BUSINESS ENVIRONMENT AND ENTERPRISE SURVIVAL:  
AN APPRAISAL OF CYBER CAFÉ INDUSTRY IN Ondo State

Ayedun, Taiwo A. & Awoyemi, Abiodun T.
Department of Entrepreneurship Management Technology, Federal University of Technology, Akure, Ondo State, Nigeria
Bursary Department, Lagos State Polytechnic, Ikorodu, Lagos State, Nigeria

Abstract
Enabling and conducive business environment basically regulated by the government has been considered to be a critical success factor for the survival of any business enterprise in a developing economy such as Nigeria. Adequate regulatory and legal framework that will guide the operations and activities of business enterprises are also of great importance towards business survival. The objective of this study focused on the impact of the business environment (internal and external) on Cyber cafe businesses despite all the strategies adopted by the major players in the industry such as reduced cost of operations and sharing of bandwidth. The study adopted descriptive approach by employing PESTEL framework to analyse the business environment. Hypotheses were developed to test the effect of business environment on Cyber cafe survival with data collection on 65 cyber café businesses and Pearson bivariate correlation was calculated to measure the association between business environment and Cyber cafe survival. Results from the study showed that business environment has a significant positive correlation (r =0.90) between independent (Business environment) and dependent (Enterprise survival) variables. Recommendations were made particularly on the need for Nigerian government to create an enabling environment through favourable policies and regulatory framework which will eventually allow for sustainable growth and development of Cyber café businesses.

Keywords: Business Environment, Government, Enterprise, Sustainable Development, Strategy.

Introduction
The environment in which all organisations, be it corporate, governmental, or non-governmental operate is never static, never entirely predictable and has the capacity to influence the market in which the organisation operates (Paul, Chris and Kelly 2008). The environment is the major means of survival for business organisation and it creates opportunities and present threats (Gerry, Richard and Kevan 2011). The business environment consists of both internal and external environment. Most business organisations do carry out feasibility studies in order to effectively understand their business environment. Although, the future can never be predicted perfectly, it is clearly important that entrepreneurs and managers try to analyse their business environment carefully in order to anticipate and if possible influence environmental changes (Gerry et al, 2011).

The business environment has a great influence on the survival and the performance of enterprise in wide perspective and Small and Medium Enterprise (SM Es) in particular (Okwu, Bakare, and Obiwuru 2013). The SM Es play a significant role in the development of economies in the world...
through their contributions to Gross Domestic Products (GDP), income generation, poverty reduction and employment opportunities which are critical factors in achieving sustainable growth. Small and medium businesses play an important role in forming and sustaining competition in the economy (Snieska and Venckuviene, 2011). Governments have to create more favourable conditions for small and medium business enterprises so that they would become full-fledged subjects of competition (Grazina and Rita 2013). Basic components of a conducive business environment for growth of enterprises include sound macroeconomic policies, (including monetary, fiscal and trade policies), aggregate demand, the structure of and access to markets, access to inputs and credit, availability of infrastructure such as transport and communications, responsive enterprise promotion policies as well as a supportive regulatory environment (International Labour Office (ILO), 2006). Although these factors affect enterprises of all sizes and classes, they tend to be disproportionately affected as they have fewer resources to overcome obstacles in the business environment. In many cases, they operate in economic sectors with low barriers to entry, fierce competition and low profit margins. Currently, business environment is perceived to be one factor that have been rarely exceeded in posing complexity, turbulence and rapid changes to all Nigerian organizations (large or small). Businesses must pay greater attention than ever before to their environments when formulating and implementing policies and strategies in order to survive and grow (Otokiti & Awodun, 2003).

In contemporary Nigerian business environment, performance of Nigerian businesses is predicated on factors such as low-sales, high cost of production, low capital utilisation, lack of foreign exchange to source needed inputs, poor power supply, and low quality of goods and services, among others. These issues have led to lack of proper integration and coordination of various corporate subsystems in Nigerian organisations, resulting in the failure to achieve the stated goals and objectives (Adeoye and Elegunde 2012). The external environment commonly referred to as macro - environment consist of political, economic, social and technological influences on which the organisations have relative little influence on. The PESTEL (Political, Economic, Social, Technological, Environmental and Legal) framework is adopted to analyse the micro-environment which provides the broad data from which to identify the key drivers of change. The performance environment consists of the competitors, suppliers and indirect service providers who shape the way an organisation achieves its objectives and the organisations have a much stronger level of influence. While the internal environment is concern with the resource processes and policies an organisation manages in order to achieve its pre-determined goals and which the organisation has direct influence on. The business environment is best understood by considering the degree to which an organisation can influence the various forces that impact on it.

Cyber cafe businesses in Nigeria do employ some strategies for their survival, such as competitive edge strategy, marketing strategy, pricing strategy, promotion strategy, sales strategy and provision of good customer services. However, a major challenge faced by many players in the industry is the unstable source of power supply. Second to this, is the challenge of double taxation of business. This twin challenge is the bane of business survival especially for Cyber café businesses which are mostly small-scale in size.
Objective of the Study
This paper empirically investigates the impact of the business environment (external) on Cyber cafe businesses despite all the strategies adopted by the major players in the industry such as reduced cost of operations and sharing of bandwidth, what constitutes the market environment and how does it shape the strategic actions of a business.

Review of Literature
A considerable amount of literature has been published on business environment in relation to different aspects of business enterprise. The business environment refers to everything that surrounds and affects a business (Olawale, 2011). Business organisations do not operate in a vacuum, but maintain relationships with their external environments. Some authors for example International Labour Office (ILO) (2004), and White and Chacaltana (2002) viewed business environment as a wide array of external elements which influence the development and performance of business enterprises. In the study of Simon (2006), he stated that basic components of a conducive business environment for growth of enterprises include sound macroeconomic policies (including monetary, fiscal and trade policies), aggregate demand, the structure of and access to markets, access to inputs and credit, availability of infrastructure such as transport and communications, responsive enterprise promotion policies as well as a supportive regulatory environment.

It was noted by Stern (2002) that investment in a particular location is associated with risk and uncertainty which basically have an impact on the return on the investment and affected by institutional and regulatory environment. Obviously, this concept relates to the external environment of the enterprise and would, therefore, imply whatever external environment that affects the returns and risks faced by the SMEs. The business environment are all those situation and factors that are external to the business and are outside a business unit of an individual, but within which it operates (Pushparaj 2011). Some forces such as customers, creditors, competitors, government, socio-cultural organisations, political parties, national and international organisations, some of which affect the business directly while some have indirect effect on the business. Angahar (2012) and Ebiringa (2011) also stated that conducive and enabling business environment is a pre-requisite for the SME sector to efficiently and effectively play its crucial role in the development of any economy particularly in the area of job creation and reduction of poverty rate. Condusive business environment is also a function of enterprise performance and it affects different aspects of the business (Ayozie, 2006). Aremu (2004) concluded that promotion of enterprises in developing economies like Nigeria is of paramount importance since it brings about a great re-distribution of income wealth, economic self-dependence, entrepreneurial development, employment and a host of positive economic uplifting factors. In addition, in a country like Nigeria with an adverse balance of payment situation, the growing contribution of the SME sector in the export sector goes a long way in generating foreign exchange and smoothening out the adverse balance of payment situation. It was noted by Olawale (2011) that it is the role of the government to provide tax incentives, social
amenities, the financial and legal framework and stable political environment to attract investment into the industrial sector of their countries. These form the enabling environment that makes investment to flourish. Various incentives have been provided by governments to encourage private initiatives, foreign investment, exports and most especially, to encourage the growth and development of manufacturing industries.

**Conceptual Framework**

The environment of a business enterprise is also viewed as the aggregation of prototype of all the external and internal conditions and influences that affect the existence, growth and development of business enterprise (Obiwuru, Oluwaiyel and Okwu 2011). It is a mutual relationship in that just as the business produces goods and services, provides employment and contributes to social development, the environment provides inputs, provides demand for the business' goods and provides other opportunities for the company (Olawale, 2011). In order to successfully operate in the business environment, the enterprise must understand the business environment and be fully integrated into it, plan well and forecast their environment.

The concepts and definitions of SME are typically based on size or amount of investment in assets, annual turnover and number of employees. Thus, Olumide (2004) noted that the conceptualisation and definition of SMEs are dynamic in character and changes with time, and also varies among institutions and among countries. However, the basic definitional parameters are the same; namely, the number of employees, asset base, turnover and financial strength. He notes that current definitions are a mix of these parameters and that, in all cases, the factor of local conditions and variables determine the choice of parameters to be used in formulating a suitable definition. Small and medium-sized enterprises (SMEs) have been noted to be significant agents of development throughout the world, and that promoting a country’s SME sector plays a crucial role in maintaining high rate of employment and generation of income and as such critical for achieving sustainable growth and development (United Nations Conference on Trade and Development, 2005). White (2006) is of the opinion that Micro- and small enterprises (MSEs) have a crucial role in employment creation. In most countries, the major part of employment can be found in MSEs. These enterprises are also important in unlocking the capacity of entrepreneurship and providing for dynamism in an economy. They are extremely heterogeneous, including survivalist operations with very low profit margins to high-tech enterprises in emerging service sectors. The Cyber café businesses in Nigeria largely fall into Micro Enterprises considering their level of employment provision, profit margin, asset base and investment outlay.

**Theoretical Framework**

Business Environment refers to all external forces which have a bearing on the functioning of the business. “Environment consists of factors that are largely if not totally, external and beyond the control of individual industrial enterprise and their managements. These are essentially the ‘givers’ within which firms and their management must operate in a specific country and they vary,
often greatly, from country to country”. Business environment is also viewed as the process by which strategists monitor the economic, governmental, market, supplier, technological, geographic, and social settings to determine opportunities and threats to their firms. From the above definitions we can extract that business environment consists of factors that are internal and external which poses threats to a firm or these provide opportunities for exploitation. In business all the activities are being organized and also carried out by the people to satisfy the needs of the consumers. So, it is an activity carried out by the people for the people which mean people occupy a central place around which all the activities revolve. It means business is people and a human is always a dynamic entity who believes in change and it may be right to say that the only certainty today is change. It poses a huge challenge for todays and especially tomorrow’s businessmen and managers to be aware of specific changes so as to keep themselves abreast with the latest happenings in the field of business to maintain their survival and sustainability in the market. Therefore, the study of business environment is of utmost importance for the managers and practitioners.

**Methodology**

Data were gathered from primary and secondary sources in which quantitative measures would be useful supplements and extend the qualitative analysis. 65 registered cyber café businesses were randomly selected from 18 local government areas in Ondo State for questionnaire administration. Sample size was restricted to Ondo State basically of the knowledge of the business environment by the researchers and cordial business relationship that exists among many of the key players in the industry in the past with the researchers. Hypothesis testing was carried out for the analysis of primary data as follows:

**H₀**: Business Environment (BE) has a direct impact on the survival strategies (SST) of the Cyber cafe enterprises.

**H₁**: Business environment do not have a direct impact on the survival strategies of the Cyber cafe enterprises.

**H₀** was accepted at 5% alpha level of significance, while the alternate hypothesis (H₁) was rejected since t-cal is ≥ t-tab with the adoption Z-test since the sample size (n) is ≥ 30.

**Table 1: Correlations**

<table>
<thead>
<tr>
<th></th>
<th>BE</th>
<th>SST</th>
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</table>
| BE    | Pearson Correlation | 1 | .921(**)
| Sig. (2-tailed) | N | .000 |
|       |          | 65        | 65 |
| SST   | Pearson Correlation | .921(**)| 1 |
| Sig. (2-tailed) | N | .000 |
|       |          | 65        | 65 |

**Correlation is significant at the 0.01 level (2-tailed).**
Table 2: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE</td>
<td>2.4923</td>
<td>1.03264</td>
<td>65</td>
</tr>
<tr>
<td>SST</td>
<td>3.4154</td>
<td>1.01385</td>
<td>65</td>
</tr>
</tbody>
</table>

The result of table 1 & 2 revealed that business environment is positively correlated with the survival of business enterprise ($r = 0.921, p = .00$). The mean of BE = 2.4923 and the mean of SST = 3.4154 while their Standard Deviation (SD) are 1.03264 and 1.01385 respectively.

The presence of positive correlation between business environment and the survival strategies of Cyber cafe enterprise suggested that enterprise future survival could be predicted on the basis of the business environmental factors. Based on previous research, significant relationship was expected between the independent variable (business environment) and dependent variable (survival strategies).

Business Environment

The business environment which involves internal and the external environment (macro-environment) with the major objectives of the players in the market business environment are maximization of profit and minimization of cost. Cyber café business is a competitive one and highly capital intensive with the players in the market putting in all their best effectively and efficiently in meeting customers’ expectations in terms of provision of goods and services at the right time. In order to effectively analyse the market environment, PESTEL framework will be employed which categorises environmental influences into six main types namely:

I. Political
II. Economic
III. Socio-cultural
IV. Technological
V. Environmental
VI. Legal

Political Environment

The political environment is a major subject of consideration when conducting environmental scanning. This relates to the period of interaction between business, society and government before laws are enacted (Baines 2011). Political environmental analysis is a critical phase in business environment because enterprise can then detect potential, legal and regulatory influences in their industries and therefore have a chance to impede the influence and alter the legislation. It is expedient to note that business-government relations if properly managed can be a source of sustainable competitive advantage in which business enterprise can edge out other competitors in their industry if they can manage their relationships with government and regulatory bodies better than their competitors (Hillman, Keim and Schler, 2004). However, there are some factors that affect the conducive political environment for the business enterprise such as power change, unfavourable government policies, high tax regime cum double taxation,
inadequate and ineffective infrastructures and so on. A situation where about seventy-nine (79) forms of taxes are payable by businesses (as widely reported recently by the Nigerian media) cannot promote business survival.

Economic Environment
There is need for a business enterprise (Cyber café) to have an understanding of the economic environment in which they operate as a result of the direct impact of the country’s economic circumstances on the activities of the organisations. Some of the factors involved in the economic environment are: price inflation, exchange rate, Gross Domestic Product per capita, sales and corporate taxes, export controls and duties, interest rates etc.

Socio-Cultural
Business enterprise needs to pay attention and recognise changes in the socio-cultural environment as a result of constant change in the consumer lifestyle, taste and goods/services. Accordingly the changing nature of households, demographics, family structure, and the changing values in society, or in a consumer group are important variables in their environment.

Technological Environment
Technology is vital for global competitive advantage, and is a major driver of globalization - falling price and increase efficiency of communication and information technology (ICT). Cyber businesses have to consider the following research points in order to strategically position themselves in their business sector:

a. Technology drives creation of new industries and challenges the mature industry - how is the enterprise poised to take advantage of this fact
b. Technology is a key to withstanding competitive threats.
c. How does the uptake/change in technology affect your relationships and communications with suppliers, customers, networks, communities, media, governments and stakeholders

Environment
For effective analysis of the business environment by the enterprise, a SWOT (Strengths, Weaknesses, Opportunity and Threats) analysis brings together the most essential external and internal environment factors that are relevant to business sector is of great important in achieving its objective.

SWOT Analysis

a. **Strengths**: attributes of the organization that positively impact its ability to achieve business/project objectives.
b. **Weaknesses**: attributes of the organization that negatively impact its ability to achieve business/project objectives.
c. **Opportunities:** external conditions that potentially assist the business in achieving the objective.

d. **Threats:** external conditions that potentially threaten the success, in the present or future, of a business or project.

### Table 3: Swot Analysis of A Cyber Café

<table>
<thead>
<tr>
<th>STRENGTH</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Knowledgeable and friendly staff</td>
<td>• Rapid change in technology</td>
</tr>
<tr>
<td>• State - of the art equipment</td>
<td>• Cost factor linked with keeping state-of-the-art hardware</td>
</tr>
<tr>
<td>• Upscale Ambience</td>
<td>•</td>
</tr>
<tr>
<td>• Clear vision of the market need</td>
<td>•</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITY</th>
<th>THREAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increasing population of daily internet users</td>
<td>• Falling cost of internet access</td>
</tr>
<tr>
<td>• Social bond</td>
<td>• Emerging competitors</td>
</tr>
</tbody>
</table>

### Legal Environment

The legal environment covers every aspect of an organisation's business. Laws and regulations are enacted in most countries ranging from transparency of pricing, the prevention of restrictive trade practices, minimum wage and business taxes, product safety, good practice in packaging and labeling, the abuse of dominant market position, code of practice in advertising, policy guidelines on registration of business etc.

### Conclusion

Business environment is a very significance factor that needs to be considered by a business enterprise for its sustainability. The internal and external business environments have to be properly analysed with proper environmental scanning for the enterprise to have a competitive advantage. The political, economic, socio-cultural, technology, environmental and legal (PESTEL) framework give an insight to some of the parameters that are to be considered by the enterprise likewise the SWOT analysis which shows the strengths, weaknesses, opportunities and threats that are abound in any business environment. Government on its own part needs to create a conducive business environment through favourable policies and regulations that will guide the activities of an enterprise in the economy and which will eventually allow for sustainable economic development and ensure adequate welfare of her citizenry.

### Policy Recommendation

There is a need for the government to ensure provision of stable power supply in order to support the survival of cyber café business in Nigeria. This is basically because their activities depend on regular supply of electricity. It is hoped that the successful completion of the on-going
privatization of Power Holding Company of Nigeria (PHCN) will boost the activities of these business enterprises. The appropriate government agencies with respect to taxation should be made to ensure enforcement of the recent directives of the Finance Ministry towards limiting each tier of government to its assigned tax revenue collection. This will go a long to ensure business survival. In addition, favourable policy and legal framework that will enhance their operation should also be in place.

References


