



BUJBA

Vol. 2 number 1,
June, 2024

pp 1-17

Effect of External Business Environment on the Performance of Small and Medium Enterprises in Federal Capital Territory, Abuja Nigeria

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ABSTRACT

This study investigated the influence of the External Business Environment on the performance of Small and Medium Enterprises (SMEs) in Abuja, Nigeria; with a particular focus on Customer Satisfaction as a proxy for SME performance. Using a survey research design, a mixed-method approach was employed; combining quantitative data from questionnaires and inferential analyses with qualitative insights from a 5-point Likert scale instrument. The study's framework includes four dimensions of the External Business Environment: Economic, Sociocultural, Technological, and Political factors. The sample of the study was 357 owners/managers of SMEs. Using regression analyses, the study findings reveal a significant positive effect of the external business environment on SME performance; with economic, sociocultural, and technological external business factors positively affecting customer satisfaction. However, the political environment exhibits an insignificant effect, indicating its limited influence on SME performance. The study concludes that of the dimensions of the external business environment tested, the economic environment has the leading effect on the performance (measured with customer satisfaction) of SMEs in Abuja, Nigeria, followed by the technological environment and sociocultural environment. It is, therefore, recommended that economic, sociocultural and technological external business environments should be prioritised over the political environment of SMEs in Abuja. After all, they are not significantly impacted by the political environment.

Key Words: External Business Environment, Economic Environment, Sociocultural Environment, Technological Environment, Political Environment, Customer Satisfaction

INTRODUCTION

The changing nature of the business environment, which includes factors like global competitiveness, information technology, a revolution in quality services, and corporate social responsibility, force managers to reconsider and reconfigure how they handle various operational duties. This paradigm shift has led to the emergence of new businesses that are more responsive to their external environment (Fauzi *et al.*, 2020). According to Liman *et al.* (2021), the concept of an enterprise external environment was initially understood by open systems theorists, who noted that organisations function in constant and inescapable contact with the big system that surrounds and contains them. The system known as the external environment is made up of elements such as legal, political, economic, sociocultural, infrastructural, demographic, religious and technological as well as security aspects that have an impact on business enterprises from the outside and are out of the enterprises' control. In addition, Guillen *et al.* (2019) averred that the

political and legal environment are also important dimensions of the external business environment.

Any business must update its systems in order to survive and grow in the market during a period of shifting economic times and systems, which are powered by numerous variables. During dwindling economic times in a country like Nigeria, PricewaterhouseCoopers (PwC) (2020) averred that many firms have failed over the past few years, while others have chosen to sell their shares or enterprises as a whole to prevent further loss. As a result, it is crucial for enterprises to research the business environments in which they operate because these elements tend to collectively have an impact on performance and determine whether a system will succeed or fail.

Small and medium enterprises (SMEs) in Nigeria have not fared admirably well since they have not adequately contributed to the expected substantial role in the country's economic growth (Taiwo & Falohun, 2016). Hence, it is insufficient for SMEs to influence apprentice training in the current economic climate, especially after the COVID-19 pandemic, to hasten employment and growth (Bularafa & Adamu, 2021). Also, the sociocultural environment in which businesses operate in the nation is unstable because consumers strongly favour imported items and the nation imports more goods than it exports (Muktar *et al.*, 2015). Due to the socio-cultural aspects of SMEs' underperformance, these costs may have a negative effect on business development. Yet, Ogunmuyiwa (2022) asserts that serious technological issues faced by SMEs are what cause poor pertain. Also, Guillen *et al.* (2019) averred that, due to ignorance, the majority of SME owner-managers do not take cognisance of the political and legal framework of the country, which causes them to fail.

While it may seem glaring that the external business environment affects business performance, divergent opinions exist regarding which category of elements best affects a firm's performance. According to several academics (Oyedijo & Samuel, 2018; Nwekpa & Evans, 2015), economic factors are better positioned to have an impact on the performance of SMEs. Some researchers, like Ogunmuyiwa (2022), Chen and Cheng (2021), and Abdullahi *et al.* (2015), believe that technological factors are more effective at predicting the performance of SMEs. Fauzi *et al.* (2020) and Collier (2017) believe that sociocultural factors are the most important. Guillen *et al.* (2019) believe that political and legal are the most important. Meanwhile, some other researchers (Olowe & Osabuohien, 2020; Kim & Kim, 2019; Oyedijo & Samuel, 2018) believe that the external business environment does not significantly affect SMEs' performance.

In this vein, despite the fact that studies on the external business environment factor have been conducted, more emphasis needs to be placed on carrying out ongoing research on the external business environment and how it can affect SMEs' performance. To the best of the researchers' knowledge, only a small number of studies have been done on the effects of economic, sociocultural, technological, and political factors on the performance of SMEs in the Federal Capital Territory (FCT) of Nigeria. By experimentally examining the effects of the external business environment (economic, socio-cultural, technological, and political) on the performance of SMEs in FCT, this study intends to add to the body of current work.

The study's primary objective is to investigate the effect of the external business environment on the performance of SMEs in the Federal Capital Territory of Nigeria. Other specific objectives of

the study are to examine the effect of economic, sociocultural, technological, and political environments on the performance of SMEs in FCT. In line with the aforementioned objectives, the study hypothesised as follows:

- H₀₁: Economic environment has no significant effect on the performance of SMEs in Federal Capital Territory, Abuja, Nigeria.
- H₀₂: Sociocultural environment has no significant effect on the performance of SMEs in Federal Capital Territory, Abuja, Nigeria.
- H₀₃: Technological environment has no significant effect on the performance of SMEs in Federal Capital Territory, Abuja, Nigeria.
- H₀₄: Political environment has no significant effect on the performance of SMEs in Federal Capital Territory, Abuja, Nigeria.

LITERATURE REVIEW

Conceptual Framework

External Business Environment

The term "external environment" refers to variables and circumstances outside of the control of a business that has an impact on its performance and operations (Worthington & Britton, 2016). These factors include those that are economic, social, technological, political, as well as legal (Hill & Jones, 2017). According to Shao and Xie (2021), effective strategic planning and business decision-making depend on having a solid understanding of the external environment.

O'Sullivan et al. (2018), opined that certain internal and external influences affect businesses all over the world. These elements are taken for granted, and businesses are expected to operate in accordance with a specific set of environmental conditions. The majority of these issues are outside the control of business enterprises and are uncontrollable. Yet, their capacity and aptitude to successfully adapt to environmental changes present in a business's surrounds heavily influences their advancement, success, and survival (Maitrayee, 2021).

According to Anderson et al. (2019), the business environment is a "collection of organisational inputs that are influenced by the interactions of many groups, such as the economy, other organisations, or interest groups." These inputs include economic conditions, government regulations, social and cultural trends, technological advancements, and competitive forces. The environment is shaped by various interest groups such as customers, suppliers, competitors, and stakeholders, who interact with the organisation and influence its performance. The economy, in particular, plays a crucial role in shaping the business environment, as it determines the level of demand for goods and services, availability of resources, and market conditions. A business must carefully analyse the environment and adapt to changing conditions in order to remain competitive and sustainable.

In a nutshell, the business environment is the culmination of all the external and internal elements outside of the company's control that have an impact on it in various ways. In other words, it is made up of two macro-level layers: the general environment and the industry environment. This study focused on the external business environment because the external environment is dynamic and constantly changing (Maitrayee, 2021). Organisations need to monitor and adapt to changes in the external environment to remain competitive and successful, whereas the internal environment can be more easily controlled and managed by the organisation itself.

Economic Environment

The economic business environment refers to the conditions and factors that affect the operations, performance, and sustainability of businesses in a particular market or industry. According to O'Sullivan et al. (2018), the economic business environment consists of external factors such as market conditions, competition, and government policies, as well as internal factors such as organisational culture, structure, and operations. Small and medium enterprises (SMEs) must take into account the economic business environment when making strategic decisions, as it can have a significant impact on their operations and performance.

The external factors that make up the economic business environment include interest rates, market conditions, exchange rates, unemployment rates, and government policies. Market conditions refer to the supply and demand dynamics of a particular market or industry. According to Kanso (2017), businesses must be aware of market conditions such as the size of the market, the level of demand, and the buying habits of consumers when making decisions such as pricing, product development, and marketing. Competition is another external factor that affects the economic business environment. Businesses must be aware of their competitors, their strengths and weaknesses, and their strategies when developing their own strategies. According to Porter (2017), a business's competitive advantage depends on its ability to differentiate itself from its competitors.

In essence, the economic business environment plays a significant role in shaping the operations and performance of businesses. SMEs must be aware of external factors that make up the economic business environment when making strategic decisions. The dynamic and complex nature of the economic business environment presents challenges to businesses, but strategies such as environmental scanning, diversification, and cost-cutting can help businesses manage the environment effectively. Overall, a thorough understanding of the economic business environment is crucial for SMEs to remain competitive and sustainable.

Sociocultural Environment

The sociocultural external business environment refers to the cultural and social factors that influence business operations, such as the beliefs, customs, attitudes, and values of individuals within a particular society (Babin & Harris, 2016). The environment is constantly changing, and businesses must adapt to these changes to remain relevant and successful.

According to Nasrudin (2020), the term "sociocultural environment" describes patterns and advancements in societal views, behaviour, and beliefs. More so, population, way of life, culture, preferences, habits, and traditions are all intimately intertwined. These elements are produced by the environment and are frequently inherited from one generation to the next.

The sociocultural external business environment plays a crucial role in SMEs' operations. Culture, social responsibility, diversity, consumer behaviour, lifestyle changes, ethnic diversity, and globalisation are some of the critical aspects of the sociocultural external business environment. Understanding these factors is essential for SMEs to develop effective strategies and remain competitive. Failure to understand the sociocultural external business environment may result in business failure. Therefore, SMEs must adapt to the changes in the sociocultural external business environment to remain relevant and successful.

Technological Environment

The technological external business environment refers to the external forces that impact a business and its ability to compete and succeed in the marketplace (Brynjolfsson & McAfee, 2017). These forces can include advances in technology, changes in consumer behaviour, and shifts in the competitive landscape.

In the present age of globalisation, technological advancements have changed the way business is conducted. The external business environment is composed of various factors, including technological advancements that impact an organisation's operations. Technological external business environment refers to the technological factors that influence the external environment of a business, including competition, customers, and suppliers (Hawkins *et al.*, 2018).

In essence, technological advancements have transformed the external business environment, leading to new challenges and opportunities for SMEs. Technology has changed customer behaviour and expectations, leading to a more personalised and engaging customer experience. Moreover, technological advancements have impacted the supplier landscape, leading to changes in supply chain management. Finally, technological advancements have increased competition by lowering barriers to entry and increasing collaboration between SMEs and their stakeholders. Enterprises that fail to keep up with technological advancements risk becoming obsolete and losing market share. Thus, SMEs need to embrace technological advancements and use them to improve efficiency, productivity, and competitiveness.

Political Environment

The political environment is an external business environment that encompasses various regulations and laws enacted by the government to govern the operations of businesses (Liman *et al.*, 2021). It includes the legal system, government regulations, and political stability of a country. The political environment has a significant impact on the business environment, especially on the operations and decision-making process of businesses. Understanding the political environment is vital for businesses to comply with legal requirements, avoid legal issues, and stay competitive (Nkongolo-Bakenda, 2020).

Makhlouf and Khlif (2018), averred that the political environment includes the legal framework which is a set of laws, regulations, and policies that govern the interactions between businesses and government institutions. According to PwC (2015), the political-legal environment comprises the legal system, political stability, government regulations, and policies. The legal system entails the laws and regulations that guide the operations of businesses. Political stability refers to the state of the government and the level of stability in the country. Government regulations and policies involve rules and policies that govern the operations of businesses, including taxes, trade policies, and labour laws.

The political environment is an external business environment that encompasses various regulations and laws enacted by the government to govern the operations of businesses. The political-legal environment has a significant impact on the business environment, especially on the operations and decision-making process of businesses (Adeyemo & Gbande, 2020; Makhlouf & Khlif, 2018). Understanding the political-legal environment is vital for businesses to comply with legal requirements, avoid legal issues, and stay competitive. SMEs are particularly vulnerable

to changes in the political-legal environment, especially in emerging markets. The political-legal environment affects businesses differently from large businesses due to their size and resources. Political stability is a critical factor that affects business operations. Government regulations and policies have a significant impact on the operations of businesses, affecting their competitiveness, profitability, and survival. Environmental regulations, tax policies, and labour laws are examples of government regulations that affect businesses. In conclusion, SMEs need to understand the political-legal environment and its impact on their operations to make informed decisions and stay competitive.

SMEs' Performance: Customers Satisfaction

SMEDAN and NBS (2017), define small and medium-sized enterprises (SMEs) as enterprises with employee and asset bases that are below and/or within predetermined thresholds. More specifically, the Bank of Industry (2015) availed that "micro enterprises have 1-10 employees (asset base of not more than ₦5 million); small enterprises: 11-50 employees (asset base of between above ₦5 million and ₦100 million); and medium enterprises: 51-200 employees (asset base of between above ₦100 million and ₦500 million)."

SMEs are essential to the economic growth of many countries. They contribute significantly to job creation, innovation, and economic development (Doherty *et al.*, 2019). The performance of SMEs is critical to their survival and growth. Measuring the performance of SMEs is complex and requires a multi-dimensional approach that considers financial and non-financial factors. This study discusses the measures of SME performance and highlights customer satisfaction as the measure for the study.

In essence, measuring the performance of SMEs is complex and requires a multi-dimensional approach that considers financial and non-financial factors. While financial measures such as profitability and ROI are commonly used in measuring SME performance, non-financial measures such as customer satisfaction, employee satisfaction, and environmental performance are also important. Customer satisfaction is a critical non-financial measure of SME performance that can be used to assess the quality of products and services offered by SMEs. It affects the financial performance of the business by driving customer loyalty, repeat purchases, and recommendations to others. The use of non-financial measures in measuring SME performance is gaining popularity as they provide a more comprehensive evaluation of performance and capture the intangible factors that contribute to the success of a business.

Relationship between External Business Environment and Enterprises' Performance

One can argue that the external business environment plays a pivotal role in shaping an enterprise's performance—since it encompasses a myriad of factors outside an organization's realm, including the economy, culture, technology, and government policies (Xin *et al.*, 2023). This relationship is indispensable for any enterprise aspiring to attain long-term success. Grant (2016) elucidates that the external business environment can be divided into two critical components: the macro-environment, which comprises elements such as the economy, government policies, demographics, and culture, and the industry environment, which includes factors like competitors, suppliers, customers, and regulatory frameworks. Moreover, Worthington and Britton (2016) provide a comprehensive definition, encompassing political, economic, social, technological, environmental, and legal factors as integral elements within the external business

environment. Understanding this multifaceted relationship is essential for optimising enterprise performance and adapting strategically to evolving circumstances.

In retrospect, the external business environment exerts a profound influence on enterprise performance. It encompasses an array of factors, ranging from economic conditions to cultural preferences and from technological advancements to governmental regulations, as highlighted by Xin et al. (2023). Grant's (2016) differentiation between the macro-environment and the industry environment provides a nuanced understanding of the multifaceted influences at play. Additionally, Worthington and Britton's (2015) inclusive definition encompasses political, economic, social, technological, environmental and legal elements, offering a comprehensive view of this complex relationship. Enterprises that grasp the intricacies of the external business environment are better equipped to adapt, strategize, and optimise their performance in a continually evolving business landscape.

Other scholars have also provided their understanding of the external business environment. For instance, Johnson and Scholes (2017), define the external business environment as the set of factors that influence the competitiveness and profitability of an organisation. They identify five key factors: economic, technological, political, social, and environmental. Similarly, Hill and Jones (2017) define the external business environment as the set of factors outside an organisation that can influence its operations, profitability, and sustainability. They identify four key factors: economic, legal, technological, and social.

The external business environment has a significant impact on enterprise performance. Several studies have explored the relationship between the external business environment and enterprise performance. For instance, Shao and Xie (2021), investigated the effects of the external environment on the financial performance of Chinese small and medium-sized enterprises (SMEs). The study used a sample of 451 SMEs in China and employed structural equation modelling to analyze the data. The results revealed that technological innovation had a positive and significant effect on SME financial performance. Additionally, the study found that the external environment, particularly the economic and socio-cultural factors, significantly moderated the relationship between technological innovation and financial performance. The study highlights the importance of technological innovation and external environment for SME financial performance in the Chinese context.

Similarly, Aragón-Correa *et al.* (2016) examined the impact of the external business environment on corporate social responsibility (CSR) and firm performance. They found that environmental regulations, customer preferences, and stakeholder pressure had a significant impact on CSR and firm performance.

Another study by Lockett *et al.* (2016) explored the impact of the external business environment on the internationalisation of SMEs. They found that factors such as the economic, political, and cultural environment had a significant impact on SMEs' internationalisation.

Enterprises need to understand the external business environment to improve their performance. They need to monitor and adapt to changes in the external business environment to remain competitive and successful. For instance, enterprises need to understand the impact of

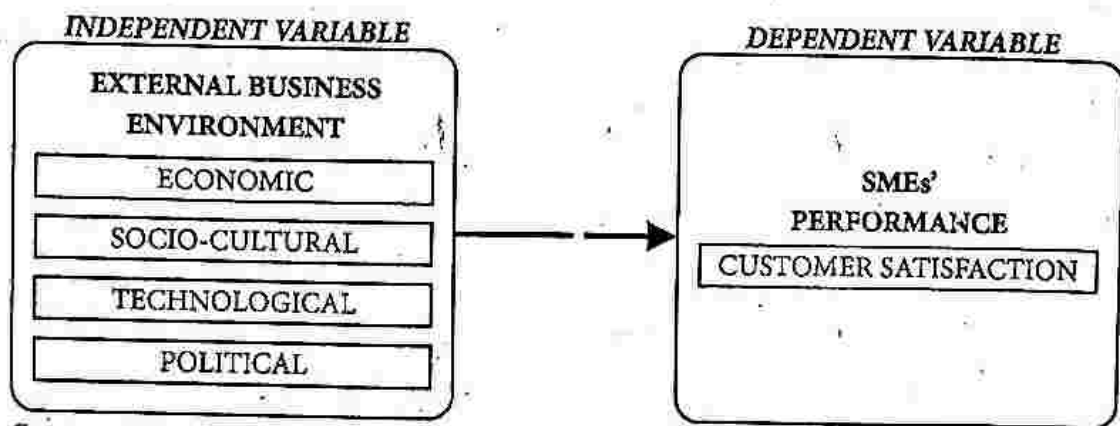
technological advancements on their operations and adapt to new technologies to remain competitive (Ogunmuyiwa, 2022).

Enterprises also need to understand the impact of government policies on their operations. For instance, changes in tax policies can have a significant impact on enterprises' profitability (Chan & Mintz, 2015). Similarly, changes in environmental regulations can have a significant impact on enterprises' operations and sustainability (Arigón-Correa *et al.*, 2016).

In inference, the external business environment comprises all the factors outside an organisation that can influence its performance. There are various definitions and understandings of the external business environment, but they all agree that it is crucial for enterprises to understand the external business environment to improve their performance. The impact of the external business environment on SMEs' performance has been widely studied, and it has been found that factors such as economy, culture (including customer preferences), technology and government policies (including politics and legal frameworks) can significantly influence enterprise performance. Enterprises need to monitor and adapt to changes in the external business environment to remain competitive and successful.

Furthermore, it is essential for SMEs to develop strategies that are aligned with the external business environment. For instance, enterprises can collaborate with suppliers to improve their supply chain operations, adapt to changing customer preferences to remain competitive and develop corporate social responsibility strategies that align with stakeholder expectations and regulatory requirements. By understanding and adapting to the external business environment, enterprises can improve their customer satisfaction, which can, in turn, affect their profitability and sustainability. Based on the understanding of the concept reviewed, this study utilised a conceptual framework (Figure 2.1) that depicts the relationship between the various aspects of the external business environment and a measure of SMEs' performance.

Figure 1: Conceptual Framework of the Relationship between External Business Environment and SMEs' Performance



Source: Author's Construction, 2023

Figure 1 represents a virtual conceptual framework of the link between the external business environment and its dimensions, as well as the performance of SMEs. Each of the aspects is

described in detail in the following subchapters to effectively explain the external business environment.

Theoretical Framework

Theories play a major role in the empirical investigation of the relationship between SMEs' performance and the external business environment (Man & So, 2015). Previous researches (Adeeko, 2017; Anggadwita *et al.*, 2017; Collier, 2017) has determined that the most relevant organisational theories that could be used to explain the relationship between the external business environment and the performance of SMEs are environmental uncertainty theory, Farmer-Richman theory of comparative management, institutional theory, and contingency theory.

The Contingency Theory serves as the main framework for understanding the complex interplay between an organisation's external factors and its management approach. It is the theory on which the study is based because it recognises the importance of flexibility and adaptability in responding to changes in the external environment, and has important implications for the performance of SMEs. While the theory has some limitations, it remains one of the most important and influential management theories and continues to be widely used and studied in the field of management.

METHODOLOGY

The survey research design, which is based on replies from primary data, was used in this study. The population under study for this research included SMEs in Nigeria's Federal Capital Territory (FCT). SMEs are businesses with fewer than 200 people and less than 500 million Naira in assets (Bank of Industry, 2015). According to SME DAN and NBS (2017), there are about 2825 SMEs in FCT, which was the audience of this study. This information was also utilised to determine the sample size using the Taro Yamane (1967) formula

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

Where, n = sample size; N = population; e = degree of error expected. With a degree of error expected at 0.05 and a population of 2825, the sample size is computed below:

$$n = \frac{2825}{1 + 2825(0.05)^2}$$

$$n = \frac{2825}{1 + 2825(0.0025)}$$

$$n = \frac{2825}{1 + 7.0625}$$

$$n = \frac{8.0625}{8.0625}$$

$$n = 350.388 \approx 351$$

Whilst the calculated sample size using the Taro Yamane formula is estimated as 351, Singh and Masuku (2014), averred that there is a need to increase the calculated sample size by 10% to account for those who cannot return their questionnaires or properly fill it. Therefore: New sample size = $351 + (10\%) 351 = 386$.

As such, 386 served as the number of questionnaires that were distributed. More so, this sample suffices to optimally predict or investigate the characteristic of the population under study. Of the 386 questionnaires issued, 357 were completed and returned representing a 92.48% response rate.

The questionnaires contained closed-ended questions because they were easier and faster for respondents to answer. The research questions in the survey were scored on a 5-point Likert scale of "Strongly Agree (5), Agree (4), Undecided (3), Disagree (2) and Strongly Disagree (1)." The questionnaire is one of the data collection methods chosen since it is inexpensive and does not take as much work from the questioner as verbal or telephone surveys.

The facial cogency of the questionnaire utilised in this study was analysed and studied. Meanwhile, the facial cogency was achieved by carefully inspecting the arrangement and structure of the questionnaire.

The administered surveys were tested to confirm their reliability. The method used for testing for the internal consistency was the Cronbach's Alpha, which is computed with the model:

Where: α = Cronbach Alpha; N = the number of items on the scale; r = the mean inter-item correlation. A Cronbach's Alpha value of 0.7 is considered reliable (Wadkar *et al.*, 2016). Cronbach's Alpha is a numerical value that can range between zero and one. A pre-study survey was conducted for this study to establish the validity of the test instrument, wherein Cronbach's alpha (α) value of all the items was above 0.7.

Table 1: Reliability of the Variables with Cronbach's Alpha Model

Variables	Cronbach's Alpha	Number of Items
Economic Environment (ECO)	0.85	5
Sociocultural Environment (SOC)	0.82	5
Technological Environment (TEC)	0.77	5
Political Environment (POL)	0.71	5
Customer Satisfaction (CS)	0.74	5

Source: Author's Computation, 2023

Table 1 presents the reliability assessment of the variables using Cronbach's Alpha model, calculated with SPSS version 26. A Cronbach's Alpha value above 0.7 is deemed indicative of good reliability for research instruments. As per Wadkar *et al.* (2016), reliability scores of 0.7 or higher are considered acceptable for research purposes. The analysis confirms that all variables in the study surpass this threshold, indicating that the instrument used is reliable for measuring the constructs under investigation. This reinforces the confidence in the data's consistency and provides a strong foundation for the subsequent statistical analyses and research conclusions.

The primary data were analysed using the SPSS version 26. The descriptive statistics were the mean and standard deviation while the inferential statistics included analysis Multiple Linear Regression to determine the effect of the independent variable on the dependent variable. The statistical model used was:

$$Y = a + bx + \mu \dots \dots \dots (1)$$

Following equation (1) for carrying regression analysis, this study adopted the following linear multiple regression model:

$$CS = \alpha + \beta_1 ECO + \beta_2 SOC + \beta_3 TEC + \beta_4 POL + \dots \dots \dots (2)$$

Where: CS = SMEs' performance measures with customer satisfaction (Dependent variable); ECO = Economic environment (independent variable 1); SOC = Sociocultural environment

(independent variable 2); TEC = Technological environment (independent variable 3); POL = Political environment (independent variable 4); α = Intercept or constant; β = Coefficient; the slope of the regression line with respect to the independent variables; ε = Error term.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics was used in this study to offer a succinct summary of the data, revealing essential characteristics and patterns. We employ these analytical tools to shed light on the dynamic interactions between the external business environment factors (Economic, Sociocultural, Technological, and Political) and SMEs' performance (proxied by Customer Satisfaction) in Abuja. Such insights are crucial for unravelling the effect of external forces on small and medium enterprises and informing effective business strategies.

Table 2: Study Variables' Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation	Skewness	Kurtosis
Economic Environment (ECO)	357	1.40	1.40	3.1199	0.5875	-0.657	0.233
Sociocultural Environment (SOC)	357	1.20	1.20	2.9529	0.6064	-0.458	0.328
Technological Environment (TEC)	357	1.40	1.40	3.2756	0.6672	-0.783	0.409
Political Environment (POL)	357	1.60	1.60	3.1804	0.6450	-0.094	-0.541
Customers Satisfaction (CS)	357	1.80	1.80	3.6325	0.6839	-0.672	-0.001
Valid N (list-wise)	357						

Source: Author's Computation, 2023

Table 2 depicts the results of the descriptive statistics of the study variables. The descriptive statistics for the study variables provide a comprehensive overview of their central tendencies and variations. The means (averages) and standard deviations offer valuable insights into the magnitude and dispersion of each variable's values. The Economic Environment (ECO) exhibits a mean value of 3.1199 with a standard deviation of 0.5875, while the Sociocultural Environment (SOC) shows a mean value of 2.9529 with a standard deviation of 0.6064. Similarly, the Technological Environment (TEC) presents a mean value of 3.2756 with a standard deviation of 0.6672, and the Political Environment (POL) has a mean value of 3.1804 with a standard deviation of 0.6450. Furthermore, Customer Satisfaction, a proxy for SMEs' performance, has a mean value of 3.6325 with a standard deviation of 0.6839.

To ascertain the normality of the data, we examine the skewness and kurtosis values. A widely accepted guideline posits that distributions are significantly skewed if the skewness value exceeds +1 or falls below -1 (Hair *et al.*, 2022). Similarly, kurtosis values greater than +1 indicate an excessively peaked distribution, while values below -1 suggest an overly flat distribution. Remarkably, all the variables' skewness and kurtosis, as demonstrated in Table 2, remain within acceptable bounds, signifying that the data follow a normal distribution pattern.

In alignment with Hair *et al.*'s (2022) insights, the normality of our data reinforces the validity of the statistical inferences drawn from our study. The adherence to normal distribution assumptions enables us to conduct robust analyses, facilitating a deeper understanding of the relationship between the external business environment factors and SMEs' performance. These reliable findings serve as a foundation for informed decision-making and strategic planning to foster the growth and success of small and medium enterprises in Abuja.

Multiple Linear Regression Analysis

The model and hypotheses were tested at a 0.05 significance level. Table 3. Shows a model summary that is used to measure how well the regression model fits the data.

Table 3: Model Summary

Model Summary ^b					
Model	Multiple R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.831 ^a	0.691	0.687	0.38254	1.978

a. Predictors: (Constant), POL, SOC, TEC, ECO

b. Dependent Variable: CS

Source: Author's Computation, 2023

Table 3 presents the model summary, revealing compelling insights into the relationships among the study variables. The independent variables, serving as proxies for the External Business Environment, demonstrate a robust linear effect on Customer Satisfaction (CS) among SMEs in Abuja, as indicated by a significant Multiple R-value of 0.831.

Moreover, the model's R Square value stands at 0.691, indicating that the independent variables account for 69.1% of the variation in Customer Satisfaction. The remaining 30.9% of the variation is attributed to other unexamined dimensions that could influence SMEs' performance (customer satisfaction). The Adjusted R Square, recorded at 0.687, signifies that 68.7% of the variance in Customer Satisfaction can be attributed to differences in the SMEs' External Business Environment.

To gauge the accuracy of the model, we examined the Standard Error of the Estimate, which denotes an average discrepancy of 0.37528 between observed values and the regression line. A lower standard error indicates a more precise fit of the model to the actual data points, reinforcing the reliability of our analysis.

Additionally, the Durbin-Watson value of 1.978, reported in Table 3, indicates positive autocorrelation in the residuals from the regression analysis. This autocorrelation signifies the degree of correlation between variable values across various data, a positive occurrence in this study. As per Kenton's (2022) view, Durbin-Watson statistic levels between 1.5 and 2.5 are deemed suitable for this type of study, further affirming the robustness of regression analysis. These findings bolster our understanding of how the External Business Environment exerts its influence on SMEs' performance, particularly in terms of customer satisfaction in Abuja.

Table 4: Analysis of Variance (ANOVA)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	114.992	4	28.748	196.446	0.000 ^b
	Residual	51.512	312	0.146		
	Total	166.503	316			

a. Dependent Variable: CS

b. Predictors: (Constant), POL, SOC, TEC, ECO

*.Decision Rule: 0.05

Source: Author's Computation, 2023

Table 4 shows the analysis of variance of the study. In the ANOVA Table, "the computation has a significant level of 0.000, suggesting that the data is suitable for identifying population parameters because the significance threshold is less than 0.05. Additionally, the estimated value (196.446) was greater than the critical value (2.417), indicating that External Business Environment significantly influenced the SMEs' performance in Abuja.

Table 5: Coefficient of Determination

Model	Unstandardized Coefficients		Std. Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	0.439	0.54		2.844	0.005
ECO	0.347	0.55	0.298	2.238	0.026
SOC	0.278	0.90	0.246	3.097	0.002
TEC	0.342	0.87	0.334	3.915	0.000
POL	0.054	0.132	0.051	1.699	0.090

a. Dependent Variable: CS

*.Decision Rule: 0.05

Source: Author's Computation, 2023

Table 5 shows the coefficient of determination for the variables in the study. Following Equation (2), the statistical model could be represented as:

$$CS = 0.439 + 0.347ECO + 0.278SOC + 0.342TEC + 0.054POL + e_i \dots \dots \dots (3)$$

Table 5 presents the regression analysis outcomes, illustrating the impact of the External Business Environment on Customer Satisfaction for SMEs in Abuja. When the effect of the External Business Environment is set to zero, Customer Satisfaction is estimated to be 0.439.

Table 5 presents the dimensions of the External Business Environment, namely the Economic Environment (ECO), Sociocultural Environment (SOC), Technological Environment (TEC), and Political Environment (POL), as examined for their individual effects on Customer Satisfaction. A unit increase in ECO corresponds to a substantial 0.347 (34.7%) increase in Customer Satisfaction, with ECO exhibiting statistical significance at the 0.026 level. Similarly, a unit increase in SOC leads to a noteworthy 0.278 (27.8%) increase in Customer Satisfaction, with SOC showing significance at the 0.002 level. Likewise, TEC exerts a considerable influence, as a unit increase results in a 0.342 (34.2%) increase in Customer Satisfaction, with high significance at the 0.000 level. Conversely, the impact of POL is found to be non-significant at the 0.090 level, surpassing the established decision rule of 0.05. A unit increase in POL may only marginally affect Customer Satisfaction for SMEs in Abuja, with a factor of 0.054 (5.4%), given its lack of statistical significance.

The analysis underscores that among the surveyed SMEs in Abuja, the Economic Environment holds the most substantial effect on Customer Satisfaction, followed by the Technological Environment and the Sociocultural Environment. In contrast, the Political Environment demonstrates no discernible effect on SMEs' performance in terms of Customer Satisfaction, as indicated by its lack of statistical significance.

Table 6: Summary of Hypotheses Tested

Hypothesis Statement	Model	Result	Decision
H ₀₁ : Economic environment has no significant effect on the performance of SMEs in Abuja, Federal Capital Territory of Nigeria.	$CS = a + b_1ECO + e_i$	0.026	Sig. <0.05 Not Accepted
H ₀₂ : Sociocultural environment has no significant effect on the performance of SMEs in Abuja, Federal Capital Territory of Nigeria.	$CS = a + b_1SOC + e_i$	0.002	Sig. <0.05 Not Accepted
H ₀₃ : Technological environment has no significant effect on the performance of SMEs in Abuja, Federal Capital Territory of Nigeria.	$CS = a + b_1TEC + e_i$	0.000	Sig. <0.05 Not Accepted
H ₀₄ : Political environment has no significant effect on the performance of SMEs in Abuja, Federal Capital Territory of Nigeria.	$CS = a + b_1POL_i + e_i$	0.090	Sig. >0.05 Accepted

Source: Author's Result, 2022

Table 6 shows that the hypothesis testing summary provides a comprehensive overview of the findings. Hypotheses 1, 2, and 3 reveal that the null hypothesis, stating no significant relationship between the variables, is rejected in favour of the alternative hypothesis, signifying a meaningful association among the tested variables. However, in the case of Hypothesis 4, the null hypothesis is accepted, suggesting that there is no statistically significant relationship between the variables under examination. These results contribute valuable insights into the interplay between the study variables, allowing for a deeper understanding of the impact of the external business environment on SMEs' performance in terms of customer satisfaction.

CONCLUSION AND RECOMMENDATIONS

This research delved into the vital interplay between the External Business Environment and Customer Satisfaction among small and medium enterprises (SMEs) in Abuja. It showed that of the dimensions of the external business environment tested, the economic environment has the leading effect on the performance (measured with customer satisfaction) of SMEs in Abuja, Nigeria, followed by the technological environment and sociocultural environment. Regarding the issue of the performance SMEs in Abuja being perceived as not affected by the external business environment, it could be as a result of the people focusing on the political environment which is not significant according to this study. Nevertheless, taking cognisance of the economic, technological and sociocultural environments would significantly increase Employee Performance in terms of increased Customer Satisfaction.

According to the findings of the study, economic, sociocultural and technological external business environments should be prioritised over the political environment of SMEs in Abuja. After all, the SMEs in Abuja are not significantly impacted by the political environment. Arising from the study's findings, the following are recommended:

Since the economic environment has the leading positive influence on the performance of SMEs in Abuja, these enterprises should take cognisance of: Changes in interest rates, market conditions, exchange rates, unemployment rates and economic policies. More so, the government, controllers of the external business environment and allied stakeholders should ensure these indicators are positive. Such a position has a positive and significant effect on SME's performance in Abuja

expressed in the form of an increase in customer satisfaction, customer loyalty, and positive feedback, value for products or services, and high quality of goods or services.

In the same vein, since the sociocultural environment has a positive influence on the performance of SMEs in Abuja, these enterprises should take cognisance of: Social responsibility, cultural differences, religious belief systems, social attitudes and beliefs, and societal norms and values. More so, the government, controllers of the external business environment and allied stakeholders should ensure these indicators are positive. Such a position has a positive and significant effect on SME's performance in Abuja expressed in the form of an increase in customer satisfaction, customer loyalty, and positive feedback, value for products or services, and high quality of goods or services.

Also, since the technological environment has the second leading positive influence on the performance of SMEs in Abuja, these enterprises should take cognisance of: Technological change, emerging technologies, new technological advancements, mobile technology and social media, and technological investments. More so, the government, controllers of the external business environment and allied stakeholders should ensure these indicators are positive. Such a position has a positive and significant effect on SME's performance in Abuja expressed in the form of an increase in customer satisfaction, customer loyalty, and positive feedback, value for products or services, and high quality of goods or services.

Conversely, since the political environment does not influence the performance of SMEs in Abuja, these enterprises should not take cognisance of it as it would be an exercise in futility. This is because the political environment has no significant effect on SME's performance in Abuja expressed in the form of an increase in customer satisfaction, customer loyalty, and positive feedback, value for products or services, and high quality of goods or services.

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