and Socio-Cultural Business Environment on Growth & Market Performance in Selected ICT Companies in Lagos State

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### Abstract

The growth and Market performance of most organisations are affected by political and socio-cultural business environment which often calls for environmental scanning to guard against such unforeseen situation leveraging on Information and Telecommunication Technology (ICT) of this century. This study investigated the impact of political and socio-cultural business environment on market performance of some selected ICT companies in Lagos State. (Zinox technologies Ltd, Spectra net Nigeria Ltd, Multi-links Telecommunications limited in Lagos State. Specifically, political and socio-cultural environment were assessed. The study adopted descriptive survey design. Data were elicited via primary and secondary sources. The population was 900 staff of the three ICT firms which sample was determined as 277 respondents by Yaro Yamane formula which was proportionately distributed to the firms. 240 respondents completed and returned their questionnaires giving an 86% response rate. Statistical package for social sciences and simple linear regression was used for the analysis. It was observed that political environment is significantly related to sales turnover ( $r=0.817$ ,  $R^2=0.668$  for hypothesis one). For hypothesis two, the coefficient of the simple regression is ( $r=0.606$ ),  $P$  (t-stat) =  $0.000 < 0.05$ ) which implies that there is a significant relationship between socio-cultural environment and market share. Concluding, business environment as indicated from political and social segments has impact on the performance of ICT companies in Lagos State. Therefore, there is need to key in adequate business environmental scanning to enhance companies' performance and sustainability.

**Keywords:** *Political Environment, Socio-cultural Environment, Business Environment, Market Performance, ICT.*

### Background to the Study

Political and socio-cultural business environments are part of external business environment that can impact positively or negatively on the growth and market performance of any business organisation. Duncan (1972) cited in Adanri (2015) viewed external business environment as the totality of factors outside an organization that are taken into consideration by an organization in its decision making. 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).

The socio-cultural environment consists of the people's attitudes, values, life styles, poverty level which are paramount to business performance especially in ICT firms. Socio-cultural environment is a set of beliefs, customs, practices and behavior that exists within a population that affects the business. It consists of factors related to human relationships and the impacts of social attitude and cultural values on the business of the organization (Adanri, 2015).

Information and communication technology (ICT) offers the promise of fundamentally changing the lives of most of the world's population. In its various forms, ICT affects many of the processes of business and government, how individuals live, work and interact, and enjoy the quality of the natural and built environment. The development of internationally comparable ICT statistics is essential for governments to be able to adequately design, implement, monitor and evaluate ICT policies (Kabuoh, Adanri, Ogundiwin & Uwem, 2015). Information and communication technology has roles in the creation of employment and self-employment opportunities. Impacts can be direct, through growth of the ICT sector and ICT-using industries, and indirect through multiplier effects. In economies increasingly dependent ICT environs, individuals will benefit by having requisite ICT skills, thereby enhancing their opportunities for employment. Arguably, ICT can also lead to loss of employment as tasks are automated. In respect of the ICT sector in low-income countries, telecommunication services might offer the greatest opportunities for employment creation (UNCTAD, 2010).

### Statement of the problem

Nigerian business environment is characterized with political and socio-cultural factors that at times affect the performance of Nigerian companies in the areas of low market share, poor sales turn over, high cost of production, lack of foreign exchange to source needed inputs, low capital utilisation, poor power supply, and low quality of goods and services, among others. These issues have led to lack of proper integration and coordination of various corporate subsystems in Nigerian organisations, resulting in the failure to achieve the stated goals and objectives (Kabuoh, Adanri, Ogundiwin & Uwem, 2015). Enterprises are subsumed in the environment with which they interact by importing inputs and exporting outputs. Thus, the vagaries and the extremities of the environment affect the

fortunes of organisations (kennerly & Nelly, 2003).). Political and social-cultural factors as well as other environmental factors are perceived as both opportunities and threats by business organisations. This call for serious environmental scanning by firms' management to guard against being pushed out by competitors which invariably might affect the market performance of such firms. The presence of information technology (ICT) has both positive and negative effect on business organization posing more challenge to them especially in this era where Nigerian business environment is fast changing with the anticipation of future opportunities and problems facing them.

This study therefore seeks to examine the effect of political and socio cultural business environments on the growth and market performance in selected ICT firms in Lagos state.

#### Objectives of the Study

The main objective of the study is to investigate the effect of political and socio-cultural external business environments on the growth and market performance of ICT firms in Lagos state. Specifically, the study intends to:-

- i. Examine the relationship between political environment and sales turnover.
- ii. Assess the relationship between socio-cultural environment and market share.

#### Hypotheses

##### Research Questions

The work was guided by the following research questions:

1. How will political environment affects sales turn over in selected ICT firms in Lagos State?
2. What is the relationship between socio-cultural environment and market share in selected ICT firms in Lagos State?

##### Research Hypothesis

This study will be guided by the following null hypotheses:-

1.  $H_0$ : There is no significant relationship between the political environment and sales turn over in selected ICT firms in Lagos State.
2.  $H_0$ : There is no significant relationship between the socio-cultural environment and market share of selected ICT firms in Lagos State.

#### Literature Review

Relationship between Environmental Factors, Business Performance and Growth  
Asika (2001) was of the opinion that analysis of business environment is the examination and appraisal of the opportunities and threats provided by the environment as well as the potential strengths and weaknesses the business possesses. Carrasco (2007) in Oginni (2012) however, opined that opportunities and threats are associated with external environment of a business while strengths and weaknesses are associated with internal environment of the business. Consequently, external analysis examines opportunities and threats that exist in the environment while internal analysis examines strengths and weaknesses within the business with a view of using these to combat the external forces. However, both

opportunities and threats exist independently of the firm. The internal environment is always manipulated in response to the dictate of the external environment in an attempt to meet organisational objectives. Organisational performance and growth will be gauged by how well a firm does relative to the goals it has set for itself and to what extent it has achieved such goals and objectives. Oginni (2010) was of the opinion that the intention and desire to keep the business to operate on going concern definitely calls for growth of the organisation otherwise such organisations will cease to exist.

Asika (2001) opines that organizations that recognize the presence and intensity of competition have a greater tendency to seek out information about customers for the purpose of evaluation and to use such information to their advantage thus enabling competition to drive business organizations to look for their customers in order to understand better ways to meet their needs, wants, and thereby enhances organizational performance (Azhar, 2008).

#### Political Environment

The political environment is viewed via the legal framework where the organization 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 organization must take cognizance of these constraints, actual and potential, and seek out the implications for the business organization from legal advisers (Ogundele, 2005). The issue of deregulation and commercialization of major industries and firms offer opportunities and risks for a number of firms interested in business growth especially in international operations Oyeniyi (2013), and the nature of political practice, stability, crisis, strikes, wars, corruption and policy implementation are some of the political variables that a company must be taken into consideration in decision making process. This will go a long way to enhance market performance of such organization.

#### Socio-Cultural Environment

Socio-cultural environment in broad terms consists of both the social system and the culture of a people. It refers primarily to man created intangible elements which affect people's behavior, relationship, perception and way of life, and their survival and existence. In other words, the social-cultural environment consists all elements, conditions and influences which shape the personality of an individual and potentially affect his attitude, disposition, behavior, decisions and activities.

Oyeniyi (2013) opines that socio-cultural variables of the domestic uncontrollable environment involve such issues as norms, values, life style, family structure, religion, mode of greeting and dressing. Marketing firm operating in any economy must understand, interpret and relate with these variables as they determine consumer behavior, life-style and purchasing pattern ( Oyeniyi, 2013).

Thus, social-cultural environment, in relation to entrepreneurship, can be defined as consisting of all the elements of the social system and culture of a people which positively or negatively affect and influence entrepreneurial emergence, behavior and performance, and

entrepreneurship development in general. All such elements which condition the values, thinking and action of an individual with respect to entrepreneurship comprise the social-cultural environment of entrepreneurship.

#### Market performance

Market performance is the behavior of a product – (either in form of an asset, good, security) or service in the marketplace (Business Dictionary, 2015). Market performance is enhanced by the mutual dependent and synergy of organizational learning and market orientation (Bell, Whitwel, & Lucas, 2008; Baker and Sinkula, 2002 as cited in Kamyra, 2012) Performance is a fairly broad concept, and it's meaning changes in accordance with user's perspective and needs (Lebas 1995). Traditionally, firm performance has been viewed and measured in accounting terms. However, marketing performance measurement is the assessment of “the relationship between marketing activities and business performance” (Clark & Ambler 2001, p. 231).

According to Kamyra (2012) market performance is a measurement system that is expected to cover all aspects of organizational performance in the market place –

.... It is expected to create wealth for organizations and shareholders (stakeholders Inclusive), unlike organizational performance that is an internal or employee-Focused performance (Kamyra, 2012).

It is one of the four different performance dimensions - (innovative performance, production performance, market performance and financial performance) employed in literatures to represent firm performance (Lilly & Juma, 2014; Kamyra, 2012).

#### Theoretical Framework

Some theories of performance such as Competence Based Theories, Stakeholder Theories, and Behavioral Theories abound as well as Dynamic Capabilities Theory. For space constraint and purpose of this study, we are reviewing and adopting Dynamic Capabilities Theory;

#### Dynamic Capabilities Theory (DCT)

This is defined as the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece, Pisano & Shuen, 1997). Dynamic capabilities thus reflect an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions. The concept of dynamic capabilities as the ultimate source of competitive advantage is at the forefront of strategy research (Hou & Chien, 2010).

DCT is the suitable term to stress the firm's ability to exploit internal and external changing environment to be able to beat competition, achieve organizational goal and remain in business. Beyond building organizational capability, stakeholder perceptions also indicated that the organization has to build its capacity to exploit current resources, capability exploitation, and engage in capability building (Ahenkora and Ajei 2012). Effective managers adopting DCT will always be guided by political and socio-cultural environmental forces.

## Methodology

In this study the research was carried out using the descriptive survey method which investigated the effect of political and socio-cultural business environment on growth and performance of selected ICT firms in Lagos Nigeria. Specifically, relationship between political environment and sales turnover and effect of socio-cultural environment on market share. Both primary and secondary sources of data were used. Population of the study was 900 staff from the three ICT firms from various departments as follows; Zinox technologies (300), Spectranet Nig ltd (266) and Multi-links telecommunication limited (334). Yaro Yamane method was used to determine the sample size;

The formula is given below:

$$n = \frac{N}{\{1 + N(e)^2\}}$$

Where:

n = Desired Sample Size  
N = Total Population  
e = error limit  
1 = A constant

$$\begin{aligned} \text{Given } N &= 900 \text{ and } e = .05 \text{ or } 5\% \\ \text{Therefore; } n &= \frac{900}{\{1 + 900(.05)^2\}} \\ &= \frac{900}{\{1 + 2.25\}} \\ &= \frac{900}{3.25} \\ &= 276.92 = 277 \end{aligned}$$

A total of 277 questionnaires were administered and 240 were received. This gives approximately 87 percent response rate which is good. The 277 sample was proportionately distributed among the firms as follows;

Zinox technologies (91), Spectranet Nigeria limited (84), and Multi-links telecommunications limited (102).

The instrument was a structured questionnaire which was organized in sections A, B & C. A was for the bio data of the respondents, while B & C were for each study objective variables respectively. The modified likert scale was adopted for the response choices as; Strongly Agree, Agree, Fairly Agree, Fairly Disagree, Disagree and Strongly Disagree.

The secondary source was elicited from journals, texts and other related materials.

Regression model was used to analyze the data on effects of Business Environment on growth of ICT. The response made from the primary data collected was analyzed and processed using statistical techniques. A simple regression analysis was carried out with the aid of statistical package for social sciences (SPSS).

Research hypothesis one: there is no significant relationship between the political environments on sales turnover in selected ICT firms in Lagos State.

Table 1: Test of Hypothesis one

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.817a	.668	.667	.922

a. Predictors: (Constant), X

ANOVA<sup>b</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	22.544	1	22.544	26.529	.000a
	Residual	202.252	238	.850		
	Total	224.796	239			

a. Predictors: (Constant), X

b. Dependent Variable: Y

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.446	.050		13.791	.000
	X	.274	.253	.817	5.151	.000

a. Dependent Variable: Y

Model Explanation

The regression matrix shows that the coefficient is 0.817, this implies that on average business environment has an effect on the growth of ICT firms in Lagos state. Prob. (t-stat) = 0.00 < 0.05 this implies a significant relationship between business environment and organizational growth.

The coefficient of the simple regression ( $R^2 = 0.668$ ) implies that the model established a high explanatory power. That is within the context of the model about 66.8% of the total variation on the growth of selected ICT firms are attributed to political environment and about 33.2% unexplained variations can be attributed to other factors outside the model.

Therefore, H0 is rejected this implies that political environment has a significant effect on sales turnover of ICT firms in Lagos state.

Research hypothesis two: there is no significant relationship between the socio-cultural environment and market share in selected ICT firms in Lagos State.

Table 2. Test of Hypothesis two

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606a	.367	.366	.878

a. Predictors: (Constant), X

ANOVA<sup>b</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.121	1	3.121	2.685	.000a
	Residual	273.133	235	1.162		
	Total	276.253	236			

a. Predictors: (Constant), X

b. Dependent Variable: Y

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.097	.095		10.361	.103
	X	.127	.377	.606	1.639	.000

a. Dependent Variable: Y

Model Explanation

The regression matrix shows that the coefficient is 0.606, this implies that on average business environment has an effect on the growth of ICT firms in Lagos state. Prob (t-stat) = 0.00 < 0.05 this implies a significant relationship between business environment and organizational growth.

The coefficient of the simple regression ( $R^2 = 0.367$ ) implies that the model established a moderate explanatory power. That is within the context of the model about 36.7% of the total variation on the growth of selected ICT firms are attributed to social environment and about 63.3% unexplained variations can be attributed to other factors outside the model.

Therefore, H0 is rejected this implies that social environment has a significant effect on market share of ICT firms in Lagos state.

### Conclusion

The following conclusions were made based on the findings, There is a significant relationship between the political environment and sales turnover. The political environment which includes trade restrictions, import duties, security are all viewed via the legal framework where these ICT firms operate and these variables from the findings are guided by the operations of the business which has proved to be of great significant with sales turnover

There is a significant relationship between socio-cultural environment and market share. The Nigerian business environment is such that is so sensitive with socio-cultural variables and this will always detect the market performance as consumers' behavior vary according to their attitudes, norms, purchasing patterns. The internal environment is always manipulated in response to the dictate of the external environment in an attempt to meet organisational objectives (Oginni, 2010)

### Recommendations

We recommend thus: There is need for proper bench mark of political environment of a firm as it poses challenges that might affect staff welfare. It can be threatening and serves as - opportunity and when it does, it serves as an eye opener to leverage from and penetrate the market, beat competition and improve sales turnover.

The socio-cultural environment is so sensitive to customers, and as such marketers are to study and understand the attitudes, norms and other related variables in other to enhance market share and profitability. Organizations should imbibe on proper business environment bench mark (both internal and external) to enhance improvement in their operations.

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