



## INFLUENCE OF SOCIO-CULTURAL ENVIRONMENTAL FACTORS ON BUSINESS PERFORMANCE

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**ABSTRACT:** *There are things, events, or situations that occur that affect the way a business operates, either in a positive or negative way. These things, situations or events that occur affect the organizational performance in either positive or negative ways are called driving forces or environmental factors. This study thereby aims at studying the impact of socio-cultural environmental factors on business performance using International Breweries Plc., Ilesha, Osun State, Nigeria as a case study. Sample of 40 respondents derived from the company were put for study from various sectors of the company using stratified random sampling. The analysis was done with the aid of a descriptive statistical tool and categorical regression analysis for inference with the aid of IBM Statistical Package for Social Statistics (SPSS) version 23. It was found that socio-cultural environmental factors have a positive impact on business performance. It is therefore recommended that effort should be made to improve on advertisement based on the studied environmental factors identified.*

**KEYWORD:** *Socio-cultural factors, Environmental factors, Catreg regression, Correlation, Performance.*



## INTRODUCTION

The word environment is used to talk about many things. People in different fields of knowledge (like history, geography, or biology) use the word differently. Environment can be said to be the surroundings or conditions in which a person, animal, or plant lives or operates. It could also refer to the setting or condition in which a particular activity is carried out. Environment is, therefore, the sum total of all surroundings of a living organism, including natural forces and other living things, which provide conditions for development and growth as well as of change and damage. Business organizations do not simply exist in their environment. They constantly interact with it.

Organizations change in response to the conditions in that environment. The environment is the complex set of physical, geographic, biological, social, cultural and political conditions that surround an individual, organizational and that ultimately determine its form and the nature of its survival. The environment influences how organizations strive. For that reason, organizational performance and environment are closely linked. Organizational performance has been taught with many conflicting definitions and it is not a new phenomenon among the academics and the industrialists as well as public institutions.

The three approaches are not inconsistent with one another. They are complementary. Thus business organizations are a part of a large system. This means that events external to the firm affect all business organizations. Conversely, the operations of business organizations affect the external environment.

On the basis of the extent of intimacy with the firm, the environmental factors may be classified into different levels or types. There are broadly two types of environment: the internal environment, i.e., factors internal to the firm and the external environment, i.e., factors external to the firm which have relevance to it. The internal factors are generally regarded as controllable factors because the company has control over these factors; it can alter or modify such factors as its personnel, physical facilities, organization and functional means such as marketing mix to suit the environment. The external factors on the other hand are, by and large, beyond the control of a company.

The external or environmental factors, such as the economic factors, socio-cultural factors, government and legal factors, demographic factors, etc., are therefore generally regarded as uncontrollable factors. Some of the external factors have a direct and intimate impact on the firm (like the suppliers and distributors of the firm). These factors are classified as micro environment. There are other external factors which affect an industry very generally (such as industrial policy, demographic factors, etc.). They constitute what is called macro environment. Entrepreneurs subsume in the environment with which they interact by importing inputs and exporting outputs. Thus, the vagaries and the extremities of the environment affect the fortunes of organizations (Chandrasekar, 2011).

Several studies have attempted to analyse or appraise the effects of environmental factors on various aspects of business organizations. These include Chandhary and Sharma (2012), Cooke (2000), Dolden and Ward (1986), and Viswesvaran and Ones (2000), who investigated the role of the external environment in the market orientation performance linkage among SMEs in the agro-food sector in Malaysia and found that market technology



turbulence and competitive intensity did not moderate the relationship between market orientation and business performance.

Muchhal (2014) observed that the external environment in which organizations operate is complex and constantly changing; a significant characteristic of the external environment is competition.

Indeed, several studies have investigated the association between different environmental factors and established the effects of moderating influences on organizational variables (Nharuddin & Sadegi, 2013). Researchers have argued that firms should monitor their external environment when considering the development of a strong market oriented culture (Okoye & Ezejiofor, 2013).

In a study on the impact of external environment and self-serving motivation on physicians' organizational citizenship behaviours, Cooke (2000) found that external environment does not have significant impacts on job satisfaction, but does have significant negative effects on organizational citizenship behaviours. They also found out that self-serving motivation and job satisfaction also have positive effects on organizational citizenship behaviours, and that the meditative effect of job satisfaction is also significant.

In analyzing and appraising Nigeria business environments and factors, we adapt the SWOT Matrix used by Khan (2012). The SWOT Matrix analysis technique combines firms' internal and external environments and their factors.

**Table 1: SWOT Matrix**

<b>INTERNAL</b>	<b>EXTERNAL</b>
Strength	Opportunities
Weakness	Treats

External Environment and its Factors (PESTLE Analysis Mode)

*Source:* [www.wikipedia.org](http://www.wikipedia.org), 2010

The external environment of a business consists of a set of conditions and influences outside the business but which shape the life and continued existence of the business. The external environmental factors can be captured with the acronym PESTLE. This describes a framework of macro-environmental factors used in the environmental scanning component of strategic management ([www.wikipedia.org](http://www.wikipedia.org)). Therefore, in this study, analysis of external environment and its factors is referred to as PESTLE Analysis Model, where:

**P** - Political Factors;      **E** - Economic Factors;      **S** - Social Factors;

**T** - Technological Factors; **L** - Legal Factors; and      **E** - Ecological Factors.

The internal environment (SWOT Analysis Model) of a business consists of a set of conditions, influences and elements within the business which are directly controlled and influenced by management of the business to shape the life and continued existence of the business in the direction of attainment of organizational goals and objectives. These conditions and influences are within the firm as a business unit, and it can control them. The



elements of the business internal environment constitute the internal environmental factors. Essentially, they are the employee attitudes, new equipment, processes, strategy, work environment, etc., which are encapsulated in the strengths and weaknesses of the business. The organization has the control of these matters because they happen within the organization unlike external environmental factors. Thompson and Strickland (2001) state that, "Developing strategies is one of the tasks needed to achieve unity and coherence between the firm's internal ability, sources and skills with the external factors which are related to the firm."

In line with this, David (1999) submits that any strategy should match firms' strengths and weaknesses with the surrounding to identify the best effective alternative strategy to be implemented. Therefore, the SWOT analysis technique can be explored to enhance firms' strengths and weaknesses so as to prepare for threats and opportunities provided by the external environment.

Ghani et al. (2010) identify strength variables or factors of the business entity to include: Experienced and skillful workforce (Paulson, Fondahl & Parker, 1992): This enhances rational decisions and fulfillment of project requirements (Abdul & Abdul, 1999).

Existing research has established a link between working conditions and job performance. Having the right environmental factors both, physical and psychosocial, will lead to increased performance. Khan *et al.* (2012) investigated in their study the impact of workplace environment on employees' performance among a sample of 297 respondents from the organizational sector in Ghana and concluded that incentives at the workplace had a positive impact on employees' performance while the environment at the workplace had no significant impact on employees.

To achieve this organizational performance, theory of motivation was applied to motivate employees and to ascertain what they actually want in their work (Mohapatra & Srivastava, 2003).

According to Herzberg, motivators or satisfiers are the factors which could bring about job satisfaction even if the above situation is absent. He maintains that they would not cause dissatisfaction. He assumes that there is a relationship between satisfaction and productivity.

We may therefore consider the business environment at three levels:

- Internal environment
- Micro environment/task environment/operating environment
- Macro environment/general environment/remote environment.

*Internal Environment:* The important internal factors which have a bearing on the strategy and other decision are: Value System, Mission and Objectives, Management Structure and Nature, Internal Power Relationship, Human Resources, Company Image and Brand Equity, Miscellaneous Factors (physical assets and facilities like production capacity, technology and efficiency of the productive apparatus, distribution logistics, etc.).

*External Environment:* A business does not operate in a vacuum. It has to act and react to what happens outside the factory and office walls. These factors that happen outside the



business are known as external factors of influences. These will affect the main internal functions of the business and possibly the objectives of the business and its strategies. External environment is made of the micro and macro environment. An external environment consists of an economic system, a social system, a monetary system, a political/legal system, and an environmental system.

### Aim and Objective of the Study

The aim of this study is to examine the impact of socio-cultural environmental factors on business performance, while the specific objective is to evaluate the relationship between socio-cultural environmental factors and business performance.

### Hypothesis

H<sub>0</sub>: There is no significant relationship between socio-cultural environmental factors and business performance.

## METHODOLOGY

Questionnaires were used to collect data in order to ascertain the impact of socio-cultural environmental factors on business performance (A Study on Employees of International Breweries Plc., Ilesha, Osun State, Nigeria). The study population was the entire staff. Samples were gathered through stratified sampling technique. The study covered samples of 40 respondents and comprised the top management, middle management, lower management and junior staff. SPSS version 23 software was employed for analyzing the data collected; statistical tools of tables, frequencies, percentages and Catreg regression analysis (optimal scaling regression) were employed.

### Model Specification

Considering the functional notation, the models are specified as followed:

$$Y = f(X_1, X_2, X_3, \dots, X_8) \quad (1)$$

However, the linear function of the above notation is stated as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + X_8 + U_t \quad (2)$$

$$U_t \sim \text{idd}(0, \sigma^2)$$

**Table 2: Variables and Notations**

Notation	Variables
X1	Do you think a good work environment enhances workers efficiency, job satisfaction and dedication to the job?
X2	Sex
X3	Religion
X4	Family composition
X5	Language/Ethnic



X6	Age Distribution
X7	Designation
X8	Highest qualification obtained
U	Error term
Y	Is socio-cultural environment conducive for an improvement in performance?

The OSR, R-square and ANOVA were used to affirm the reliability and fitness of the model used. The values of coefficients ( $\beta$ s) and p-values were used to test the level of impact and its significance respectively. However, the tolerance and level of importance were also shown.

## ANALYSIS

**Table 3: Descriptive Presentations (Demographic structure of respondents)**

Variable	Options	Frequency	Percentage (%)
Sex	Male	24	60
	Female	16	40
Religion	Islam	10	25
	Christianity	28	70
	Traditional	2	5
Family composition	Monogamy	23	57.5
	Polygamy	17	68
Language/Ethnic	Yoruba	25	62.5
	Ibo	7	17.5
	Hausa/Fulani	4	10
	Others	4	10
Age Distribution	Below 25yrs	8	20
	25–45yrs	18	45
	Above 45years	14	35
Designation	Top management	5	12.5
	Middle management	15	37.5
	Low management	20	50.0
	Others	0	0
Qualification	Primary School	1	2.5
	Secondary School	1	2.5
	NCE/OND	11	27.5
	HND/BSC	17	42.5
	Postgraduate	10	25.0
	Others	0	0
Years spent in the company	Below 5years	4	10
	5–10 years	12	30
	Above 10 years	24	60

Source: field survey, 2022.

**Comments:** As indicated in Table 3, 24 (60%) out of the 40 respondents are males while females account for 16 (40%). Eight (20%) of the respondents are below 25 years of age, while the majority of the respondents are of ages between 25 and 45 years—16 (45%), while the rest, 14 (35%) are above 45 years old. Majority of the respondents are Christians, 28 (70%) followed by Muslims, 10 (25%) and other religions are only two (5%). In terms of family composition, 23 (57.5%) are monogamous while the rest are polygamous. Yorubas take a larger percentage (62.5%) of the respondents; this is assumed to be due to company location, followed by Ibo extraction. The distribution of designation, qualification and years spent in the company are as stated in Table 3 above.

**Do you think a good work environment enhances workers efficiency, job satisfaction and dedication to the job?**

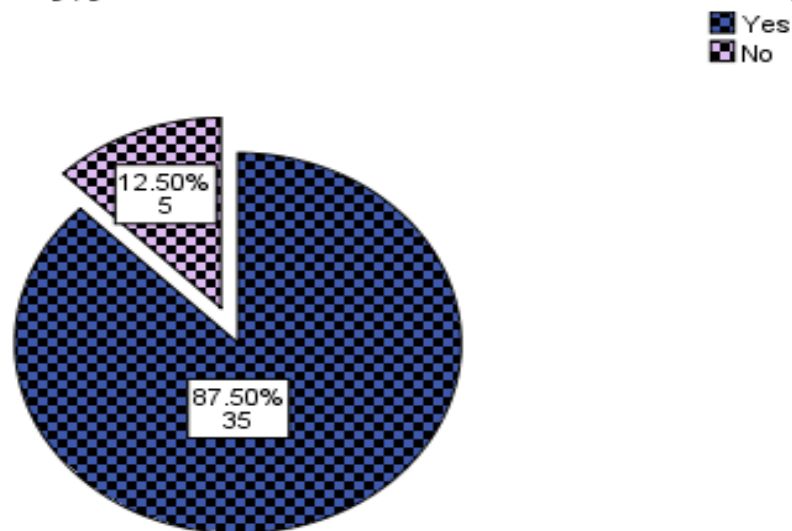
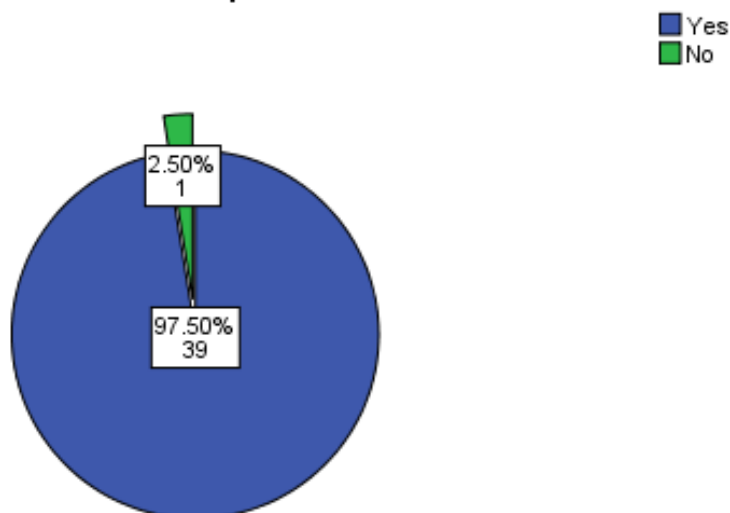


Fig. 1: Work Environment and Job Satisfaction

### Is socio-cultural environment conducive for an improvement in performance?



**Fig. 2: Socio-cultural Environmental Factors and Performance**

**Comment:** Fig. 1 and 2 depict that work environment and socio-cultural environmental factors respectively enhance company performance, as 87.55% and 97.5% respondents affirmed “Yes”.

#### *Inferential Statistics*

**Table 4: Model Summary**

Multiple R	R Square	Adjusted R Square	Apparent Error	Prediction
.431	.186	.221	.814	

*Dependent Variable:* Is socio-cultural environment conducive for an improvement in performance?

*Predictors:* Do you think a good work environment enhances workers' efficiency, job satisfaction and dedication to the job, sex, religion, family composition, language/ethnic group, age distribution, designation, and highest qualification obtained?

The relationship between socio-cultural environmental factors and business performance is positive,  $R=0.431$  (Table 4) and also significant as ANOVA p-value (0.030) is less than 0.05 level of significance (Table 5).



**Table 5 ANOVA**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.439	13	.572	.457	.030
Residual	32.561	26	1.252		
Total	40.000	39			

**Table 6: Correlations and Tolerance**

	Correlations			Importance	Tolerance	
	Zero-Order	Partial	Part e		After Transformation	Before Transformation
Do you think a good work environment enhances workers efficiency, job satisfaction and dedication to the job?	-.061	-.111	-.10	.035	.865	.838
Sex	.196	.300	.284	.356	.709	.726
Religion	.032	-.101	-.09	-.021	.599	.588
Family composition	.186	.191	.175	.203	.747	.749
Language/Ethnic	-.124	-.235	-.21	.204	.508	.752
Age Distribution	.080	.083	.075	.036	.799	.785
Designation	.061	.183	.168	.066	.686	.648
Highest qualification obtained	.078	.251	.234	.120	.671	.667
Dependent Variable: Is socio-cultural environment conducive for an improvement in performance?						

Table 6 above shows the level of correlation and importance of some identified components of social-cultural environmental factors under study. It is observed that gender, family composition, age distribution, qualification and designation are important and positively correlated to the company performance in that order.

## CONCLUSION AND RECOMMENDATION

It was found that socio-cultural environmental factors have positive impacts on business performance. It is hereby recommended that efforts should be made to improve on advertisement based on the studied environmental factors identified.



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