GLOBAL JOURNAL OF SOCIAL SCIENCES VOL 5, NO. 2, 2006: 111-113

 ISSN 1596-6216

BUSINESS ECOLOGY: IT'S IMPACT ON BUSINESS PRACTICES IN NIGERIA.

E. B. OBO

(Received 9 June 2006; Revision Accepted 21 September 2006)

ABSTRACT

This paper discuss the influence which business ecology has on business practices in Nigeria. It examines the concept of business ecology as one of the major problems confronting managers, investors and business practitioners. It also x-rays the impact of environment on business by discussing the influence of external and internal environment on business practices and the possible remedies.

INTRODUCTION

In recent times, the concept of business ecology has been increasingly used by business strategists and policy-makers, operators of business and others to analyze business performance. The concept has also been used extensively in academic circles as a framework for effective business management. Furthermore, it has been realized that the magnitude of the ecological influence on the business determines the success and failure of the business.

ECOLOGICAL APPROACH IN BUSINESS

The ecological approach in business focuses attention on the dynamic relationship between business system and its environment. Aluko et al (1998) viewed environment as the surrounding, external objects, influence or circumstance under which some one or something exists. They further noted that to organization environment is the aggregate of all conditions, events and influence that surround and affect it. In his opinion, Etuk (1985) observed that business environment has the general meaning of external factors that surround and potentially affect the activities and behaviour of a particular business organization. Therefore, in the present setting the businesses that operate in this dynamic environment has been rapid and unpredictable, the economic variables has been complex both in form and impact on business practices.

From the foregoing, environment influences business organization in various ways, therefore, its understanding is of crucial importance to managers of business. It is also imperative for business strategists to study and dictate the influence of this environmental factors so as to determine the opportunities and threats which the business might face. Hence, in analyzing the environmental situation faced by the business organizations, it is ideal to understood some of its characteristics as postulated by Bartol etal (1998).

These are: environmental uncertainty and environmental munificence.

Environmental Uncertainty:

Environmental uncertainty means a condition in which future environmental circumstances affecting business organization cannot be accurately assessed and predicted.

In otherwords, the more uncertain a business environment is, the more time and effort managers expend monitoring it, assessing the implications for the business organization and deciding what present and future actions to take. Bartol etal (1998) have observed that the degree of this environmental uncertainty is a function of two factors, namely complexity and dynamism.

Environmental Complexity:

This consists of a number of factors, events and influences in a business environment and their degree of similarity. Aluko et al (1998) remark that both interact with each other to create new sets of influences on business decisions, policies and strategies.

Environmental Dynamism:

By environmental dynamism we are referring to the rate and predictability of change in the elements or nature of the business environment. Aluko et al (1998) and Bartol et al (1998) comment that this occurs due to various influences operating within the environment, thus causing it to constantly change its shape and character, thereby imposing greater challenges to the operator of businesses.

Environmental Munificence:

This is another major characteristics of the business environment. Bartol et al (1998) have noted that it is the extent to which the environment can support sustained growth and stability. They advanced further that this ranges from relatively rich to lean, depending on the level of resources that are available within the environment. Therefore the businesses that operate in rich environment have to build up a cushion of internal resources, such as capital, equipment and experience. This is because the internal resources can help fund innovations and expansions that can assist the organizations sustain its position, even at the leaner times. Where as rich environment tend to create competition by attracting other business organizations.

Environmental Impact on Business

The growth and profitability of business organization depends on the environment in which it exists. As such a change in the environment has an impact on the operation of the organization. This environment could be external or internal.

External and Internal Business Environments:

Aluko et al (1998) noted that external environment consists of all the factors outside the business firm which provide opportunities or impact the business organization whereas they viewed the internal environment to includes the factors that impact the business performance from within its boundaries. Thus, the environment in which business organization exists can therefore be described in terms of the opportunities and threats, strengths and weaknesses existing in the environment.

Environmental Analysis:

Corman et al (1996) opined that a business firm can only assess these internal and external environment to identify

E. B. OBO, Department of Business Administration, Cross River University of Technology Calabar. Nigeria.

its strengths and weaknesses, opportunities and threats through environmental analysis, commonly called the SWOT analysis. This therefore, make way for better understanding of the environment, especially for the existence, growth and profitability of the organization. Moreso, enhanced for the making and formulating effective business decisions, policies and stratègies that capitalize on the opportunities through the use of strengths and minimizing threats and by minimizing the impact of weaknesses.

The relevance of these external and internal environmental factors for making business decisions, policies and strategies are discussed as follows

External Environmental Factors:

This environment encompasses all the conditions, circumstance, and influences that affect the overall performance of the business firm or any of its internal systems. In otherwords, managers do not have control over happenings outside the business, yet these factors determine the firm's success and failure. It is on this background that Buchhols et al (1992) and Corman et al (1996) identified nine external factors that can impact business performance as follows: customers, competitors , suppliers, labour unions, shareholders, local communities, technology, economy and government.

Customers:

Customers have a major impact on the business performance through purchasing its goods and services. In otherwords, there would be no need for a business without customers.

Hence today business operators and managers of business need to know who their customer are and to offer them goods and services that meet their needs profitably .

Competitors:

In Nigeria today, firms that are not monopolies compete for customers. Thus competitors strategic moves affect the performance of a business. Especially now that competition is increasing as the global economy expands. Hence, firms must put in place strategies that offer a unique advantage over the competition, and in addition, they must get to know who their competitors are.

Suppliers:

Most business resources come from the firm external environment. In otherwords firms have to recruit human resources, buy land, buildings, machines, equipment and raw materials, from suppliers. In addition marketing services such as advertising and distribution are often provided by outside vendors. As such we deduce that business performance is based partly on suppliers. Therefore, business executives must realize the importance of suppliers and develop close working relationships with them. Since business growth can be adversely affected in most cases were there are no reliable suppliers.

Labour Union:

The employees of the business organization have a direct impact on the performance of the organization. For instance, in a unionized organization it is the union rather than individual employees that negotiates an agreement with management. Unions have the power to strike and possibly stop business operations. Therefore, business operators should always work in harmony with their various unions to achieve excellent in work place.

Shareholders:

The owners of a business organizations and companies are called shareholders. They vote for the board of directors who oversee the performance of the business. Most shareholders and directors of large organizations are generally not involved in day today operation of the firm, but they often are in small businesses. Directors hire and fire top managers who report to them. This in away impact organizational growth.

Local Communities:

Members of local communities may exercise pressure on management of a business to change. In most cases, individuals and groups are formed to pressure business organizations for a change, for instance, is the Niger Delta region, individuals and the youth bodies pressured the multi-nationals and other businesses to live up to their corporate and business responsibilities to the host communities. This is as a result of the fact that people who live in this areas experienced air and water pollution, as well as abuse to the natural resources which is the major source of their livelihood. Thus none positive response by these organization infact pave way for aggressive clashes between the host communities and the business firms.

TECHNOLOGY

The rate of technological change continue to increase. Few businesses today operate as they did a decade ago. Products and services not envisioned only a few years ago are now being mass-produced. Computer age has brought about a changed in the way business organizations of all sizes conduct and transact business. This is why computer is seen as essential part of business operation all over the world and Nigeria respectively in recent time. On the otherhand, changes in technology create threats and opportunities for business. In view of this Corman et al (1996) noted that when some of these high technological equipment are disposable, most organization went out of business.

Economy:

Business organization has no control over a given economy, even though one of the objectives of business is economic. As such a country's economic structure, economic planning and policies, economic indices and infrastructural factors are various economic factors which management of organization has to assess and evaluate. Corman et al (1996) noted that, these have direct impact on the organization's performance. They further observed that when the economy is growing, as a measured by gross national product(GNP) and gross domestics Product (GDP) businesses do better than during times of recession.

Governments:

Foreign, federal, state and local governments all set laws, regulations and edicts that businesses must follow. In other words if the firm does not operate within the stipulated law, it can be fined and even closed down. In Nigeria for instance this function is performed by NAFDAC and other agencies. This therefore, demonstrate clearly that in most cases government create both opportunities and threats for businesses.

Internal Business Environmental Factors

The internal environmental factors include: management, resources, organizational structure and organization culture and strategies.

Management:

Businesses are established for the purpose of producing products and services for customers at a profit. On the other hand managers are responsible for the performance of these businesses. Thus, managers perform the functions of planning, organizing, staffing, directing and controlling. Further more, the leadership style and the decisions made by managers affect the performance of the business , Hence Corman et al (1996) noted that managers functions have such an impact on the success of the business, therefore, they need to be selected carefully,

Resources:

Resources consists of physical and human factors necessary in achieving organization goal Aluko et al (1998) added that resources are inputs used by an organization to create outputs in the form of products and services through a transformation process. Most business organizations engage different types of resources such as people, managerial talent, finance, systems, facilities and materials. The cost and availability of these resources determine how successful and organization response to its environmental threats and opportunities.

Organization's Structure:

According to Stoner et al (2002) organization's structure is a framework that managers devise for dividing and coordinating the activities of members of an organization. Byars et al (1996) noted that the structure of an organization is reflected in how groups compete for resources, where responsibilities for profits and other performance measures lie, how information is transmitted, and how decisions are made.

In otherwords, organization structure shows how organization's activities are divided, organized and coordinated in terms of communication, authority and workflow, Its ranges from the simple structure of an owner-manager-operated business to the complex organization of large conglomerate. Structure can be a source of strength or weakness depending on its compatibility with present or future strategies of the business. In addition, structure can restrict the number of strategic alternatives available or prevent a strategy from being implemented. Therefore, the structure of an organization must be such that it is consistent with the strategy the organization chooses to pursue.

***Organizational Culture and strategy*:**

These are forces operating in the internal environment of an organization that impact the practice of business. Stoner et al (2002) noted that organizational culture is the collections of attitudes, beliefs and values shared by its members. On the other hand organization culture produced norms that shape the behaviour of the employees, and it consists of leadership styles and patterns of behaviour that have established and accepted over the years. While Byars et al (1996) observed that strategy describes the way that the organization pursue its goals, given the threats and opportunities in the environment and the resources and capabilities of the organization. Therefore, to have effective implementation of strategies, there must be a continuing fit between the organization's culture and the strategies.

CONCLUSION

In the light of the above, it can be seen that it is essential for busienss organisations to interrelate in harmony with their external and internal environments. This can lead to effective planning and coordination of the environmental elements, such that the organisation's resources can be used efficiently. More so, it will help obviate the environmental influence on the business practices, especially in our present competitive environment where quality and prices of products are controlled and coordinated.

Lastly, to help achieve excellent business practice in Nigeria, organizations should always try to identify their strengths and weaknesses and various opportunities and threats that may impact on the firms ability to design, formulate and implement workable business policies and strategies that will enhance efficient and effective services delivery.

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