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Business Environment and Organizational Growth of Deposit Money Banks in Rivers State, Nigeria

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Abstract:

The purpose of this study was to determine the relationship between business environment and organizational growth in deposit money banks in Rivers State, Nigeria. Political environment and socio-cultural environment were used as the dimensions of business environment while market share was used as the measure of organizational growth. The study used cross-sectional research survey design with The target population of nineteen (19) DMBs operating in Rivers State which were also chosen as the sample size but since the study is at the organizational level (macro level) the questionnaire which was used as the research instrument was distributed to 3 selected department (human resource department, operation department and marketing department) in each of the DMBs; making the total questionnaire distributed to be 57. Spearman's rank order correlation coefficient statistical was used to test stated hypotheses with the aid of SPSS. The findings showed a positive and significant relationship between the dimensions of business environment and the measure of organizational growth in the deposit money banks in Rivers State. We thus recommended that it is very essential for top managers of organization especially that of the DMBs to effectively align themselves with the changes in the environment through continuous scanning especially that of the political and socio-cultural environment.

Keywords: Business environment, political, socio-cultural, organizational growth, market share

1. Introduction

The Nigeria business environment has been changing rapidly than ever before. As a result, organizations generally and managers specifically must reposition their organizations in order to adapt effectively and efficiently to these changes. In today's business environment, change is inevitable and organizations that does not accept change and adapt accordingly have a higher tendency to underperform and subsequently fail. The factors in the external environment which include political, social, cultural, economical, technological, ecological and legal factors can be more dangerous for an organization due to the fact that they are volatile and cannot be easily predicted. Since manufacturing firms rely on the surrounding environment for continued existence and growth, changes in the environment will definitely influence their operations.

Nnamani and Ajagu (2014) expressed that to have a good knowledge of how organizational growth works, one must know the factors that affects the organization both internally and externally called business environmental factors. These environmental factors are elements, circumstances or events that take place in the environment the organization found itself which have the capability of affecting the performance of the organization either positively or negatively. Every business firm has an environment (internally and externally), thus a good understanding of the business environment is very significant to achieving a successful organizational growth. This is because the business environment both internally and externally influence almost every facet of the organization vis-à-vis its product, market location, price, and distribution.

Business organizations are faced with challenges ranging from social, political, economic and other factors from the business environment which focus on specific issues that relate to their activities and transactions with its stakeholders (Rainey, 2008). Therefore, the right knowledge of the business environment is very important because changes in any of the elements or factors in the business environment can have a great impact on the organization's growth. Hence, if there are changes in governmental policies, technological changes, cultural changes, economical and social changes, the organization must be able to speedily adapt to this changes to maintain its survivability and growth. Thus, the growth of the firm is predicted on its capability to adapt to its environment. Therefore, Wong and Mohd (2013) expressed that if the organization wants to maintain its existence, it must adjust to changes.

All over the world, particularly in Nigeria, the banking sector is been reform on a daily basis so as the sector can be more reliable. However, there is no assurance that the infrastructural facilities of today in the banking sector will be available tomorrow due to frequent changes in the business environment. In today world, the patterns of market disruption and accelerated change have become the norm, rather than the exception. Due to the fact that the business environment has become more complex, dynamic and turbulent; in order words, today's strategy of success may not work

for tomorrow. More so, changes in recent decades and increasing competition, dynamics and environmental uncertainty are major challenges faced by today's organization which the Deposit Money Banks (DMBs) is not an exception.

DMBs operate in an environment that is full of frequent changes often regarded as uncertain and generally assumed to be more risk prone than any other sector due to the nature of their operations (Balatbat, Lin & Carmichael, 2011). Base on this fact, DMBs are under intense pressure to find ways and means to achieving and sustaining a vigorous growth and survival. Consequently, the aim of this research is to examine the relationship that exist between business environment (exclusively political and socio-cultural environment) and the growth of DMBs (market share) in Rivers State with a view to better understanding their relationships. The need for this study became imperative considering the fact that DMBs do not operate in vacuum because they depend on the environment for survival and growth; more so, the complex and dynamic nature of Nigerian environment requires the assessment of the impact of this environment on the DMBs growth, thus the aim of our study.

To achieve the above purpose, the following questions and hypotheses was dealt with empirically: what is the relationship between political environment and market share? What is the relationship between socio-cultural environment and market share? The hypotheses that were tested include the following: there is no significant relationship between political environment and market share and there is no significant relationship between socio-cultural environment and market share.

Furthermore, this study is divided into six (6) sections. Following the introduction is the literature review dealt with the theoretical background and conceptual explanation of business environment vis-à-vis political and socio-cultural environment as well as organizational growth (market share). Section three contains the methodology adopted in the paper, while section four, five and six contains data analysis/result, discussion of findings and conclusion/recommendations respectively.

2. Literature Review

2.1. Theoretical Framework

This research work adopts system theory as its theoretical framework. The theory was propounded by Ludwing Von Bertalanffy in 1956 who is an Austrian biologist. The system theory sees an organization as a system that has a number of subsystems which are interrelate, interconnect and inter-depend on each other in order for it to operate effective and efficiently (Tafamel & Adekunle, 2016). Also, the system theory also emphasize that the organization is a subset of the society which depends on the society for its survival. Hence, any changes that occur in the environment may be able to affect the growth of the organization since the organization is a sub set of the environment. The reason for using this theory is based on the fact that organizations do not exist in a vacuum; hence no organizations would be able to continue to exist without the business environment. This is because the organization depends on the environment for input resources such as human resources, material resources, money, machine which are processed and invariably sent back to the environment in form of finished goods; thus the organization and the environment depends on each other for survivability. Consequently for DMBs to function productively in the environment they operate, they must be able to understand the elements of political and socio-cultural factors that are more likely to significantly affect their growth.

2.2. The Concept of Business Environment

The business environment is very important to the survival of any organization irrespective of the size or ownership structure. Thus, Osuagwu (2001) expressed that the business environment has to do with the entirety of factors that affects, control, or decide the activities and success of the organization. The business environment has to do with forces, factors or element that are both internal and external to the organization that affects its day to day operations as well as its performance. More so, most times, the business environment can be very dynamic and complex which makes it uncontrollable for organization's managers. However, the frequent lack of control does not mean that management should disregard the environment, but rather that it must undertake continuous examination of the environment so it adapt effectively and efficiently to any changes that may occur. The business environment is very essential in predicting what the organization can attain. This is because the environment provides the needed resources for organization to meet their goals and objectives. More so, it is very difficult to predict the exact nature of future happenings and the changes in the environment due to its dynamism; thus, the need to formulate and implement suitable strategies by organizations in order to be able to cope with those changes that are inevitable (Adeoye, 2012).

The types of business environment include internal environment and external environment. However, since the internal environment is not covered in the scope of our study it will be explained in brief. The internal business environment are set of factors or forces that are within the business organization that affects its performance in which the organization has control of and such factors include: organization's workers, structure and culture of the organization, organization's strategy as well as the organization's board of directors. Furthermore, the external environment has to do with factors outside the organization that affects the operation of the organization that it does not have absolute control of. This factors or forces include: the technological environment, ecological environment, economic environment, political environment, legal environment and socio-cultural environment. However, this study is limited to political and socio-cultural environment which are discussed below:

The political environment involves the government regulations on business organization. It has to do with the policies of the government of the day as well as their attitude towards business organization activities. Consequently, it focused on the nature of the country's political structure as well as processes, enacted law and the general political and

legal conditions of the given country (Ongeti, 2014). Governments want to encourage business activity, but they also need to pass laws and put in place rules and regulations to control business activity and avoid undesirable outcomes or negative externalities. It is influenced by the philosophy of the ruling political parties, ideology of government or party in power. The formulated political policies of the government of the day are very essential in the day to day operations of the organization. Thus, the relationship between business firm and government is very significant because the political environment partially defined what an organization should or should not do and political stability has serious effect on the survival of the organization (Ongeti, 2014).

Furthermore, the socio-cultural environment consists of the socio-cultural factors that exist where a given organization operates. Culture is the beliefs, knowledge, morals, art, laws, customs, behaviour and habits which are peculiar to a people. Abolghasem, Kahkha and Hamed (2014) expressed that the socio-cultural elements that have lots of influence on business organizations are education, aesthetics, language, and religious beliefs. Aluko, Olusegun, Glolahan and Linus (2004) expressed that the socio-cultural environment plays a major role in the attitude and values customers attached to a product or service. It also plays a major role in shaping the skills, values, and custom of the organization's human resources. Consequently, any manager who wishes to function effectively in any environment must understand the socio-cultural forces and refrain from actions that are inimical to the values and norms of the people (Adeyori & Agbadudu, 2018).

2.3. The Concept of Organizational Growth

Organizational growth is an expected phenomenon that all managers as well as all business organization want to attain. Thus, Roberts and Nick (2004) expressed that all organizations want to grow; small ones want to get big, at the same time the bigger ones want to get bigger. It is an important pointer of a thriving business organization. Hence, lots of business organizations crave to attain organizational growth for the reason that it is a sign of success, progress as well as a pointer to managerial effectiveness. Furthermore, the capability of the firm to achieved stated objectives will bring about the organization's growth, as a result, Gould (2006) expressed that the organization's growth is measured based on the ability of the organization to attain stated objectives.

Organizational growth is a must, for organization to meet the demands of today increasing, difficult and uncertain business environment. Organizational growth has different meaning to different persons measured differently too. However, it was defined by Kruger (2004) in terms of addition of value, generation of revenue, as well as business volume expansion which can also be measured through product quality, market position and goodwill of the organization. It can further be measured using profitability, numbers of employees, market share, physical expansion as well as sales. However, this paper is limited to market share discussed below:

Market share is the portion of the market commanded by an organization's product or brand. It is the part of the market controlled by the organization in a given period of time and in a given geographical area (Cooper & Nakanishi, 2010). It is sales performance of a product in the market, rather than a collection of buyers for the product. In other words, it is the fraction of a market defined in terms of either units or revenue accounted for by a specific organization. The market share of the organization often time gives the organization's manager lots of concern as well as commands his or her attention because is an important indicator of measuring the performance of a product as well as the growth of the organization.

3. Methodology

The type of research design adopted in this study is cross-sectional design which is appropriate for this study because the study setting is not under our control and it is also suitable for the purpose of the study which is to examine the relationship between business environment and organizational growth of DMBs in Rivers State. The target population of this study was nineteen (19) DMBs operating in Rivers State. Although, there are twenty (20) DMBs in Nigeria; however, Providus Bank Plc is not yet operating in Rivers State. More so, the 19 DMBs was also chosen as the sample size but since the study is at the organizational level (macro level) the questionnaire which was used as the research instrument was distributed to 3 selected department (human resource department, operation department and marketing department) in each of the DMBs; making the total questionnaire distributed to be 57.

The studied DMBs include: Access Bank Nig. Ltd, Citi Bank Nig. Ltd, Eco Bank Nig. Ltd, Fidelity Bank Plc, First Bank Nig. Plc, First City Monument Bank Plc, Guarantee Trust Bank Plc, Heritage Bank Co Ltd, Key Stone Bank Ltd, Polaris Bank Ltd, Stanbic IBTC Bank Plc, Standard Chartered Bank Plc, Sterling Bank Plc, Sun Trust Bank Nig Ltd, Union Bank Nig Plc, United Bank for Africa Plc, Unity Bank Plc, Wema Bank Plc and Zenith Bank Nig Plc. More so, the questionnaire is a five point Likert questionnaire which consist of three questions and five respond choices with point scales ranging from 1 to 5: 1-strongly disagree; 2- disagree; 3- indifference; 4- agree and; 5- strongly disagree for each of the dimensions and measures of the study variable.

Business environment was operationalized using political environment and socio-cultural environment while organizational growth was operationalized using market share. The validity of the questionnaire was tested using face and content validity while the reliability of the instrument was done using Cronbach's Alpha which show Cronbach's Alpha value greater than 0.7. Distinctively, the reliability result is as follows: political environment- 0.839; socio-cultural environment- 0.927; market share - 0.794. Furthermore, the retrieved questionnaire was 54(94.74) out of 57(100%) distributed questionnaire. However, out of the 54 retrieved questionnaire, 3(5.56%) were not properly filled, thus it was discarded. 51(94.44%) of the retrieved questionnaire became useful which served as the basis for our analysis. Collected data was analyzed using the Spearman's Rank Order Correlation Coefficient Statistical with the aid of Statistical Package for Social Sciences (SPSS) within a significance level of 0.05.

4. Data Analysis and Result

The 0.05 significance level was used as criterion for either accepting the alternate hypotheses at PV less than 0.05 or rejecting the null hypotheses at PV greater than 0.05 as well as using multiple regression analysis.

4.1. The Strength of the Relationship between Business Environment and Organizational Growth

			Business Environment	Organizational Growth
Spearman's rho	Business Environment	Correlation Coefficient	1.000	.962**
		Sig. (2-tailed)	.	.000
		N	51	51
	Organizational Growth	Correlation Coefficient	.962**	1.000
		Sig. (2-tailed)	.000	.
		N	51	51

Table 1: Correlation between Business Environment and Organizational Growth

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

Source: SPSS v25: Output, 2020

Table 1 shows that a very strong and positive significant relationship exist between business environment and organizational growth with a ($\rho = 0.962$) and a PV = 0.000 which is less than 0.05. This means that business environment positively influences organizational growth significantly of DMBs in Rivers State, Nigeria.

4.2. The Direction of the Relationship between Business Environment Dimensions (Political Environment and Socio-Cultural Environment) and Market Share (Measure of Organizational Growth)

			Political Environment	Socio-cultural Environment	Market Share
Spearman's rho	Political Environment	Correlation Coefficient	1.000	1.000	.926**
		Sig. (2-tailed)	.	.	.000
		N	51	51	51
	Socio-cultural Environment	Correlation Coefficient	1.000	1.000	.857**
		Sig. (2-tailed)	.	.	.000
		N	51	51	51
	Market Share	Correlation Coefficient	.926**	.857**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	51	51	51

Table 2: Correlations Matrix on Business Environment Dimensions (Political Environment and Socio-cultural Environment) and Market Share (Measure of Organizational Growth)

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

Source: SPSS v25: Output, 2020

The Table 2 above shows that a very strong and positive significant relationship exist between political environment and market share with a ($\rho = 0.926$) and a PV = 0.000 less than 0.05; similarly from the same Table 2 above a very strong and positive relationship exist between socio-cultural environment and market share with a ($\rho = 0.857$) and a P-value at 0.000 less than 0.05. This means that political and socio-cultural environment significantly influences market share of DMBs in Rivers State, Nigeria.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.914 ^a	.921	.930	.52317

Table 3: Effect of Business Environment (Political and Socio-cultural Environment) on Market Share

a. Predictors: (Constant), Political Environment, Socio-cultural Environment

Source: SPSS v25: Output, 2020

Table 3 above reveals the degree to which political environment and socio-cultural environment influences market share with regression result (R-val. 0.914), the value implies that political environment and socio-cultural environment have a strong influence on market share. The $R^2=0.921$ implies that political environment and socio-cultural environment explain 92.1% variation in market share while the remaining 7.9% could be due to the influence of other factors not included in this study.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.803	.429		15.816	.000
	Political Environment	.499	.042	.583	11.382	.000
	Socio-cultural Environment	.308	.031	.425	8.492	.000

Table 4: Multiple Regression Result on Business Environment (Political and Socio-cultural Environment) and Market Share

a. Dependent Variable: Market Share

Source: SPSS v25: Output, 2020

4.3. Testing of Hypotheses

4.3.1. Hypothesis 1: There Is No Significant Relationship between Political Environment and Market Share

Table 2 shows a PV of 0.000 which is less than 0.05 and Table4 shows $\beta = 0.499$; $t\text{-cal.} = 11.382 > t\text{-crit.} = 1.96$ at 0.05% which means that the relationship between political environment and market share is statistically significant. We therefore accept the alternate hypothesis, thus there is significant relationship between political environment and market share of DMBs in Rivers State, Nigeria.

4.3.2. Hypothesis 2: There Is No Significant Relationship between Socio-Cultural Environment and Market Share.

Table 2 shows a PV of 0.000 which is less than 0.05 and Table4 shows $\beta = 0.308$; $t\text{-cal.} = 8.492 > t\text{-crit.} = 1.96$ at 0.05% which means that the relationship between socio-cultural environment and market share is statistically significant. We therefore accept the alternate hypothesis, thus there is significant relationship between socio-cultural environment and market share of DMBs in Rivers State, Nigeria.

5. Discussion of Findings

The findings between the relationship between business environment (political environment and socio-cultural environment) and organizational growth (market share) were observed to be significant at a 95% confidence interval. The results indicate that there is significant relationship between the studied variables. The nature of today's business environment in terms of complexity, uncertainty and its frequently changing nature in which business organizations operate have become so important to organizations growth and their general survival (Alexander & Britton, 2000), hence, managers must give particular attentions to the changes in business environment through periodic check. This is because, the more complex, uncertain and dynamic the business environment becomes, the greater the influence on the growth of the organization (Akanji, 2003); it is therefore essential for DMBs to pay special attention to the forces in the business environment during the formulation of strategies towards achieving organizational growth. More so, Aborade (2005) expressed that the inability of the organization to fully analyze the business environment is most time the bane of all the constraints facing the organizations as it provides opportunities as well as threats that affect the growth of the organization.

Furthermore, Oginni (2010) articulated that no firm can survive without depending on supportive institutions, variables and factors from the business environment. In order words, no business organization is an island of itself; the organization needs the environment as well as the environment needs the organization, thus any changes in the environment is capable of affecting the growth and survivability of the organization. The environment is very important to the organization as it provide the needed resources and opportunities for its existence while the environment also depends on the organization as the organization offers its goods and services to the people living in the environment for survival (Ajala, 2005) thus both the environment and the organization depends on each other. In order word, organizational growth is greatly linked to the business environment. The growth of the organization is conditioned by environmental characteristics like factors from the political and socio-cultural.

In accordance with our finding which shows a positive and significant relationship between political environment and market share, Andoh (2007) expressed that changes in the political environment due to changes in governmental policies affects the ability of the organization to attain higher market share. This is because the political environment delineates the regulatory as well as the legal framework within which business firms must operate; thus any changes can easily affect the market share of the organization either positively or negatively. Therefore, the direction and stability of the political environment should be a major consideration for managers on the day to day operation of the organization.

Changes in tax policies, minimum wage legislation, pricing policies, and many other actions by the government aimed at protecting the environment, the general public, employees, and consumers affect the market share of the organization and its general growth (Pearce and Robinson, 2003). For example, a rise in corporation tax may eventually affect the organization's market share as well their profits. This is because the organization is likely to shift on some of this tax increase to consumers in terms of higher prices which can eventually affect the customers buying patterns thus affecting the market share of the organization.

Furthermore, in accordance with our findings on the relationship between socio-cultural environment and market share which shows a positive and significant relationship, Adeleke (2013) expressed that the social system as well as the values a given society treasures where the organization is located has a considerable impact on the operation of the business organizations as well as their market. This is because, the believe system in a given society shape and guide the behaviour of the people residing in that society towards a given product or service, thus the socio-cultural environment in terms of values, believes and norms of the people is a major predictor of whether to accept or reject a particular product or services.

There are many factors that influence the buying process of the consumers that can affect the market share of the organization which includes the buyer's characteristics, social and cultural factors. Socio-cultural factors such as family members, peer group and reference group have a very strong impact on the buying pattern of consumers which influences the market share of the organization. This is because the family plays a very important role in the buying behavior of the consumers which includes parents, husband, wife and children.

6. Conclusion and Recommendations

Based on the findings from the analysis of collected data, we therefore conclude that there is positive and significant relationship between business environment and organizational growth. Specifically, political environment and socio-cultural environment has a positive and significant relationship with market share respectively in the DMBs in Rivers State, Nigeria. Thus, organizations growth as well as survival strongly depends on the ability of the organization to effectively and efficiently adapt to the ever changing, dynamic and complex business environment. Therefore, it is very essential for top managers of organization especially that of the DMBs to effectively align themselves with the changes in the environment through continuous scanning especially that of the political and socio-cultural environment. More so, to be able to keep up with the competition in the banking industry, DMBs managers should ensure to understand what constitute or make consumer to behave the way they do vis-à-vis their socio-cultural background in order to enhance their marketer share. Also, DMBs should incessantly scan the political environment for any opportunities or threat and always be ready to deal with it.

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