

Influence of Direct External Environment on the Performance of Fast Food Restaurants in Ado-Ekiti Metropolis

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Abstract:

The study examined the effect of the external business environment on the performance of fast-food restaurants in Ado-Ekiti Metropolis. Specifically, the study investigated the effect of customer, competitor and supplier on the performance of fast-food restaurants Ado-Ekiti Metropolis. A descriptive survey research design was employed. The population of the study comprised of a staff of registered fast-food restaurants in Ado-Ekiti. The sample size of 146 was employed using census sampling. Primary data used for the study were gathered through the administration of a structured questionnaire. Data gathered were analysed using multiple regression. The study found that the external business environment (customer, competitor and supplier) has a significant effect on performance ($t=7.399$, $t=4.637$, $t=4.053$, $p<0.05$). The study concluded that the external business environment is significantly and positively related to the performance of fast-food restaurants in Ado-Ekiti Metropolis from which the recommendation was made.

Keywords: Business, Environment, Fast Food, Performance

Introduction

The performance of the business organization and environmental factors has become a contemporary concern on the effectiveness and survival of businesses in Nigeria. More importantly, it is important that the business understands the internal and external elements of the organizational environment. Therefore, these fundamental elements in Nigeria organisations are known as environmental factors. Currently, Nigeria's business performance is predicated on factors like low-sales, high cost of production, low capital utilization, lack of foreign exchange to source needed inputs, poor power supply and low quality of goods and services, among others (Nnamani & Ajagu, 2014). However, it becomes necessary to take cognizance of these factors for better performance and effectiveness in this intensely competitive environment.

Evolving from this is the belief that business organization is an integral part of its environment on the ground that they are mutually interdependent and exclusive where the environment plays the role of providing the resources and opportunities to organization for its existence, and the business organization, in turn, offers its goods and services to the people living in the environment for survival and enlightenment (Ajala 2005). This is also in line with the views of Adi (2006) that the most important major influence on organizational policy and strategy at any point in time is the development in its environment, both within and outside the organization.

Consequently, Akanji (2003) opine that the more complex, turbulent and dynamic an environment becomes, the greater the impact on human attitudes, business, organizational structure, market and process as well as facilities. Therefore there is a need for all organizations to direct their attention to the environmental factors when formulating their policies in order to facilitate their survival, performance and increase sales volume for-profit motives.

It is of the general opinion that the rate of fast-food restaurants entering into the emerging market in Nigeria, especially in Ado-Ekiti market which is becoming alarming. The cause may not be far from the fact that people have limited time to prepare food for themselves. However, bachelors and students are most people under the category of not having enough time to prepare food for themselves. This is because of the fact that people with busy schedule tends to rely on fast food for daily nutritional need. These and many more are the factors causing widely establishment of fast-food restaurants in Nigeria especially in Ado-Ekiti Metropolis. For these reasons, fast food restaurants become a fast mean to satisfy hunger and gaining more ground; hence, it becomes a rescue point for people to get their hunger satisfied. Mustapha, Fakokunde and Awolusi (2014) also asserted that the number of fast-food outlets in Nigeria is increasing at a geometric rate. The surface of fast-food restaurants has enormously contributed to Nigeria's economy at large through creating employment opportunities, improving the standard of living, serving as a source of income, generating revenue for the government to mention a few. Therefore, this study focused on direct external business environment and performance particularly in a fast food restaurant in Ado-Ekiti metropolis.

A complex and dynamic modern environment is unavoidably difficult to predict; the inherent uncertainties can make it highly unpredictable and potentially muddled. Individual managers would develop their environmental and strategic awareness through experience and perception, and by the quick response to their observations and experiences. It is imperative to assess the significance of what will happen and what can be observed to be

happening in the recent environment. However, in considering future strategic changes, there will be an additional need for supplies, customers, competitors, demand, technology, government legislation and so on (Populova, 2006). However, fast food is faced with environmental challenges like drastic or frequent increase in the price of raw materials, hoarding or price inflation by suppliers, inability to maintain good quality, unhealthy competition, lack of good customer retention strategy and lack of competent staff. The entire factors or problems inhibit the performance and success of a fast-food restaurant. Considering the complexity of the environment, the intense competition and nature of customers, fast food restaurants need to look beyond the present and embark on periodic market evaluation for proper environmental predictions. Researchers have to dwell much on these studies such as Adeoye (2013) and Akpoviro and Owotutu (2012), these researchers have been able to come out with positive and significant findings. However, the aforementioned studies employed indirect external business environmental factors (Political, environmental, socio-cultural and technological factors) neglecting the direct external environmental force like customers, competitors and suppliers. For this reason, Nnamani and Ajadu (2014) employed both direct and indirect environmental factors but adopted the Pearson correlation and Z-test as statistical to measure the relationship between environmental and organisational performance in Nigeria. Based on this premise, this study shall consider only the direct environmental forces (suppliers, customers and competitors) and multiple regression will be employed as the statistical tool to examine the effect of external business environment on fast food performance in Ado-Ekiti.

Literature Review

The concept of the business environment is gaining more research interest in the field of management. Therefore, there is a need to understand what the business environment is before capturing the external business environment. According to the business dictionary (2013), a business environment defined as the combination of internal and external factors influencing influence a company's operating situation. The business environment can include factors like clients and suppliers; its competition and owners; improvements in technology; laws and government activities; markets, social and economic trends. Similarly, Adeoye (2013) described the business environment as the physical and operational factors, both internal and external, that affect the flow of business activities. The business environment includes; customers, competitors, suppliers, distributors, industry trends, substitutes, regulations, government activities, the economy, demographics, social and cultural factors, innovations and technological developments but this study will be channeled towards customers, competitors and supplier. The environment in which business operates influences business activities and the ability of the business to adapt to this environment determines the success of such a business.

The environment is described as the total computation of the external forces that influence individuals, businesses and communities (Oginni & Faseyiku, 2012). In the views of Adebayo, Ogunyomi and Ojodu (2005), the environment is described as the surrounding of a phenomenon which from time utter and shape as a direction. The business organisation does not function in a vacuum but operates within the environment where the production and distribution of goods and services are carried out.

External Business Environment

The external business environment as described by Obiwuru, Oluwalaiye and Okwu (2011), comprises the totality of the external situations that affect the survival and growth of an enterprise. In accordance with Onwukwe and Ifeanacho (2011), the business environment factors include; firm's improvements in competition and owners, market, technology, clients and suppliers, laws and government policy, social and economic trends. Also, the business environment can be defined as comprising such factors as economic, infrastructure, social, cultural, political, socio-cultural organisations, international organisations and technological environments (Blurtit, 2013; Yusuf, 2014). However, the (PEST) factors are referred to as indirect environmental factors. Erumegbe (2015) asserted that an organization's external environment consists of those things outside an organization such as customers, competitors, suppliers relevant to the organization's operations. The external business environment consists of all elements existing outside the boundary of the organization, which have the potential to affect the organization. They are relevant to organizations' operations and must be carefully monitored. Therefore, this study is channelled towards a direct external business environment only.

Types of External Environment

There are two types of the external environment, but this study will only focus on the direct external factor. Direct (task) environment: These are factors that directly affect the operation and performance of business organizations. These are: customers, competitors, labour unions, government regulatory agencies which are discussed as follows:

Customers: People and organizations in the environment who acquire goods or services from the organization are the organization's success. The only valid business purpose is to create customers. However, the ability to secure more customers tends to increase sales and generate more profit. Therefore, fast food restaurants cannot function

well without customers which becomes imperative to treat customers well as it influences fast food performance through sales and market share.

Competitors: Other organizations in the same industry or types of businesses that provide goods or services to the same customers. Unique competitive issues, entry difficulty etc. are key issues to be addressed here. Competitors tend to influence firms through the price of products, food quality, technological advancement, customer relationship or retention strategy, an attractive and conducive environment that might influence the performance and effectiveness of fast-food restaurants. The inability to compete favourably with other firms poses a threat to the performance of the fast-food business.

Suppliers: People and organizations that provide the raw material the organization uses to produce its output (materials, equipment, energy, and capital, labour). Supplier is a major determinant of cost or price of goods and services. Any increase in the cost of raw materials will surely affect the cost of production which can also influence of profitability and performance of a firm.

Fast Food Restaurants

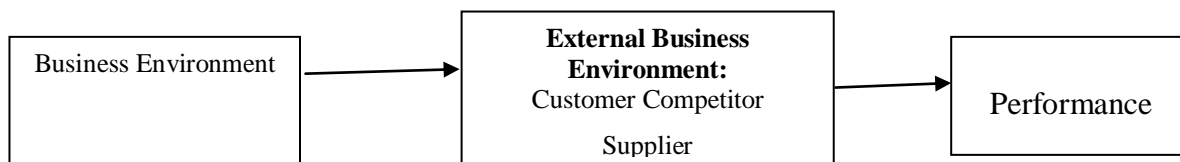
Fast food outlets patronage in Nigeria is growing at a very high pace as some people are very affectionate with fast food patronage due to the dynamic nature of the environment, consumer attitudes and beliefs, and individual perception is changing very rapidly. Consumer attitudes also differ due to their societal status, reference groups (family friends, society, neighbors and so on), paying capacity, culture, demographic factors etc. (Singh, 2014). Harrison and Marske (2005) described fast food as food that is prepared and served quickly, easily accessible and cheap. However, one of the benefits of fast-food restaurants is that it saves time and many people have a busy schedule because of limited time to purchase food ingredients and prepare delicious meals. People patronize fast food not because of a busy work schedule alone but to patronize fast food for relaxation, pleasure or avenue to getting together gathering for friends or family ones in a while. Fast food restaurants are a place where people purchase readymade food and eat meals that are cooked on the premises of the restaurants and the origin of fast food in Nigeria emanated from the changing lifestyle of people in recent times.

Fast food denotes food which is prepared and served quickly at outlets called fast-food outlets. More importantly, finger food which can be eaten without cutlery or crockery is also found and sold in fast food. Other foods are chips, sandwiches, hamburgers, fried chicken, French fries, chicken nuggets, fish, pizza or ice-cream and so on (Ahmed, 2015). Perhaps, if customers are satisfied with food and the quality of service they receive in a restaurant, there is a tendency that they will communicate positively about the restaurants and this may enhance their revisiting the restaurant and consequently contribute to the profitability of the restaurant. Quality food can, in brief, is described as food that is well presented, fresh and tasty (Nwokah & Adiele, 2018).

Performance

According to Almanae (2007), performance can be defined as a completion of a task assigned to an individual or a group of individuals to perform, or the energy afforded by an individual in performing the work required to be carried out whether energy being mental or intellectual. Performance is equally defined as the extent of individual success or failure in realizing the objectives required from him/her in work (Raslan, 2001). Thus performance stands as a certain estimation expressing a certain potential within a given period of time. Namely, performance expresses the real or actual effort exerted in work. Business survival is described as the operation of the business organisation. An ongoing concern sometimes refers to as manage to stay in business (Akindele, Oginni & Omoyele, 2012). Therefore, fast food restaurant performance is best described in this context through an increase in sales, effectiveness, survival and customer satisfaction.

Conceptual Framework



The above model depicts the relationship between the business environment and performance. The external business environment is an offshoot of the business environment is also decomposed in to direct and indirect factors but this study employed the only task which is the direct external factors on the performance of fast-food restaurants in Ado-Ekiti. The direct environmental factors are competitors, customers and suppliers, as indicated in the model.

Theoretical Framework

From the theoretical literature presented, contingency theory will underpin this study. The study is of the opinion that the environment carries needs and expectations thus market opportunities, which the firm tries to respond to with its resources and capabilities. The better the relationship between the firm and its environment, the better the success, according to contingency theory, firm effectiveness and performance is the result of proper alignment of firm design with the context it operates in. Furthermore, there is no one best way to predict contextual factors and it should be given serious consideration for better performance. However, as the business environment of fast food is changing with time, there is a continuous need for adjustment of the fit between the firm and its environment. Therefore, this theory becomes most relevant for this study as it provides the nexus between the external business environment and performance of fast food due to the dynamism, volatility and complexity of recent fast-food restaurants.

Methodology

The descriptive survey research design was employed by this study. Data employed in this study were gathered through the primary source. Specifically, a structured questionnaire was designed and administered to the target respondents. The population constituted the staff of registered fast food restaurants which are Tasty and Spicy, Portofino, Take Away Bite, Danke, Tantalizer, Chicken Republic and Captain Cook in Ado-Ekiti metropolis excluding the cleaners and gatemen. Therefore the study population employed is one hundred and forty-six (146) respondents. For this reason, the entire population was sampled using census sampling.

The business environment was broken down into three variables which are customer, competitor and suppliers being the direct external factors. However, these variables were adapted from the study of Nnamani and Ajagu (2014). Inferential statistic via frequency table was employed to analyze the demographic information while descriptive statistic through multiple regression was used to analyse the stated objectives.

Therefore, the regression line is stated below:

$$Pef = \beta_0 + \beta_1Ctm + \beta_2Cpt + \beta_3Spl + \mu \dots\dots\dots (1)$$

Where

Pef= Dependent Variable (Performance which includes effectiveness, increase in sales and customer satisfaction)

CtmCustomer

CptCompetitor

SplSupplier

β_0 = Intercept/ Constant

μ = Stochastic or Error Term

Presentation of Respondents’ Demographic Data

One hundred and forty-six (146) respondents were sampled, 141 questionnaires were filled and returned which represented approximately 97% response rate thus implied that fast food restaurant staff response rate to the information needed is adequate enough for data analysis. The demographic response of the respondents is analysed in Table 1.

Table 1: Respondents Demographic Distribution

Variables	Frequency	Percentage
Gender		
Male	59	41.8
Female	82	58.2
Total	141	100.0
Marital Status		
Single	76	53.9
Married	65	46.1
Total	141	100.0
Educational Background		
College of Education	22	15.6
Polytechnic	49	34.8
University	63	44.6
Others	7	5.0
Total	141	100.0

Source: Field Survey, (2019)

Table 1 indicated that the male distribution was 59 (41.8%), while the female was 82 (58.2%). Therefore, the female staff is more than the male staff. From the researcher’s observation, most fast food units are handled by female staff. Considering the staff’s marital status, 76 (53.9%) of the total respondents were single while 65 (46.1%) were married. The summary of the response gathered here shows that the larger populations of respondents are single. From the Table 1, it was also revealed that 22 (15.6%) of the total respondents are attended college of education, 49 (34.8%) of the total respondents are attended polytechnic, 63 (44.6%) of the total respondents attended university while 7 (5%) of the survey respondents attended other educational institutions which implied that staff who attended university has the highest number of respondents, this implies that fast-food restaurants staff are well equipped academically.

Discussion of Findings

Table 2: Regression Results of External Business Environment on Performance

Model	R	R ²	Adj R ²	B	Std Error	T value	P Value
	0.655	0.429	0.402				
Customer				.717	.097	7.399	.000
Competitor				.535	.115	4.637	.000
Supplier				.498	.123	4.053	.000
Constant				0.945	.649	1.456	.149
F-Cal *	16.322						

Source: Field Survey, (2019)

Table 2 revealed the effect of the external business environment on performance. However, customers, competitor and suppliers are employed as a proxy for the external business environment. The co-efficient between performance and the explanatory variable on the external environment shows a positive figure of 0.655, this indicates that the external business environment has a strong significant effect on performance which implies that the explanatory variable has a positive effect on performance. The co-efficient of multiple determinants (R²) with a co-efficient of 0.429 shows that the explanatory variable can explain 42.9% of the behaviour of performance while the remaining 57.1% can be explained by the stochastic variable or other variables that were not put into consideration. The adjusted R² further confirms the result of the R² with a co-efficient of 0.402, which shows a 40.2% explanation of the behaviour of the performance by the explanatory variables after adjustment while the remaining 59.8% is explained by the error term.

Table 2 gives a summary of the regression result using SPSS 20.0 software. From the table, it can be deduced that the value of the constant parameter is given as 0.945 and the external business environment is customer 0.717, competitor 0.535 and supplier 0.498, respectively. The regression result shows that performance is constant at 0.945; this implies that if the explanatory variable is held constant, performance will increase by 0.945%. The co-efficient of external business environment is given as are customer 0.717, competitor 0.535 and supplier 0.498 respectively, this shows that the external business environment is positively related to performance and therefore implies that an increase in external business environment will result in to 71.7%, 53.5% and 49.8% all at 0.05 level of significance increases on performance.

Therefore, the regression line is stated below:

$$\text{Performance} = 0.945 + 0.717C_{tm} + 0.535C_{pt} + 0.498S_{pl}$$

Discussion of the Findings

The study findings showed that the external business environment is significant and positively related to the performance of fast-food restaurants in Ado-Ekiti. However, customers, competitor and suppliers are used to measuring the external business environment. From the unstandardized β co-efficient of customer gives a positive value of 0.717 with t= 7.399 and (P= 0.000 < 0.05). This showed that the customer has a very strong significant effect on performance. This means that respondents’ reason for performance is strongly and positively influenced by customers. Moreso, The unstandardized β co-efficient of competitor gives a positive value of 0.535 with t= 4.637 and (P= 0.000 < 0.05). This showed that the competitor has a strong significant effect on performance. This means that respondents’ reason for performance is positively influenced by a competitor. The unstandardized β co-efficient of supplier gives a positive value of 0.498 with t= 4.053 and (P= 0.000 < 0.05). This showed that the supplier has a moderately significant effect on performance. This means that respondents’ reason for performance is positively influenced by the supplier. In view of the above fact, this shows that the external business environment is positively related to performance and that customers have the highest significant value on among other constructs. Therefore

implies that an increase in the external business environment will result in increases in performance at 0.05 level of significance. The study is in accordance with the study of Obasan (2014) who carried out research on the impact of business environment on the survival of small scales businesses in Nigeria. The study found that the business environment positively and significantly influences survival of small scale business in Nigeria.

5.2 Conclusion

The main objective of this study is to investigate the effect of the business environment on the performance of fast-food restaurants in Ado-Ekiti. All the constructs of the business environment were found to be significant all at 0.05 level of significance. Competitor, customer and supplier were used to proxy business environment while effectiveness, satisfaction and increased sales were used to proxy performance. From the findings, the hypothesis was accepted while the null hypothesis was rejected. It was shown that among all the constructs, the customer has the highest value thus concluded that the business environment positively affects performance.

5.3 Recommendations

Based on the findings, it was found that the external environment influences business operations directly or indirectly. Therefore, it is recommended that fast food restaurant management needs to look beyond the present period and to properly scan the environment to change ahead of time to avoid the risk winding up due to the intense competition. Customers, suppliers, creditors and other factors which this study employed should be well monitored and evaluated to move with the recent trend to enhance business performance, effectiveness and survival in the complex business environment like Nigeria.

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