

**EFFECT OF NASARAWA STATE UNIVERSITY KEFFI CLOSURE  
ON SMALL AND MEDIUM ENTERPRISES IN KEFFI  
METROPOLIS**

**BY**

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**A PROJECT SUBMITTED TO THE SCHOOL OF  
POSTGRADUATE STUDIES, NASARAWA STATE UNIVERSITY  
KEFFI, IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
FOR THE AWARD OF POST GRADUATE DIPLOMA IN  
BUSINESS ADMINISTRATION (PGDBA) DEGREE**

**DEPARTMENT OF BUSINESS ADMINISTRATION  
FACULTY OF ADMINISTRATION  
NASARAWA STATE UNIVERSITY KEFFI,  
NIGERIA**

**JUNE, 2019**

## **DECLARATION**

I hereby declare that this Dissertation has been written by me and it is the report of my research work. It has not been presented in any previous application for Post Graduate Diploma in Business Administration (PGDBA) Degree. All quotations are indicated and sources of information specially acknowledged by means of Bibliography.

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**Date**

## CERTIFICATION

This Dissertation, titled the “**Effect of Nasarawa State University Keffi Closure on Small and Medium Enterprises in Keffi Metropolis**” meets the requirements governing the award of Post Graduate Diploma in Business Administration (PGDBA) Degree in Business Administration, of the School of Postgraduate Studies of Nasarawa State University, Keffi for its contribution to knowledge and literary presentation.

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## **DEDICATION**

This work is dedicated to Almighty God.

## **ACKNOWLEDGEMENTS**

My gratitude goes first to God Almighty, the giver of life and health for His grace is sufficient and made available to me all through my study period. I would also like to thank my project supervisor Ahmed Ibrahim of the department of Business Administration/Faculty of Administration, Nasarawa State University, Keffi. The door to his office was always open whenever I ran into a trouble spot or had a question about my writing. He consistently allowed this project to be my own work, but steered me in the right direction whenever he thought I needed it.

I am most grateful to all my lecturers who impacted my knowledge in the field of business administration and management, significantly enough to be indirectly responsible for this work. I also acknowledge several people who agreed to be interviewed and encouraged this project with their invaluable contribution. I cannot thank you enough.

Finally, I must express my profound gratitude to my elder brother, Hon. Lumumba Dan Adeh, who made it possible for me to be in school and due to the financial implication of my being in school, I appreciate you so much sir. I also extend my gratitude to my friends who encouraged me in every way. My aunty Esther Bitrus Yerima and my special aunty Victoria Kande Auta, thank you for taking out time from your busy schedules to check through my work and make necessary observations. God Bless You all.

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## ABSTRACT

*Businesses exist for a number of reasons, which include profit making, growth, and increase in revenue to mention but few. Therefore, in changing environment some businesses are faced with challenges of making sales, which in turn affect the profitability and growth of such businesses. The main objective of this study is to examine the effect of university closure on SMEs in Keffi. Having reviewed relevant literature, this study used primary data to execute this study and adopted descriptive research design. The targeted population was 874 businesses within Keffi metropolis on whom we administered 174 copies of questionnaire based on purposive sampling techniques. We retrieved the completed questionnaire, checked for accuracy and completeness, discarded the incorrectly completed questionnaire responses, and used 151, coded for data analysis. We summarised the responses using descriptive statistics before moving on to regression analysis and hypothesis tested at 5% level of significance. The findings revealed that university closure have significant negative effect on profitability, sales, expenditure and staffing. We therefore recommend that small and medium businesses need to diversify in other stable locations such as Masaka, Karu, Akwanga among others. That will ensure stable sales revenue, cash flow and profitability over the times when the University is closed*

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

No business organization can operate successfully in isolation without dependence on supportive institutions, variables and factors (Oginni, 2010) This means businesses exist and operate within an environment where there is complex interplay in terms of activities as well as networks of relationship between and among human resources, material resources and other systems. In the views of Aborade (2005) all business decisions are found to be contingent upon a good analysis of the environment which is often the bane of all the constraints as this environment creates the opportunities, threats and problems for the business organisation. Evolving from this is the belief that business organization is an integral part of its environment on the ground that they are mutually interdependent and exclusive where the environment plays the role of providing the resources and opportunities to organization for its existence, and the business organization in turn, offers its goods and services to the people living in the environment for survival and enlightenment (Ajala 2005). This is also in line with the views of Adi (2006) that the most important sole influence on organizational policy and strategy at any point in its development is the environment, both within and outside the organization. Akanji (2003) was of the opinion that the more complex, turbulent and dynamic an environment becomes, the greater the impact on human attitudes, business, organizational structure,

market and process as well as facilities, therefore there is need for all organizations to direct their attention to the environment when formulating their strategic management policies in order to facilitate their survival, growth and profit motives.

The Nigerian business environment in the last one decade has witnessed unsatisfactory progress cumulating into retarded growth rate, high rate of unemployment, low industrial output, coupled with poor demand in terms of services and tangible products. Energy crisis continued unabated forcing majority of the organisations to depend wholly on generator as a constant source of generating electricity, supply of petroleum product is epileptic in addition to frequent changes in pump price resulting into increase in the general price level of all products without any exception due to cobweb effect; most of the organisations are ravaged with strikes from time to time. The relationship between industrial representatives and government institutions and representatives keep nose-diving virtually on all matters, criminal activities increasing at alarming and uncontrollable rate, exercising excessive control through plethora of rules and regulations with stringent conditions, tax policies without adequate provision of infrastructural facilities to ameliorate business operations. In the face of all these challenges, how effectively can a business organisation respond to its basic operational functions of survival, growth and profit maximisation, hence the need to examine the environmental factors in business environment with implications on the survival and growth of businesses is of great importance.

The word “Environment” does not necessarily mean physical surroundings, but is used to describe all those influences that bear upon the individual organizations. Business environment is used to mean anything, which surrounds the business organization. It affects the decisions, strategies, process and performance of the business. The environment is consisting of factors which are beyond the control of the business (STEP) social, technological, economical, legal and political. It provides opportunities or poses threats to the organization.

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

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

The Nigerian business environment has witnessed a lot changes from the period of the oil boom in the 1960s and the early 1970s. Austerity measures in the early 1980s and the structured adjustment programme in the late 1980s from the company act of 1960s allied matter decree in the 1990s, undoubtedly brought in

the eighties' the opportunities to be exploited by some firms or the problems that inhibit the survival of so many business firms.

The need for studying business environment became important considering the fact that business organizations do not operate in a vacuum and effective management in a complex and dynamic society such as Nigeria, requires the assessment of strengths and weaknesses of the organization and the opportunities and threats posed and the challenges of the external environment by the challenges of the external environment. For survival and growth, organizations must adapt to these changes. The nature constituting the environment often confronts management with the need to make decisions under considerable uncertainty. The dynamic nature of variables that are seldom well identified their controls over the outcomes of events initiated within the organization are also complex. However, the frequent lack of control does not mean that management should disregard the environment, but rather that it must undertake continuous surveillance of the environment so it may respond to adverse reactions or outside changes.

Every organization must exist in some context; no organization is an island unto itself. Each organization has goals and responsibilities that relate to others in its environment. Not only must an organization deal with its environment in coordinating its everyday affairs, but it must also give consideration to the goals of others, as it establishes its own goals and conducts its operations. The general environment is a relatively remote environment and the elements that compose it have an indirect influence on the organization. This environment is

typically composed of factors such as social values, educational, political, economic, legal, behavioural, demographic, natural environment, natural resources, and technological (Asheghian & Ebrahimi, 1990; Grant, 1999).

The environment of going concerns, like the habitats of animals, contributes to their development. Like the natural environments of living beings, the environment of a business can either enhance or stifle its growth and development. The nature and extent of the impact of the environment on any one company depends on the internal configuration of such a company. Researchers have categorized the environment into three components, the preparedness of any one company being referred to as the internal environment. These are the macro environment, the industry environment and the internal environment. It has also been shown that the internal environment affect performance most followed by the industry environment and lastly, the macro environment there is a symbiotic relationship or interdependence between business and environment. Business cannot operate in a vacuum, it needs environment. Environment also determines the nature, types, success and failure of any business.

Bello (2011) opined that there is growing international evidence that a sustainable business climate in which entrepreneurship and private investment is encouraged within the ambiance of sound government policies is essential for the promotion of rapid and sustainable development.

According to him, globalization has created a multiplicity of linkages and interactions between people, nations and economic governance institutions which

have widened and dictated the direction and scope of flow of capital among economies (Bello, 2011).

Business environment entails social political, cultural and economic factors or conditions that are capable of affecting the life, growth and development of business outfit or venture. This conditions ranges from customer's choice, changes to government policies.

Business as social institution, is faced with challenges of social considerations which focus on specific issues that has to do with activities and transactions with employees, customer shareholders, suppliers among other social consideration including protecting the health and safety of the general population, preventing harm to the natural environment, developing and deploying ethical standards and practices, meeting cultural and social norms, balancing interest of the business with the interests of the society and being a proactive entity (Rainey, 2008). Political consideration also plays vital role in the determination of success or otherwise of business. Political and regulatory changes are often the traces of the social and economic conditions and issues. These have direct impact on the functioning of business.

Nigeria is a country blessed with abundant resources. It is expected that every necessary infrastructure needed to drive the economy are put in place to enable business and all other economic activities thrive accordingly. But unfortunately, in the contemporary Nigeria, the most critical infrastructure needed to drive the economy are conspicuously absent. Power (Electricity) supply is poor, roads are

bad, policies are unstable and insecurity unabated. This picture clearly depicts unfriendly business environment.

Although, Nigeria has a population of over 180 million and present a wonderful climate for investment, there are 36 states, with federal capital territory, 744 local government headquarters as well as several other cities and big towns, each with substantial population, but, business opportunities, which serves as hallmark of big cities has remain precarious in most of these cities.

## **1.2 Statement of the Problem**

In Nigeria, businesses have packed up, staggered, collapsed, and relocated as a result of unfavourable conditions of the environment. Therefore businesses in the last one decade has witnessed unsatisfactory progress resulting into retarded growth rate, high rate of unemployment, low industrial output, coupled with poor demand in terms of services and tangible products which has lead so many businesses to collapse. The planned or forced closure of Nasarawa State University ultimately lead to changes in demography shift as a large population of Keffi is made up of students. So closure which often mean dispersion of student population usually lead to fluctuation in so many business activities causing many businesses to close down and resulting into increase in the price of commodity in other to bridge cash flow gap. Often this attempt has failed and many businesses face serious distortions in their cash flow and profitability as do survival over longer times in Keffi. This study attempt to examine and evaluate the underlying issues of how business may operate in a turbulence environment such as Keffi.

### **1.3 Research Questions**

We will propose the following questions in order to formulate solutions to the above problem:

1. How does university closure influence sales revenue of SMEs in Keffi?
2. How does university closure influence the profitability of SMEs in Keffi?
3. How does university closure influence SMEs staffing in Keffi?
4. How does university closure influence business expenditure of SMEs in Keffi?

### **1.4 Objectives of the Study**

Business growth, survival and performance is a considerable part of business, which makes it important to properly and correctly assess its effectiveness and efficiency. It is upon this premise the broad objectives of this work to examine the effect of university closure on business. The specific objectives were to

1. To examine the influence of university closure on sales revenue of SMEs in Keffi.
2. To assess the influence of university closure on profitability of SMEs in Keffi.
3. To evaluate the influence of university closure on SMEs staffing in Keffi.
4. To assess the influence of university closure on business expenditure of SMEs in Keffi.

## **1.5 Research Hypothesis**

Based on the objectives and research questions stated above the following null hypotheses are formulated for testing in this study.

- Ho<sub>1</sub>** University closure does not significantly influence sales revenue of SMEs in Keffi.
- Ho<sub>2</sub>** University closure does not significantly influence the profitability of SMEs in Keffi.
- Ho<sub>3</sub>** University closure does not significantly influence SMEs staffing in Keffi.
- Ho<sub>4</sub>** University closure does not significantly influence business expenditure of SMEs in Keffi.

## **1.6 Significance of the Study**

The study is to provide an insight on the dynamism of business environment through which major and minor constraints in the environment were identified, the role of environmental factors in ensuring as well as heralding survival and growth of businesses in relation to danger posed by these environmental factors were identified. The study has equally placed environmental factors in the fore front of business survival and growth thus enlightening that the success of any business organisation is contingent on understanding the environmental factors.

## **1.7 Scope of the Study**

The study was conducted within the framework of accessing and analysing business performance and survival. The study was carried out in Nasarawa State University, Keffi and the Small and Medium Enterprises in Keffi. The main locus of the study comprises the Keffi township areas of Angwan Lambu, High

Court, GRA, Keffi Central (including Central Street from Total Roundabout to FMC Roundabout, Keffi Market, City, Dadin Kowa, Kofar Hausa and Nasarawa) and Kaduna. These are the main clusters of business and SMEs concentrations in Keffi Metropolis.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Conceptual framework**

In modern times, environment is expressed as the summed total of the external forces that influence individuals, businesses and communities (Oginni and Faseyiku, 2012). These forces have significant influence on the success or otherwise of business enterprises in a set environment. In the views of Adebayo (2012), environment is summarised as the surrounding of a phenomenon, which from time dictate and shape the direction of the business organisation that does not operate in a vacuum. Otherwise, it operates within the environment where the production and distribution of goods and services are carried out and channelled to the needs of the communities. Of course this makes sense because, activities of the individual is greatly affected and usually controlled by his total social environment so is the business activity in which individuals or groups of individuals participate. In the process, there is an interaction between businesses and environment. Earlier study states that environment has been seen as the totality of the factors that affect, influence, or determine the operations or performance of a business. The following year Azhar (2008) interpreted these environmental determinants as possible business achievements. Furthermore, environment is the combination of many factors both tangible and non-tangible elements that provides lifeblood support for the business success through provision of market for its products and services and by serving as a source of resources to others in the environment. We may reasonably state that the

environment of a business is the aggregation of the pattern of all the external and internal conditions and influences that affect the existence, growth and development of the business.

Adebayo, Ogunyomi and Ojodu (2005) carried their study of environment that they divided into internal and external elements, which they align to the classification of businesses as well. This relates to both internal and external business environments. The internal element is made up of variables or factors that organisation has control over and can easily manipulate to suit its purpose as may be dictated by the prevailing circumstances such as capital, personnel, profit, procedure, policy, structure, objective among others. The external business environment is made up of extraneous variables or factors that are outside the control of the organisational management and cannot be manipulated such as demography, technology, politics, and government legislation. In addition to these are economic, socio-cultural and physical factors. Even before this study, Asheghian & Ebrahimi (1990) and Grant (1999) identified another environmental variable from the external environment known as *task environment*. This is found immediately outside the organisation and argued that it is the closest environment of the organization with customers, suppliers, labour union, labour market and competitors. It also includes financial institutions and raw materials as the main elements of the environment. These have direct influence on the organization unlike the other external environment that have indirect influence on the business organisation's performance. The task environment is characterised by uncertainty because it is believed that it is connected with the short-term and is somewhat more volatile than the general environment that is aligned with the

long-run environmental uncertainty arising from the organization's inability to predict its environment.

Obasan (2001) defines environment as the sum total of the physical and social forces and institutions that are relevant to the organisational goal setting and goal attainment that are taken directly into consideration by members of the organisation when making business decisions and plans. In Osuagwu (2001) view, environment has been seen as the totality of the factors that affect, influence, or determine the operations or performance of a business. The environment determines what is possible for the business to achieve. Therefore, environment is the combination of many factors both tangible and non-tangible that provides the lifeblood for the business to succeed by providing a market for its products and services and by serving as a source of resources to others

### **Concept of Business environment**

Different scholars have addressed business environment in its complexity in a number of ways. For example, Ola (1993) seems to believe that business environment is phenomenon that is too complex and too varied to be captured by any one definition.

Oyebanji (1994), Lawal (1993) and Aldrich (1979).have discussed extensively that business environment is an important factor that exert influence on a group in a particular situation to motivate others to achieve their goals. Environment does not necessarily mean surrounding, but it covers the factors of forces that affect business effectiveness in the process of producing an intending result.

Oyebanji (1994) defined business environment as those factors that can influence the individual's business. He stressed further by saying that every organization must take into consideration the environmental constraints, material and human resources in their respective business in spite of their differences in status and that the effect of the environment carries from one situation to another.

(Oluremi and Gbenga 2011). Asserted that for a business organisation to succeed it must develop a clear understanding of the trends of business environment and forces that shape competition. The knowledge of these will enable the organization to choose the appropriate strategy or strategies that fit the trends in the business environment it is set to operate. These can be achieved through environmental scanning analysis that focuses on the variables such as strengths, weaknesses, opportunities and threat (SWOT). In the views of Adeoye (2012) he opined that the dynamic and rapidly changing environment in which most businesses compete is of paramount importance. Hence, businesses should adopt suitable strategies that will help maintain their performance measurement system and provide relevant information to issues that are of paramount importance. Ibidun and Ogundele (2013) in their study stated that the nature of business environment can be classified into three states namely, dynamic (continuous changes), stable (relative changes) and unstable (frequent changes). These will in time immemorial help in repositioning the businesses through appropriate strategies. Furthermore Ogundele (2005) clearly expressed that the perception of businesses on the nature of the business environment depends largely on the size and industry in which it operates. Therefore all

businesses have different nature of business environment (dynamic, stable or unstable) as each would derive its own peculiarity based on size and sector of the economy it belongs to. Business environment scanning also involves the examination and appraisal of the opportunities and threats provided by the environment as well as the potential strengths and weaknesses the business possesses. 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. Furthermore, Oginni (2010), states that the internal environment is always manipulated in response to the dictate of the external environment in an attempt to meet organisational objectives. The internal and external factors examined in their study included strengths, weaknesses, opportunities and threats. Their study showed that firm's strengths are related to their financial resources and the weaknesses are related to the firms' management. The study further revealed that the external factors, which become opportunities to the firms, are support and encouragement from the government, and that threats are the bureaucratic procedures that firms have to face in order to get plan approval and certificate of fitness. The external environment in which businesses operate is complex and constantly changing which makes it more competitive. This was supported by the views of Asika, (2001) that businesses that recognizes 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 gain competitive advantage over their competitors.

According to Alexander (2000), the dynamic and rapidly changing environment in which most businesses compete has made business environment to have significant impact on the survival and performance of business (effectiveness, efficiency, and increase in sales, achievement of corporate goals among others). Based on these, businesses should pay more attentions to their environment by conducting and embarking on periodic scanning. Thus, the impact of environmental factors on business performance towards profit objective is found to have an increasingly stronger interrelationship that require more sophisticated business strategies. External environment and their factors helps visualize the analysis of business survival and growth in an attempt to enhance understanding of how environmental factors work together with the variables of business survival and growth to determine the future of business organisation. There are lot of factors that shape business environment, which includes:

**Demographic factors:** demographic factors include spread and distribution of population and societal types, based on grading of people of different societal status. Examples of demographic factors include age distribution, gender spread, societal grouping, migration, geographical grouping, and population density.

**Technological factors:** This include research and development activity, technological incentives and the rate of technological change. They can determine barrier to entry, minimum efficient production level and influence outsourcing decisions. Technological shifts can affect costs, quality and stimulate further invention, innovation and competition.

**Ecological factors:-** These include environmental aspect such as weather, climate, and climate change, which may affect industries like tourism farming and insurance. Growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

**Legal factors:** Included in this component are discriminatory law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products.

**Political factors:** This is described as the extent and level of government direct and indirect intervention and influence on businesses in an economy. In particular, political factors include the following areas; tax policy, labour law, environmental law, trade restrictions, tariffs, incentives and political stability. It may also involves goods and services which the government provide or has intention to provide or not to provide.

**Economic factors:** These are economic growth, interest rates, exchange rates and the inflation rate. These factors have influence on the operation and determination of businesses. For instance, interest rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

The last but not the least factor is the social factors, which is the cultural aspects. These aspects include health consciousness, population, growth rate and age distribution as well as career attitudes and emphasis on safety nets. According to them, trends in social factors affect the demand for a company's productions and how that company operates.

Apart from these factors, other factors such as financial sources, image and reputation, information system, required skills and professionals' among other and affect business environment. Many of these factors are present in Nigeria and capable of affecting businesses.

Ola (1993) classified Nigerian business environment as the Nigerian economy since the businesses are established and managed within an economy. He was of the opinion that the state of affairs has a significant on the business within that economy. Aldrich (1979) said the environment was made up of stable and unstable homogenous, heterogeneous, rich and poor, complex and simple, unpredictable variables. He further stressed that business environmental factors change along with factors of production and environmental influences may be stable over a certain period. Ashley and Van de Van (1986), supported this assertion with the view that the manager's basic role is to be able to manage and control the organization in the difficult and emergency period. Changes take the form of adaptation. The manager must perceive the process and respond to a changing environment by re-arranging the internal organization structures to ensure survival and effectiveness. Therefore being acquainted with the environment in which business operate is very important considering the fact that business organization do not operate in a vacuum, effective management to complex and dynamic society requires the assessment of strength and weakness of the organization and the opportunity and threat posed by the challenges of the external environment. For survival and growth, organization must adapt these changes. There are two perspectives to conceptualize the external environment. First, perspective view of the external environment as a vehicle for providing

resources. The second perspective view of the external environment as a source of information. The first perspective is based on the premise that the external environment is a vehicle that provides the resources critical to the survival of the company. It also implies external potential to threaten the company's internal resources. Strikes, deregulation, changes in legislation, for example, potentially damaging the company's internal resources. The second perspective associate information with environmental uncertainty. Environmental uncertainty refers to the external environment conditions unpredictable changes, therefore these factors may affect the ability of members of the organization in decision making.

The most single significant influence on organisational policy and strategy is the environment outside and inside the organisation (Duncan, 1972 and Grant, 1999). Organisations are institutions deliberately designed to achieve and accomplish certain goals, therefore the activities in these organisations are affected by both the situations within the organisation and 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 business 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

In Nigeria, business environment performance of companies is predicated on factors such as low sales, high cost of production, low capital utilisation, lack of foreign exchange to source needed inputs, 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

Considering the fact 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. 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. Where there is absence of good understanding of the external business environment, the effect of this on business performance cannot be over emphasised. After all, the good performance (effectiveness, efficiency and responsiveness) can guarantee the sustainability of the business in relation to its goals and objectives.

The relationship between environmental factors and business strategy is a good reason to recommend the establishment of a separate 'strategy and corporate affairs unit' charged with the responsibility of monitoring the environment to properly align company activities with the former. He considered all the environmental factors of economic, technological, socio-cultural and politico-legal without any empirical linkage. Other researchers have either linked two or more environmental factors with one another in order to explore the relationship

between one or more environmental variable(s) with the general performance of an economy

Walonick (1993) agrees “although there is now a consensus on the importance of the environment, there is still much disagreement about which features of the environment are most important”. With the interrelationship between businesses especially in this, age of increasing use of sub-contracting, the environment of business affect all organizations.

Traditionally, the external business environment was viewed as uncontrollable so that organizations seeking success had to device means of coping with this environment. This view is still useful today with the added knowledge that organizations can proactively shape their environment through their collective behaviour. The usefulness of the external environment is in the fact that companies should be conversant with their environment by periodically scanning or analysing it to identify both driving forces and threatening factors. This prepares them to garner their internal factors (within their control) to take advantage of the driving forces and to shield themselves from the threatening factors. The acronym SWOT (Strength, Weaknesses, Opportunities, and threats) analysis or strategic group mapping (Thompson and Strickland, 2004) has described this exercise.

## **Business growth and survival**

The ability of a business to operate successfully without interruption is referred to as business survival. Business survival is described as the operation of business organisation on – going concern sometimes refers to as manage to stay in business (Akindele et al, 2012). For business organisations to operate on going – concern, they have to continuously structure and restructure the activities, which come in form of complexities that include leadership styles, changes, uncertainty, conflict, culture, technology, structure, competitive market, profitability and workplace motivation (Adeoye, 2012). In view of these complexities as challenges, organisation needs to strategically plan and develop the most appropriate and adaptive structure that will enable it to utilise and maximise its resources in order to achieve its goals and objectives.

Business growth differs among businesses because there are many techniques a business may use to measure its growth. This is so because the ultimate goal of most businesses is profitability. Therefore, some businesses will measure their growth in terms of net profit, revenue, and other financial data while others are volume of sales, number of employees, physical expansion, success of a product line, or increased market share. Business growth will be measured by how well a firm achieves its set goals. The intention and desire to keep the business to operate on going concern definitely calls for growth of the business otherwise such businesses will cease to exist. Hence, business growth is what most businesses strive, regardless of their size. Looking at the business environment

is, therefore, like considering the cost of a building before embarking on the building project that can be described as *critical success factor*.

Critical success factors are, according to Bullen and Rockart (1981) the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department or organization. Critical success factors are the few key areas where 'things must go right' for the business to flourish and for the manager's goals to be attained. The concept of critical success factors is clearly inspired by the issue of optimum match between environmental conditions and business characteristics, for example, the core of business strategy. The surrounding environment is assumed to possess certain fundamental requirements and limitations, threats and opportunities, to which businesses must align their strategy, skills and resources, in order to achieve success. No organization, according to Rockart, can afford to develop a strategy that fails to provide adequate attention to the principal factors, which underlie success in the industry. This provides the rationale for making them the basis of a management information system.

He distinguishes between five sources of critical success factors:

- 1) **The industry**, for example, demand characteristics, technology employed, product characteristics among others. These can also affect all competitors within an industry, but their influence will vary according to the characteristics and sensitivity of individual industry segments.

- 2) **Competitive strategy and industry position** of the business in question, which is determined by the history and competitive positioning in the industry.
- 3) **Environmental factors** are the macroeconomic influences that affect all competitors within an industry, and over which the competitors have little or no influence, including demographics, economic and government legislative policies.
- 4) **Temporal factors**, which are areas within a business causing a time-limited distress to the implementation of a chosen strategy, showing lack of managerial expertise or skilled workers, fluctuation in population as examples.
- 5) **Managerial position**, that is., the various functional managerial positions in a business have each their generic set of associated critical success factors.

Critical success factors can thus be characterized by the extent to which they are internal or external to the business, or that part of it over which the manager has control, and, consequently, whether they refer to something which should be monitored or built. Maintenance of technological leadership would be a source of critical success factors that the business can build, while changing consumer demographics would be a force that can be monitored, but not controlled

## **FIRM'S PERFORMANCE**

In many studies the words “firm performance” and “firm success” have used interchangeably. According to Alchian & Demsetz (1972), performance means the comparison of the value created by a firm with the value expected by the starter. Firm performance means effective outcomes Firm's performance have been extended into two main streams; the first line of research concentrates on the study of ways to improve the company's performance and the second deals with the study of different influencing factors on the performance of the company (Herath & Mahmood, 2013).

In organizational studies, this construct has been used as a dependent variable. Numerous studies have shown variations in performance when they used it as a dependent variable in the context of SMEs (Carton & Hofer, 2010; Brush & Vanderwerf, 1992). The Majority of the studies used profitability as a key dimension of firm performance in the context of entrepreneurship (Joa & Lee, 1996; Stuart & Abetti, 1990; Begley & Boyd, 1987). To measure firm performance, mostly profitability and growth rate is used. Therefore, the firm should not combine both measures to create a single measure for firm performance. It also makes sense to use this measure separately, such as normally entrepreneurs engaged in small and medium-sized companies, which are privately owned and therefore they are not obligated to display the information about the performance of the company. In addition, Chandler & Hanks (1993) showed that the self-reported data provided by entrepreneurs concerning the growth of their business is more valid and reliable.

## **Small and Medium Enterprises.**

The definition or classification of small and medium enterprises differs from country to country. There is no generally accepted definition or classification of SMEs. Different authors, scholars and schools have different ideas as to differences in terms of capital out lay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development (Ogechukwu, 2009). In countries like the USA, Britain and other European countries, Small and medium scale enterprises are defined in terms of turnover and number of employees. The definition and classification of SMEs in Nigeria is in terms of capital employed, turnover and number of employees. The CBN communiqué No 69 of the special monetary policy committee meeting of April 15, 2010 acknowledged the existence of several definitions of SMEs. One of such definition/classification states that an enterprise that has an asset base (excluding land) of between N5 million to N500 million and labour force of between 11 and 300 belongs to the SME sub-sector. This definition is what the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) adopted. SMEs have also been broadly defined as businesses with turnover of less than N100million, for the Small and Medium Enterprises Equity Investment Scheme (SMEEIS), a small and medium enterprise is defined as any enterprise with a maximum asset base of N1.5 billion (excluding land and working capital) with no lower or upper limit of staff. Small and Medium enterprises act as catalysts in the economic development of the developed and developing countries. Developing countries like Nigeria that require sustained economic growth in their economies must pay attention to the SME sector and harness the great potential to generate

employment, improved local technology, output diversification, developed indigenous entrepreneurship and forward integration with large-scale industries that can be provided by the sector. Unfortunately, the SMEs in Nigeria have underperformed despite the fact that the SMEs in Nigeria constitute more than 90% of Nigerian businesses, their contribution to the nation's GDP is below 10%. This very low percentage contribution of the SMEs to Nigeria's GDP could be attributed to many factors. These may include unfriendly business environment, poor funding, low management skills and lack of access to modern technology. The relative importance of small and medium scale enterprise in advanced and developing countries has led and would continue to lead to a reconsideration of the role of Small and Medium Scale Enterprises in the economy of nations. The development of many countries is often measured by such indices as the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry. There is no doubt that small scale enterprises exist in economic environment. The historical background of small and medium scale enterprises in Nigeria can be traced back to 1946 when a ten-year plan of development and welfare of Nigeria was presented. Small and Medium Scale Enterprise is an all-time necessity. It was there at the beginning; it was gained prominence today and will increase its importance tomorrow. This is simply dictated by the developmental needs of the Nigeria society.

Findings have shown that most SMEs particularly in Nigeria die within their first five years of existence. It was also revealed that smaller percentage goes into

extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity. Many factors have been identified as likely contributing factors to the premature death. Key among this include environmental changes insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, irregular power supply, infrastructural inadequacies, say water and roads. These lack proper records or lack any records at all and the inability to separate business and family or personal finances provide an added challenge., lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right calibre staff, cut-throat competition. Countries do not use the same definition for classifying their SME sector nor does a universal definition appear to be necessary. The definitions in use depend on the purposes those definitions are required to serve and the policies which govern the SME sector. However, the three parameters generally applied by most countries, singly or in combination of capital investment on plant and machinery; number of workers employed; and volume of production or turnover of business.

In more challenging environment, SMEs are aware of the need to become more resilient and competitive in the face of economic changes. The continuous changes that affect the business environment, due to the globalization process and the technology innovations, force Small and Medium Scale Enterprises and other organizations in Nigeria to constantly look for new competitive advantages in order to maintain and improve their market position. Small and medium

enterprises (SMEs) are those enterprises that employ not more than 250 employees and work on small scale. The technical definition varies from country to country but is usually based on employment, assets, or a combination of the two (State Bank of Pakistan). The small and medium enterprises are being considered as engines of economic growth worldwide. One of the most important roles of SMEs in this context includes poverty alleviation through job creation. The developed as well as developing countries are taking extreme benefits from SMEs and that are capable to accelerate the economy of any country. It plays considerable responsibility in providing further employment and conversion of economy. It is also implicit that sectors conquered by SMEs are better able to develop dynamic economies of scale. The roles of SMEs in the creation of productive employment are concerned with its position in the centre of the range of sizes and resources intensities in a rising economy.

Most of the current larger enterprises have their origin in small and medium enterprises. SMEs are different from large-scale enterprises in three main aspects such as uncertainty, innovation and evolution. The SME sector itself can be classified into micro enterprises, small enterprises and medium enterprises. SMEs are the starting point of development in the economies towards industrialization. However, SMEs have their significant effect on the income distribution, tax revenue, and employment, efficient utilization of resources and stability of family income. SMEs have a propensity to employ more labour-intensive production processes than large enterprises. Consequently, they contribute significantly to the provision of productive employment opportunities, the generation of income and, eventually, the reduction of poverty. SMEs play significant contribution in

the transition of agriculture-led economies to industrial ones furnishing plain opportunities for processing activities, which can generate sustainable source of revenue and enhance the development process. SMEs shore up the expansion of systemic productive capability.

For all businesses to be successful require ever demanding efforts in all areas that affects the business success. Increasing business competition, in particular against large and medium competitors puts SME's in a vulnerable position. As SMEs operates around the traditional lines, and a lot of factors increases their influence and causing a huge effect on the success of SME's no matter what is location of SME's and how strong is the market conditions are, influencing factor is always there for the small businessmen to anticipate these factors while doing the business

It is obvious that hurdles in the business success are far more then it was in previous. The environments as well as and some other factors that are very complex and dynamic. The only thing that is more concerned to the entrepreneur is what he should do to survive in a dynamic market.

## **PROFITABILITY**

The main purpose of a business unit is to make profit. Therefore, profitability analysis is done to throw light on the current operating performance and efficiency of business firms. The word profitability is composed of two words, namely, profit and ability. The term profit can be defined as the money one makes in a business or by selling things especially after paying the cost involved

and the term ability indicates the power of a business entity to earn profits. The ability of a concern also denotes its earning power or operating performance. Thus, profitability may be defined as the ability of a given investment to earn a return from its use. Profitability is a relative concept whereas profit is an absolute connotation. Despite being closely related to and mutually interdependent, profit and profitability are two different concepts. In other words, in spite of their generic nature, each one of them has a distinct role in business. As an absolute term, profit has a great relevance to compare the efficiency of a business organization. A very high profit indicates sound organizational efficiency and high profitability is a sign of organizational growth. Therefore, it can be said that profit is the prime variable based on which the operational efficiency and financial efficiency of an organization can be compared. To measure the productivity of capital employed and to measure operational efficiency, profitability analysis is considered as one of the best techniques.

## **SALES REVENUE**

Sales decline for a number of reasons including demographic movement, technological advances, shift in customer tastes, and increased domestic and foreign competition. All can lead to overcapacity, increased price-cutting and profit erosion. As sales and profits decline over demographic fluctuations, some firms withdraw. Those remaining may reduce the number of goods they offer, withdraw from smaller segments and weaker trade channels, cutting marketing budgets, and reducing prices further, but eventually if the sales remain below the

breakeven point the business will close down. To remain in business the firm must seek alternative ways to maintain or increase sales revenue, this may include:

- 1) Expand the number of users by converting non-users entering new market segments and attracting competitors' customers
- 2) Increase the usage rates among users by having customers use the product on more occasion, having customers use more of the product on each occasion, and having customers use the product in new ways

## **STAFFING**

Staffing concerns recruiting selecting and hiring of employees. It is very important for SMEs, and may even be the key component of overall effective management of organizational human resources. However, staffing can be problematic due to several reasons, limited financial and material resources, demographic movement, lack of legitimacy as an employer-of- choice to mention but few. Most SMEs due to demographic movement are flexible in staffing, that is to say that these small businesses employ temporal staff and lay them off in turbulent times.

## **BUSINESS INVESTMENT EXPENDITURE**

Small business expenses are necessary cost of running a business, they are cost of conducting a trade or business. These expenses are common costs of doing business and are usually tax deductible if the business is for profit. Small

businesses frequently run down because of the occurrence of some unplanned event, therefore for these businesses to survive they should limit their expenses by outsourcing their services, lend machinery and buy less raw materials

## 2.2 **Empirical framework**

Temtime & Pansiri (2004), in a small business research entitled critical success/failure factors in developing economies: some evidence from Botswana, conducting research on 203 units of SMEs (Small and Medium Enterprises) in three cities in the republic of Botswana. They used a questionnaire as a tool for collecting research data. Furthermore, they analyse data with statistical techniques aided descriptive and inferential statistics. Their results showed that the development of human resources, organizational development, the background manager, managerial leadership and competitive strategy is an important component that affects the performance of the organization (SMEs). The main criticism we can give to this research is the research question still contain fundamental flaws in the design aspects of research, conceptualization and operationalization of the factors that become a critical aspect of the success and failure of SMEs. Thus, further, we need a re-Explored on their research to include external factors, such as the role of government, demography, to mention but few.

Furthermore, research conducted by Munizu (2010) with the title of the influence of external factors and internal to the performance of micro and small enterprises (MSEs) in South Sulawesi, which is held in the city of Makassar and ParePare, and involved 300 respondents. Next, Mappingau & Maupa (2012), in a study

entitled entrepreneurial intention and small business growth an empirical study of small food processing enterprises in South Sulawesi, Indonesia, conducting research on 137 units of small businesses in the food maker Erekang region of South Sulawesi. They used a stratified random sampling and questionnaire as techniques and tools to collect research data, and analyse the data with path-aided engineering analysis. The results of their empirical research reveal that both internal factors and external factors affect business performance. These include availability of start-up capital, the desire for self, family support, a model of entrepreneurship, personal skills, and work experience internally. The main external factors were availability of assistance and support from the government, the availability of processing technology, demography, availability of raw materials, and option markets. These together simultaneously and positively affect the growth of small businesses. Their research however ignored the issues of conceptualization of organizational growth has not been formulated clearly, so that the further research of this variable should be developed in a more measured, such as business performance variables. Furthermore, in a study, entitled influence of business location on business character, business strategy and business performance of small industry in North Sulawesi, carry out research on the six districts / cities (each of the three counties / cities) in North Sulawesi. He used questionnaires in research involving 200 respondents, and then analyse the data using descriptive analysis and structural equation modelling (Structural Equation Modelling-SEM). Research results conclude that government regulation, competition and business location significantly influence business strategy. Being small industrial business performance is significantly affected by

government regulation, competition, business characteristics through business strategy. Criticism which can be raised against this study is the researchers did not include the uncertainty of the environment variable in examining the relationship between business strategy and organizational performance, so that in future studies mentioned variables should be considered as one dimension of business strategy variables.. This research attempts to explain and predict the effects of external and internal environment for the performance of Cooperative Financial Services. Studies on business performance have drawn attention from researchers. Studies addressing the determinants of business performance have focused on three broad factors: business strategy (Hofer & Schendel, 1978; Porter, 1985), business structure or internal environment (Chang, Hughes, & Hotho, 2011;) and the external business environment According to the scholars, three perspectives relate to the business environment. The first perspective is a focus on groups external to the organisation that impinge on its activities, including customers, competitors, suppliers, government policies and regulatory agencies. The second perspective focuses on the attributes of external forces, such as complexity, dynamism, and munificence. The third perspective is concerned with managerial perceptions of environmental attributes, given that all of these factors and actors can affect the future of the company, top managers must anticipate their effects to take advantage of opportunities, defend from threats, and measure the effects of both on firm performance.

Chandler & Hanks (1994) carried study of venture performance that incorporates individual founder, firm, and environmental characteristics in North West

Pennsylvania.. Specifically, it examines the moderating effect of found competencies on venture performance in a sample of 155 manufacturing firms and the results indicate that individual level competencies and environment moderate the relationships between the quality of the opportunity and firm performance as do access to resource-based capabilities and firm performance

### **2.3 Theoretical framework**

Contingency theory has criticized the classical management theory from being neglected to various aspects of the contingency factors. Both Max Weber with bureaucracy theory and Frederic Taylor with scientific management theory challenges the view bias on internal organization. The bureaucracy theory is considered as “iron cage” due to imposing on efficiency that bring about ambivalent analysis, such as specialization, formal rule and procedure, and scientific performance appraisal (Pheng & Shang, 2011; Adler, 2012). Bell and Martin (2012) highlight that human resource practices with Taylor’s management theory has trained workers as machine to achieve performance. This means that organization should be flexible to external environment. Contingency model acknowledges intelligence of firms to respond environmental turbulence. Pratona & mahmood (2014) and Johannesson & Palona (2010) point out the role of intelligence strategy to deal with various level of environmental turbulence to achieve firm performance. Moreover, Valentinov (2012) highlight the linkage between excessive internal systemic complexity and carrying capacity of the environment. Contingency strategy points out the adaptive resource-based strategy of firms to respond environmental turbulence. In the emerging economy

context, the growing firms are associated with ability to deal with transition system with a corrupt environment (Xheneti & Bartlett, 2012). High-perceived environmental uncertainty plays pivotal role on organization control, but mixed result in small firms. Respond of managers to external environment is associated with opportunistic surveillance. Boso, Story and Cadogan. (2013) consider the need of firms to allocate resources carefully and set entrepreneurial strategies to achieve high level of firm performance. With uncertainty, pay-offs associated with environmental turbulence need to be taken into account in calibrating resource allocation In the small business context, firms with high growth tend to carry out consumer and competitor intelligence, which become part of knowledge management system. Chi and Sun (2013) argue that standardization and reutilization of management activities and centralized decision-making processes can increase efficiency during the stable environment, while more turbulence in business environment will bring about less efficiency in organization structure. In contingency model, firms gain knowledge through assessing their business environment and set strategy, which are appropriate for each level of environmental turbulence. Contingency theory was developed in the 1960s, which claimed that there was only one way that was the best way to be coordinated. Contingency theory indicated that the most effective firm strategy and structure would vary according to the environmental demand and external condition of the firm. Those environmental demands and external conditions that influence the firm specific under consideration are known as contingency factors. The major contingencies identified include environment, technology, age and size. Hence, contingency theory considers that firm's capability to respond

business environment affects firm performance Business environment has been recognized as one of the contingency elements in strategic management research. Contingency effect can be environmental turbulence, which refers to the degrees of change in the market and/or technology within an industry. This concept constitutes into three factors, including technology turbulence, market turbulence and competition turbulence. However, this study only focuses two categories of environmental turbulence, which is technological turbulence and market turbulence because both are the most important types of uncertainty. Responsiveness as crucial for firms to deal with customer needs within the technological turbulence. Typically, some firms have lack of capacity to anticipate the turbulence because of poor scanning of exact and reliable information about the industry condition. Market turbulence is about the rate of dynamic composition of customers and their preferences. This causes increasing uncertainty due to changing customer's preference. Higher levels of market turbulence bring about high uncertainty due to less accurate forecast, and then firms may back off to invest in innovation activity and, consequently, reduce the innovation activity of firm. Firm with capacity to develop their technology to respond the negative impact of marketing turbulence will be able to be better than other firms. The proposed conceptual framework integrates one hierarchical component model or multidimensional constructs that are conceptualized at second-order level and three constructs (market turbulence, technology turbulence and business performance) specified as lower-order constructs. The conceptualization of multidimensional constructs and their association with the dimensions underpinning them are derived from the theory

However, a recently emerging management theory, upper echelons theory (Hambrick, 2007; Hambrick & Mason, 1984), proposes an opposing view. According to this theory, demographic characteristics or personal attributes of top executives are the dominant factors shaping organizational outcomes. Meta-theoretical assumptions believes it is necessary to develop theory and method. Unlike other assumptions, they cannot be proved empirically. Instead, their validity is dependent on how convincing they are to other researchers.

We start by defining *success* as a business's performance, with regard to some performance criterion like return on investment or profit, which is superior to the performance of other business it is competitive environment. The task of explaining success thus becomes the task of explaining variations in performance. Four meta-theoretical assumptions will be presented with regard to this task.

**Assumption 1:** Determinants of performance in a market are sufficiently stable over a time span of sufficient length to make them amenable to statistical analysis.

This assumption is necessary, if an analysis of differences in performance and its determinants in a market shall be possible at all. The assumption rules out the possibility that markets are so turbulent that no regularities whatsoever the case may be, its future determinants of differences in performance have no relationships to past determinants. The very fact that markets exist and businesses survive speaks for the assumption and against the extreme view of market turbulence, because assumption 1 is not only a prerequisite for any

scientific analysis of business performance, but also for any experience-based learning in a practical context.

Assumption 1 does not claim that differences in business performance can be completely related to determinants, which have the mentioned stability. It only claims that such determinants have an impact on performance, which is sufficiently large to warrant their investigation. A certain proportion of the variance in performance may nevertheless be due to factors which are either random or of such short duration that they are difficult to analyse empirically. In addition, aggressive initiatives by major actors may occasionally change key success factors in a market. It is assumed that such changes are comparatively rare.

The time span in which a determinant of differences in performance is stable may vary considerably, and in general one may expect a trade-off between the level of generality vs. concreteness of the determinant and the time-span in which it is stable: the more general the determinant, the longer the time span. Generality this is linked to information contexts among which are the more general the factors and the lower the information content. At the extreme, a factor may be so general that it is true over a long period almost by definition. One example may be market orientation as a determinant of performance.

We are concerned only with those determinants of performance that are actionable from the viewpoint of the business. This, however, is no real restriction, because, in the end, most determinants are actionable. Having a well-established brand name or a convenient downtown location may not be

actionable in the short, but certainly in the end. Likewise, we drop the build/monitor distinction developed by Rockart, because external market forces, which affect all businesses in a market in the same way, do not contribute to the explanation of the variance in business performance within that market. However, actions taken in response to such forces can explain variance, and are hence potential determinants of performance. Thus, demographic developments in the market are no cause of superior performance, but product development in response to such developments may be.

**Assumption 2:** Actual and perceived determinants of differences in performance are interdependent.

Business executives will usually perceive the causes of differences in performance in a market, but this perception will be imperfect, distorted by the limitations of human information processing capacity, various cognitive biases, and the impossibility to know the consequences of actions, which the business did not take. Thus, the perceived causes of differences in performance will be related to, but not be identical with, the actual causes of differences in performance.

While the actual determinants of differences in performance thus influence the perceived determinants, this also works the other way round. The actions which business executives take based on the perceived determinants will influence the actual determinants. If everybody in a market perceives that broad distribution coverage is a cause of superior performance, and everybody indeed achieves broad distribution coverage, then there is no more variation in this factor, and it

will no longer be able to explain differences in performance between the competing firms.

**Assumption 3:** Analysing actual and perceived determinants of differences in performance will improve the actors' understanding of the market.

What this assumption expresses is the belief that, here as otherwise, the scientific method is superior to everyday observation. A scientific investigation of the determinants of performance can overcome some of the biases and deficiencies that account for the differences between actual and perceived determinants. In this way, it can improve understanding of the market. In addition, an investigation of the perceived determinants of performance can help the actors realize and make explicit their own assumptions about how the market works. Confronting these assumptions with the results from an analysis of actual determinants is a potentially powerful instrument towards improved understanding of the market.

**Assumption 4:** Analysing actual and perceived determinants of differences in performance and providing feedback to the actors will change both actual and perceived determinants of differences in performance, albeit slowly.

As everywhere in the social sciences, measurement will change the object of measurement. Investigating perceived determinants of differences in performance, e.g., by interviewing business executives, will result in them becoming more aware of their assumptions about these determinants, which means that these assumptions will change somewhat (Bullen & Rockart, 1981). Communicating results about actual determinants of differences in performance

to executives will change these assumptions further. Since changed assumptions will lead to changed actions, which then may change the actual determinants as well, the latter will indirectly, also be affected by the investigation.

Another critical theory of that of Ansoff (1957); called Ansoff Matrix. In late 1950s, Ansoff (1957) **developed** a framework to help executives, senior managers, and marketers devise strategies for future growth. It paved way for multidimensional development in saturated markets similar to flagging environments such as those of Keffi. Ansoff, in his 1957 paper, provided a definition for product-market strategy as "a joint statement of a product line and the corresponding set of missions that the products are designed to fulfil". He describes four growth alternatives:

In market penetration strategy, the organization tries to grow using its existing offerings (products and services) in existing markets. In other words, it tries to increase its market share in current market scenario. This involves increasing market share within existing market segments. This can be achieved by selling more products or services to established customers or by finding new customers within existing markets. Here, the company seeks increased sales for its present products in its present markets through more aggressive promotion and distribution. This can be accomplished by: (i) Price decrease; (ii) Increase in promotion and distribution support; (iii) Acquisition of a rival in the same market; (iv) Modest product refinements

In market development strategy, a firm tries to expand into new markets (geographies, countries etc.) using its existing offerings. This can be accomplished by (i) Different customer segments (ii) Industrial buyers for a good that was previously sold only to the households; (iii) New areas or regions about of the country (iv) Foreign markets. This strategy is more likely to be successful where:- (i) The firm has a unique product technology it can leverage in the new market; (ii) It benefits from economies of scale if it increases output; (iii) The new market is not too different from the one it has experience of; (iv) The buyers in the market are intrinsically profitable.

In product development strategy, a company tries to create new products and services targeted at its existing markets to achieve growth. This involves extending the product range available to the firm's existing markets. These products may be obtained by: (i) Investment in research and development of additional products; (ii) Acquisition of rights to produce someone else's product; (iii) Buying in the product and "branding" it; (iv) Joint development with ownership of another company who need access to the firm's distribution channels or brands.

In diversification, an organization tries to grow its market share by introducing new offerings in new markets. It is the most risky strategy because both product and market development is required. (i) Related Diversification - Here there is relationship and, therefore, potential synergy, between the firms in existing business and the new product/market space. (a) Concentric diversification, and (b) Vertical integration. (ii) Unrelated Diversification: This is otherwise termed

conglomerate growth because the resulting corporation is a conglomerate, i.e. a collection of businesses without any relationship to one another. A strategy for company growth through starting up or acquiring businesses outside the company's current products and markets. This theory remain as relevant today as it was in 1950s.

#### **2.4 Summary**

In literature review we have learnt through conceptual, empirical and theoretical studies that business environment is generally volatile. The empirical have shown various occasions when businesses have failed because it did not fully appreciate the force of volatile environment. Nonetheless, the theoretical framework provides avenues that a business can use to withstand volatile environment and even prosper. On the bases of that knowledge, our study pins on the work of Ansoff (1957) as a means of developing alternative avenue for business success. This theory is particularly important because even small businesses offering only a single product can also benefit from it. We will draw a direct link of this theory to links our Chapters One, Four and Five.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Research Design

The study adopted the descriptive survey, using questionnaire to collect required data. Specifically, closed ended questionnaire were used to collect primary data, in other to streamline responses for easy analysis. Purposive sampling technique was used in selecting the respondent who are business outlets. A descriptive research was appropriate because the research objectives included the description of the influence of business environment on business.

The purposive sampling method was used in attaining the sample size, by basically concentrating on Keffi for the study. The sources of materials for the study were both primary and secondary. Primary data were collected by the use of questionnaire which were designed and administered on businesses for information on the general perception of university closure on businesses in Keffi. Random interviews were another medium through which primary data were obtained. Secondary materials were extracted from relevant textbooks, reports/articles, journals, and documents. The data were analysed by means of descriptive and inferential statistical tool. Precisely, simple regression model was developed and applied in testing the research hypotheses.

### 3.2 Population and Sampling Techniques

The population of the study consist of business people in Keffi LGA of Nasarawa State, Nigeria. As the number of business outlets is not clearly documented, we use other criteria for sample selection. We selected businesses with total workforce of five and above that a located in Keffi metropolis and have experienced at least three university closures. We decided on purposive sampling method which enable us to do prequalification checks before questionnaire was deployed. This provided a good experiential learning for the researcher and minimised the number of wasted questionnaires. Although we felt any normal standard distribution sample of 30 was adequate, but we made our study robust by deploying over 174 respondents questionnaire. During coding, about 23 respondents questionnaire incorrectly completed were discarded leaving 151 correctly completed questionnaires used for the study. These represented Keffi metropolis as shown below:

**Table 3.1 Sample of the Study**

<b>Business Community</b>	<b>Sample</b>
Angwan Lambu	21
High Court	11
Keffi Town	81
Dadin Kowa	22
Kaduna Road	16
<b>Total Sample</b>	<b>151</b>

### **3.3 Method of Data Collection**

The study will make an extensive use of both primary and secondary sources of information from business people. Secondary data are the existing data that has been written which are used as exploratory research to characterise the problem. Data collected from the secondary sources are used to build a framework against which primary data are being tested. The primary source of data will include information that were gathered from questionnaires that were administered to the respondents and structured interviews that was conducted with the students of the university.

The advantage of using primary data is that, they are more reliable since they come from the original sources and are collected especially for the purpose of the study. The secondary sources of data included a number of both published and unpublished materials on business environment, business growth and survival and effects from journals and articles as much as possible were used. The main instruments that will be used to collect information for the study are the questionnaire, observation and interview schedule (structured). Questionnaires were given out to business people. The respondents comprises of and business people who were given the questionnaires. The questionnaire was structured to consist mainly of closed ended questions using likert scale in order to elicit feedback from respondents about their experience in terms of changing environment, growth and survival.

Response categories mainly range from strongly disagree, disagree, undecided, .agree, to strongly agree. We conducted further interviews to clarify any further

points and learn more about the experience of the business operations and management of such in Keffi. We made observations throughout the data collection period to harmonise the data set that we used for statistical analysis. Care was taken in order not to be biased but to come out with objective interpretation of what was observed.

### **3.5 Instrument Validity and Reliability**

The instrument for data collection (questionnaire) was validated through expert judgement. This was done to establish both face and construct validity. A draft of questionnaire was given to three lecturers in the Faculty of Administration who are experts in research to scrutinize, analyse, and criticize. We did this to ensure that the items were relevant to the research questions and hypotheses developed for the study. These provided a clear link between theory and practice of the observed experience of businesses in Keffi metropolis.

### **3.6 Techniques of Data Analysis**

The data collected for this study were analysed using descriptive statistics and regression analysis. The regression models are specified below:

$$PROF = \alpha + \beta UCL + \varepsilon \quad 1$$

$$SG = \alpha + \beta UCL + \varepsilon \quad 2$$

$$STAF = \alpha + \beta UCL + \varepsilon \quad 3$$

$$EXP = \alpha + \beta UCL + \varepsilon \quad 4$$

### **3.7 Justification of Techniques of Data Analysis**

The data collocated for this study are primary data using a scaled instrument to make it parametric. There are four dependent variables which thus makes the study a multivariate. For a multivariate variable with single explanatory variable the only available option is to run a simple regression analysis. Thus, the various model for each of the objectives were formulated in their simple form.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Data Presentation

In this chapter of the study, the data collected are analysed and the result presented. Because the data is very large, it is attached in the appendix to the work. The median of each of the questions constructs are used in the analysis. The data were analysed using descriptive statistics and the various hypothesis of the study were tested using regression analysis. The result from the findings are discussed with respect to their implications on the environment of the study.

#### 4.2 Descriptive Statistics (Data Analysis)

Figure 4.1 Descriptive Statistics

	EXP	PROF	SR	STAFF	UCL
Mean	3.748344	3.231788	3.738411	4.026490	3.655629
Median	4.000000	4.000000	4.000000	4.000000	4.000000
Maximum	5.000000	4.000000	4.500000	5.000000	4.000000
Minimum	2.000000	2.000000	2.500000	2.000000	2.000000
Std. Dev.	1.096774	0.890271	0.720727	0.765480	0.643391
Skewness	-0.645751	-0.469713	-0.750839	-1.297202	-1.649644
Kurtosis	2.080666	1.433496	2.223339	5.176704	4.355716
Jarque-Bera	15.81191	20.99186	17.98310	72.15893	80.05057
Probability	0.000369	0.000028	0.000124	0.000000	0.000000
Sum	566.0000	488.0000	564.5000	608.0000	552.0000
Sum Sq. Dev.	180.4371	118.8874	77.91722	87.89404	62.09272
Observations	151	151	151	151	151

The results in table 4.1 shows the descriptive statistics of all the variables in the study. The variables were calculated using the means of the various constructs of questions. The result shows that on average, the respondent

agrees with the statement that university closure has affected the performance of the businesses in terms of sales growth, profitability, staff turnover and declining expenditures.

The questions were responded to in such a way that the minimum response is 2 with the maximum were 5 and 4. The standard deviations of the variables were very small meaning that there is high level of uniformity in the pattern the question were answered. The result of the normality test however shows non normality in the variables which were normalised using logarithm transformation.

### 4.3 Effect of University Closure on Sales Revenue of SMEs

Dependent Variable: SR  
 Method: Least Squares  
 Date: 09/06/17 Time: 11:08  
 Sample: 1 151  
 Included observations: 151

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.360068	0.277269	4.905233	0.0000
UCL	-0.650597	0.074706	-8.708721	0.0000
R-squared	0.337312	Mean dependent var	3.738411	
Adjusted R-squared	0.332864	S.D. dependent var	0.720727	
S.E. of regression	0.588678	Akaike info criterion	1.791283	
Sum squared resid	51.63481	Schwarz criterion	1.831247	
Log likelihood	-133.2419	Hannan-Quinn criter.	1.807519	
F-statistic	75.84183	Durbin-Watson stat	2.125949	
Prob(F-statistic)	0.000000			

Table 4.1 shows the test for the effect of university closure on the sales growth of the businesses in Keffi. The result from the analysis shows that university closure accounts for 34% changes in the sales growth of the

businesses in the area. The remaining 67% could be accounted for by other factors not captured in the analysis.

The result also shows that a unit increase in the level of university closure will lead to a 0.65 drop in the sales of the businesses. This implies that about 65% of the sales of the businesses around Keffi are patronised by university students.

The result also has statistical significance, as the value of F-statistic is 75 with a corresponding P-value of 0.0000, which is less than 5%. This result therefore implies that university closure has significant negative effect on sales growth of businesses in Keffi.

#### 4.4 Effect of University Closure on Profitability of SMEs

Dependent Variable: PRF  
 Method: Least Squares  
 Date: 09/06/17 Time: 10:56  
 Sample: 1 151  
 Included observations: 151

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.873720	0.372212	2.347370	0.0202
UCL	-0.645051	0.100288	-6.432009	0.0000
R-squared	0.217317	Mean dependent var	3.231788	
Adjusted R-squared	0.212064	S.D. dependent var	0.890271	
S.E. of regression	0.790256	Akaike info criterion	2.380237	
Sum squared resid	93.05119	Schwarz criterion	2.420201	
Log likelihood	-177.7079	Hannan-Quinn criter.	2.396473	
F-statistic	41.37074	Durbin-Watson stat	1.532228	
Prob(F-statistic)	0.000000			

The result from table 4.2 shows that university closure accounts for 21% change in the performance of the selected businesses. This implies that the remaining 79% is accounted for by other factors not captured in the

model. The result shows a very low standard error of 0.79 and there is no serious case of autocorrelation as the value of Durbin-Watson statistic of 1.5 is close to 2.

The result of the analysis suggests that a unit increase in the level of university closure will lead to a 0.064 in the performance of business in Keffi. This result therefore implies that university closure has significant effect on the performance of businesses with statistical consequences.

In line with the result of F-statistic of 42.37 with corresponding P-value of 0.0000, which implies that, the null hypothesis is rejected. This result implies that university closure has significant negative effect on profitability of the firms.

#### 4.5 Effect of University Closure on Staffing of SMEs

Dependent Variable: STAF  
 Method: Least Squares  
 Date: 09/06/17 Time: 11:17  
 Sample: 1 151  
 Included observations: 151

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.648464	0.227866	2.845818	0.0051
UCL	-0.924061	0.061395	-15.05099	0.0000
R-squared	0.603230	Mean dependent var		4.026490
Adjusted R-squared	0.600567	S.D. dependent var		0.765480
S.E. of regression	0.483789	Akaike info criterion		1.398821
Sum squared resid	34.87372	Schwarz criterion		1.438785
Log likelihood	-103.6110	Hannan-Quinn criter.		1.415056
F-statistic	226.5324	Durbin-Watson stat		2.414544
Prob(F-statistic)	0.000000			

Table 4.3 test the effects of university closure on SMEs staff turnover in

Keffi. The result shows that the variable (UCL) is able to account for 60% of staff turnover of SMEs. The remaining 40% could be accounted for by other factors not considered in this study.

Like the previous results, it was found that a unit increase in the level of university closure would lead to a 0.92 decrease in the staff strength of the SMEs. This implies that sales drops because of low patronage by students. The result shows a low standard error and a p-value of 0.000.

Since the F-statistic is very high at 226 with a corresponding p-value of 0.0000, it then implies that university closure has significant negative effect on staff turnover of SMEs.

#### 4.6 Effect of University Closure on Expenditure Profile of SMEs

Dependent Variable: EXP  
 Method: Least Squares  
 Date: 09/06/17 Time: 11:29  
 Sample: 1 151  
 Included observations: 151

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.604096	0.265443	-6.043085	0.0000
UCL	-1.464164	0.071520	-20.47205	0.0000
R-squared	0.737724	Mean dependent var		3.748344
Adjusted R-squared	0.735964	S.D. dependent var		1.096774
S.E. of regression	0.563571	Akaike info criterion		1.704110
Sum squared resid	47.32423	Schwarz criterion		1.744074
Log likelihood	-126.6603	Hannan-Quinn criter.		1.720345
F-statistic	419.1049	Durbin-Watson stat		1.958377
Prob(F-statistic)	0.000000			

Table 4.4 shows the effect of university closure on the expenditure of SMEs. The result of the analysis shows that the variable is able to account

for 73% of expenditure of SMEs. This implies that, during normal university activities, expenditures of the businesses are derive by student's transaction.

The result also shows that as a result of university closure, the expenditure of the businesses are reduced by 1.4. This is likely due to the fact that there is low stock holding, reduction in staff salaries etc.

The result also has statistical significance as indicates by the F-satistic of 419 and the corresponding P-value of 0.000 which is less than 5%. The result thus implies that university closure significantly reduce the expenses of the firms.

#### **4.7 Discussion of Findings**

The study has analysed and tested the effect of university closure on the performance of SMEs in Keffi. The results of the analyses have shown that university closure leads to a decline in the profitability of the firms. This is expected as absence of students means low sales, which in turn drastically reduce the profit level of the businesses. University closure has also been found to reduce the sales growth of the business.

In addition, university closure forces the business to reduce their staff strength. This is likely due to the fact that since sales and profitability drops, the business cut down their costs in other to minimise losses. It is also due to the fact that some of the businesses like eateries and hotels employ the cheap services of the students who are usually not available

during closures. It is also found that the businesses reduces their expenses during closures in order to minimise their losses.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary

We set to study the effects of Nasarawa State University, Keffi (NSUK) closure on Small and Medium Enterprises in Keffi metropolis. The problem of the study was that the businesses in Keffi operate within unstable environment likely to distort several factors of business success. These factors include revenue, profitability, and staffing and business investment expenditure. Keffi environment is constantly affected by NSUK staying open, as students constitute a considerable population of Keffi as a well. We found in general and specific literature that such volatile environment does affect business performance measured by one or all of the above variables. We confirm this in our literature review through by conceptual and empirical studies. In building the framework for the study, we test the significance of the actual outcome of the effect of NSUK closure. Preliminary and experiential research gave us encouragement to proceed and conduct full research. The findings confirm our preliminary results that the NSUK closure tend to have negative effect on businesses in Keffi. Hence, it has been difficult for these businesses to maintain reasonable profit and growth. However, most businesses depend on traffic to be able to achieve these, first growing revenue, profitability, and employment and size growth. . Particularly, in Keffi businesses tend to flourish more when students are around, so dispersion of student population lead to fluctuation in so many business activities causing many businesses close down, others to experience low sales,

which affect their profitability and low expenditure due to unfavourable conditions of the business environment. The statistical analysis of these variable regressed again NSUK closure are significant as shown in Chapter 4. All of them indicate negative effect of NSUK closure.

## **5.2 Conclusions**

The findings of the study has led us to conclude that NSUK closure either planned or otherwise has significant effect on SMEs in Keffi. The business operators and managers across Keffi affirm to this through structured Questionnaire that was analysed statistically. Conclusively, from the findings of the study, the environment, which a business operate, have great influence on its performance. It is also incumbent to say that other factors such as traffic, sales revenue, and profit and business investment expenditure also play a significant role with a varying degree of influence on business performance. Therefore, it is not strange that most businesses in Keffi experience fluctuations in all these key performance indicators of Sales Revenue, Profitability, Employment generation and Continued Business investment expenditure. Businesses in Keffi suffer from demographic fluctuation as constant NSUK closure has often threatened their very survival. Many have not survived the closure and have to scale down their operations drastically. Their service offerings are heavily dependent on large student population in Keffi metropolis. Such undiversified strategy has killed many businesses over the years and threatened many that are so weak that expansion is no one of their strategic options.

### 5.3 Recommendations

The findings of the research and conclusions have led us to believe that no business can over depend on a volatile environment and survive. There must be a mixture of strategic fit to address the fluctuations or volatility of the environment or demographic shifts. In developing our recommendations, we take into account to framework developed by Ansoff (1957), which is used by businesses in similar circumstances. Although that framework emphasise market growth, we feel that the use of the framework would assist many firms in Keffi survive the demographic shifts when students are not around due to University closures. The specific recommendations based on each of the research questions and hypothesis of the study have led us to the following recommendations:

- a) Sales Revenue is a critical factor in business operation as it provides the means by which a business meets its day-to-day obligations. We recommend that businesses in Keffi need to diversify their operations into stable environments such as Marraraba, New Karu, Masaka, Akwanga among others. These should comprise say, 70-80% of business revenue so that NSUK closure does not cause revenue drop of more than 20-30%.
- b) The purpose of any business venture is to increase its investor's wealth. This is only possible if the business earn enough to retain some profits after all the operational charges. The level of profitability is directly in line with the level of revenue the business generates in relation to its expenditure. We therefore recommend that

businesses in Keffi need to diversify, not only to other locations but also into other related businesses to ensure continuous growth in profitability.

- c) Staffing are usually a major fixed cost to most businesses up to a certain level. When a business operates in a seasonal or volatile environment, bulk of their staff needs to be casual staff that are engaged according to need. Many businesses in Keffi already half temporary staff on their roll, but we recommended that more of such staff should be considered in all locations to in ensure control of wage bill to optima levels.
- d) Businesses face increased operational pressure when their expenditure on fixtures and equipment are high. Businesses in Keffi need to consider two things, which are lease the equipment according to need wherever possible and source out production agreed to just in time delivery with multiple suppliers measure to maintain same quality. This will ensure reliability of product availability and quality but little outlay from the business. This combined with diversification to other locations is likely to lead to stability and incremental growth of businesses in Keffi metropolis.

#### **5.4 Suggestions for Future Research**

Although our research is comprehensive, each of the variables we covered in this research report could be expanded in its own right.

- a) We therefore suggest further research to be carried out, especially in areas of Sales Revenue Growth and Businesses in Keffi
- b) Assessment of incremental profit growth by businesses in Keffi.
- c) We also suggest a research to be carried out in demographic makeup and businesses in Keffi.
- d) We also suggest the Assessment of the Ease of Doing Business in Keffi and Karu Local Governments.

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