

RELATIONSHIP BETWEEN FACTORS IN THE EXTERNAL ENVIRONMENT AND CORPORATE ENTREPRENEURSHIP: EVIDENCE FROM NIGERIAN MANUFACTURING INDUSTRY

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ABSTRACT

Corporate Entrepreneurship (CE) has been recognised as an effective strategy that can help business organisations to cope with the uncertainties of the modern day business environments, a number of factors in external environment have been identified as antecedent to CE. Unfortunately, the relationship between those factors and CE has not been adequately investigated. Therefore, this study examined the relationship between factors in the external environment and CE in Nigerian manufacturing industry. The study adopted a survey research design; it used primary data which were collected using questionnaire. Data were analysed using correlation analysis. Three factors (hostility, socio-cultural and legal-political) have significant relationship with CE. The study concluded that the external business environment in Nigeria, though in reality seems to be harsh, it presents good opportunities that can facilitate corporate entrepreneurial activities. The study also recommended that manufacturing companies should be pro-active in responding to opportunities that may abound as a result of changes that may be brought by dynamism and other factors in the external environment.

Key words: Dynamism, Employees, Hostility, Nigeria, Organisations.

INTRODUCTION

One of the vital tools recognized as an effective strategy to cope with the uncertainties of the modern day business environments is Corporate Entrepreneurship (CE). This represents a new shift in focus from the traditional way of decision making with respect to innovations, and lays emphasis on the involvement of employees as an important tool in organisational entrepreneurship.

Both past and recent researches on CE have highlighted several importance of CE to both the organizations and an entire nation (see for example Tsado & Gunu, 2016; Erasmus & Scheepers, 2009; Antoncic & Zorn, 2004). According to Sathe in Tsado and Gunu (2016), one of the greatest importance of CE lies in its potentials to contribute to a nation's overall economy by making available different varieties of goods and services for both domestic consumption and export

purpose and creating employment opportunities.

However, based on the existing literature further still, a number of factors in the external environment trigger CE. These factors include dynamism, heterogeneity, hostility, social and political factors as the case may be (Tsado, 2016; Sathe, 2003; Antoncic & Hisrich, 2001). According to Okhomina (2006), these factors are seen as supportive environment which play an important role in the development and nurturing of entrepreneurship and entrepreneurial activities within an existing organisation.

While extensive research efforts have been made in the develop countries (see the work of Zahra, Dharwadkar & George, 2000) and some developing countries, South Africa for example (see also Scheepers, 2007) on the relationship that exist between these factors in the external environment and CE, it is sad to mention that there is no much of such research efforts in Nigeria. However, findings of the research efforts from developed nations would be limited in application in Nigeria due to the differences

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in the environment in terms of culture and political advancement.

Furthermore, the current economic challenge in Nigeria has called for diversification of her economy from oil sector to other sectors such as manufacturing sector and to move away from import dependency to a productive economy. And for manufacturing companies to fill this gap, they have to imbibe the spirit of continuous innovations which can be achieved through CE.

However, giving the peculiar nature of Nigerian such as high prevalence of corruption, policy failure, absence of patriotism and many more, the question that could come to an individual's mind is 'what is the nature of the relationship between factors in the external environment and CE in Nigerian manufacturing industry?'

1.1 Research Objective(s)

The broad objective of this paper was to examine the relationship between factors in the external environment and CE in Nigerian manufacturing industry. Specific objectives include to:

- i. determine the relationship between dynamism and CE
- ii. examine the relationship between hostility and CE
- iii. assess the relationship between socio - cultural factors and CE
- iv. examine the relationship between political - legal factors and CE

LITERATURE REVIEW

2.1 Corporate Entrepreneurship

The term Corporate Entrepreneurship also referred to as intrapreneurship has been defined in diverse ways. For example, Vesper in Adonisi (2003) and Zain and Hassan (2007), defines Corporate Entrepreneurship as a process which involves 'employee' initiative from below in the organization to undertake something new. i.e an innovation that is created by subordinates without being asked, expected, or perhaps even given permission by higher management to do so.

Similarly, Burgelman (1983) on his part posit that Corporate Entrepreneurship refers to the process whereby the firms engage in diversification through internal development, which requires new 'resource' combinations to extend the firm's activities in areas unrelated, or marginally related, to its current domain of competence and corresponding opportunity set. In the same vein, Chung and Gibbons (1997) define corporate entrepreneurship as an organisational process for transforming individual initiatives and ideas into actions through the management of 'uncertainties'.

From the definitions given above, it can be observed that three terms are commonly used in defining CE, these include: Employees, Resources and Uncertainty. Thus, present study suggests that CE should be defined to include these key terms. Therefore, in the context of this study, CE is defined as an idea of exploring innovative tendencies of employees in order to manage uncertainties within the constraints and capabilities of a firm's environments.

2.2 External Factors

External factors, also known as exogenous factors comprise those factors in the external environment that can foster or impede CE in an organisation. These factors constitute everything beyond organisational boundary that is capable of affecting organisational performance either directly or indirectly. Zain and Hassan (2007) describe these factors as environmental hostility. External factors have been described as those forces that are external to the organisation such as dynamism (Adonisi, 2003; Schepers, 2007) industry growth, customer demands, heterogeneity (Adonisi, 2003; Schepers, 2007) and external technological development that influence corporate entrepreneurship behaviours and activities.

2.3 Relationship between External Factors and CE

Theoretically, external factors influence Corporate Entrepreneurial activities (Schepers, 2007). External business environment (dynamism, heterogeneity and hostility) has the potentials to create both

traits and opportunities for business organizations. Turró, (2012) is of the opinion that among all the drivers of CE, external factors appear as the major and important factors. For example, increase in demand for new products in an industry leads to increased consumer demand, which compels enterprises to act entrepreneurially, thus leading to higher levels of CE activities (Scheepers, 2007). Similarly, the culture, altitude and social life styles in a particular environment can constitute a threat to the survival of the organization. Once organisations perceive this threat, they will be forced to develop innovative strategies in response to the threat which will lead to an increase in CE activities.

According to Alarape (2006), continuous change in the business environment as a result of dynamism may be source of abundant opportunities for industrial growth, new technology, and demand for new products. The author maintains that business organisations may unconsciously take advantage and develop innovative strategies and be more pro-active to risk taking in response to environmental traits.

Scheepers (2007) posit that in a threatening and hostile environment, business organisations are expected to develop creative strategies in respond to the perceived threat which should thus, increase CE activities. Furthermore, research has shown that hostility always has an unfavourable effect on pro-activeness-performance relationship (Lumpkin & Dess, 2001). According to Lumpkin and Dess (2001), intensity of competition exerts more pressure on the firm in any hostile environment. Pro-activeness entails employing measures to create an environment that will give a person a competitive age over others (Lumpkin & Dess, 2001). Lumpkin and Dess (2001) argue that reaction to competitive conditions would only be achieved if the environment is certain and stable.

However, it is important to states that the debate on the influence of external factors on CE has continued to generate controversial

findings by the scholars. More so, little is known on the extent to which external factors can influence CE activities (Scheepers, 2007; Morris, 1998).

Theoretical Framework

This study considered Technology-Organisation-Environment (TOE) Framework as its theoretical foundation. TOE was developed by Tornatzky and Fleischer in 1990 (Awa, Ukoha & Emecheta, 2012; Oliveira & Martins, 2011). TOE framework was developed to elucidate organisational components that determine the adoption of decisions regarding innovations in a firm (Arpaci, Yardimci, Ozkan & Turetken, 2012; Lippert & Govindarajulu, 2006). This theory was found to be relevant to the present study.

The theory is based on three variables: technology, environment and organisation context. The technological context includes the internal and external technologies that are relevant to the firm (Lippert & Govindarajulu, 2006). This may include both equipment as well as processes. The organisational context refers to the characteristics and resources of the firm, including the firm's size, top management support, degree of centralisation, degree of formalisation, managerial structure, human resources, amount of slack resources, linkages among employees and communication processes (Arpaci et al., 2012; Oliveira & Martins, 2011). The environmental context includes 'the size and structure of the industry, the firm's competitors, the macroeconomic context, and the regulatory environment' (Lippert & Govindarajulu, 2006).

According to Tornatzky and Fleisher in Lippert and Govindarajulu (2006), the process by which a firm adopts and implements technological innovations is influenced by these three variables i.e 'technological context, the organisational context, and the environmental context'. Thus, these three elements influence the way a firm sees the need for, searches for, and adopts new technology.

However, present study was concerned majorly with the environmental variable of this theory. That is the extent to which changes in the macro economy will influence corporate entrepreneurship in Nigerian manufacturing industry, as well as the relationship between competitive forces, government regulations and policies with corporate entrepreneurship especially in the face of current economic recession in Nigeria.

METHODOLOGY

A survey research design was used for this study; as such, primary data were used. Therefore, the population of this study was 1,826 manufacturing companies registered with Manufacturers Association of Nigeria (MAN) as at August, 2014.

The sample size was arrived at using Guilford and Fluchter (1973) formula for estimating sample size, and was calculated to be 328 companies. Companies were selected across the various sectors using simple random sampling technique.

The study used questionnaire as instrument of data collection. The study adapted a questionnaire developed by (Scheepers, 2007) to measure factors in the external environment. External factors used by Scheepers (2007) were measured through the following constructs: dynamism, hostility and heterogeneity. However, these constructs were redefined and improved upon through the literature review in order to fit Nigerian environment. Thus, only two dynamism and hostility were adapted in the present study. Other construct used to measure factors in the external environment include: socio-cultural and political-regulatory factors. These were measured through self-developed questions from the existing literatures.

Similarly, in measuring Corporate Entrepreneurship, the study adapted some questions from the work of Kuratko et al. (2005) and Scheepers (2007). In this case, respondents were asked to rate the number of new ideas they have suggested in the last two years as significant or not compared to last five years. Furthermore, all the variables

in the questionnaire were measured on a 7 point likert's scale.

Questions in the questionnaire were adapted from the work by Scheepers (2007), but were modified in order to suite the environment of the present study. The internal consistency of the items used is given in the table below.

Table 3.1: Internal Consistency Factors in the External Environment

Constructs	Cronbach Alpha Values
	Field Survey, (2015) (n =623)
Dynamism	0.562
Socio-Culture	0.667
Hostility	0.515
Political-Regulatory	0.544

Source: Field Survey, 2015

Table 3.1 shows that acceptable levels of internal consistency were obtained with Cronbach alpha coefficient values exceeding 0.5. In addition, the questions were vetted by two Professors in the field of entrepreneurship. Furthermore, a pilot test was conducted on a sample of fifty manufacturing companies selected randomly in the South - West Nigeria.

The unit of analysis in this study was firm, however two questionnaires were given to each company through their public relations officer which were filled by functional managers such as branch's customer care manger, head of productions/ operations, marketing manager, store manager, accounts and finance manager. Thus, a total of 628 questionnaires were distributed. Data were analysed using correlation analysis.

RESULTS AND DISCUSSION

Relationship between factors in the external environment and CE is given in Table 4.1 above. It reveals that only three factors in the external environment have significant positive relationship with CE in Nigerian manufacturing companies. The result indicates that Environmental Hostility correlates positively with CE, correlation value $r = 0.430$ being significant p value (.000

< .05). Socio - Cultural Effect correlates positively with CE, with correlation value, $r = 0.210$ being significant p value ($.000 < .05$). Similarly, political-regulatory effect has positive but weak relationship with CE, with correlation value, $r = 0.195$ being significant p value ($.000 < .05$). However, the result shows that market dynamism has no significant relationship with CE, correlation value, $r = 0.058$, and p value ($0.170 > .05$). The results further reveal that environmental hostility showed the strongest relationship with CE followed by socio-cultural effects.

Table 4.1: Relationship between External Factors and CE

		Correlation	Sig.
Pair 1	Market Dynamism & Corporate Entrepreneurship	.058	.170
Pair 2	Environmental Hostility & Corporate Entrepreneurship	.430	.000
Pair 3	Socio - Cultural Effect & Corporate Entrepreneurship	.210	.000
Pair 4	Political - Regulatory Effect & Corporate Entrepreneurship	.195	.000

Source: Authors' Computation, 2016

4.1 Discussion of Findings

This study was carried out to examine the nature of relationship that exists between the factors in the external environment and CE in Nigerian manufacturing industry. On the objective one, the study reported that there was no significant relationship between dynamism and CE. This finding contradicts the position of existing literature (see for example, Alarape, 2006) on how continuous change in the business environment as a result of dynamism may be a source of abundant opportunities for industrial growth, new technology, and demand for new products which will trigger CE. However, some reasons for this finding may be as a result of the economic recession in Nigeria at present which has led to low demand for goods. In addition, other factors

such as inability of managers of business organizations to perceive such opportunities and their level of entrepreneurial orientation may be responsible for this finding. On the objective two, the finding showed that hostility has a moderate positive significant relationship with CE. This finding supports the position of existing literature (see also, Scheepers, 2007).

Similarly on objective three, the result indicated a positive significant relationship between socio - cultural variables and CE. This finding is not surprising as most Nigerians have negative attitude toward locally made products, as a result, most manufacturing companies that cannot compete favourably would have to write 'Made in China' in their products (see Tsado, 2016). As a result, this will force most manufacturing companies to be creative in response to such social attitude. On objective four, the result showed a positive significant relationship between political/ regulatory variables and CE. The reason for this finding may be as a result of level of political development of Nigeria, and high level of corruption in the system. For example, there is always inconsistency in government policies, most especially with the change in government. More so, most policies are introduced to favour specific interests. This may trigger other companies to develop innovative strategies in response to any unfavourable government policy.

CONCLUSION

The findings reported in this study have shown that the conditions in the Nigerian external business environment present the need for CE. This is glaring with the current economic recession the country is passing through. However, what may be lacking among the manufacturing companies in Nigeria is the boldness to take entrepreneurial risk. But, it is also important to note that, aside factors in the external environment, there are other factors that drive CE. The paper concluded that the external business environment in Nigeria, though in reality seems to be harsh, it

presents good opportunities that can facilitate corporate entrepreneurial activities.

5.1 Recommendations and Suggestion for Further Research

Based on the findings, the study recommended that manufacturing companies in Nigeria should take advantage of the current economic challenge and develop CE strategies so as to remain profitable. Manufacturing companies should be pro- active in responding to opportunities that may abound as a result of changes that may be brought by dynamism other factors in the external environment. However, the study was limited by examining just the relationship between the factors and CE using correlation analysis, the study therefore, recommended that further research should examine the effect of these factors in the external environment on CE using other statistical techniques, and develop a model that can be used to predict CE giving the factors in the external environment.

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