INDUSTRY ENVIRONMENTAL FACTORS AND THE MARKETING ORIENTATION PRACTICES OF NIGERIAN SMALL BUSINESS ENTERPRISES: A Factor Analytic Assessment

Adekunle Abiodun IDRIS, Ph.D

Department of Business Administration & Management Technology (Marketing Unit),
Lagos State University, P. O. BOX 001, LASU Post Office, Ojo, Lagos, Nigeria.
+2348037257942 & +2348121874550
idris.aadekunle@gmail.com

ABSTRACT

The study investigated the effects of industry environmental factors on the marketing practices of small business enterprises in Lagos, Nigeria. The study sets out to consider the importance of the dimensions of industry environments on SBEs marketing practices and to ascertain the degree of association between the two, if any. Using a survey design and quota sampling, structured questionnaire was used to obtain data from 545 entrepreneurs and senior marketing personnel. These were analyzed using factor analysis, ANOVA and other tools in the predictive analysis software (version 19.0). The findings shows that market turbulence and buyer power were the most influencing industry factors. The study also found a significant and positive relationship between industry factors and marketing practices of the surveyed SBEs. The paper proposed a model to explain the influence of industry factors on marketing practices of SBEs. It further makes some recommendations for marketing practitioners and suggestions for further studies

1. INTRODUCTION

Small business enterprises in conjunction with the medium enterprises are known to employ over 60% of Nigeria's workforce (World Bank, 1995 cited in Adelaja, 2004, p.232). This figure when taken with the agricultural sector, which is largely SBEs in nature, appears to be a gross underestimation. This is a substantial sub-sector that constitutes the real fabric of a nation's economic development (Dauda, Akingbade & Akinlabi, 2011) and therefore should interest any nation that is desirous of fast-tracking its economic development. Again the important role of SBEs has been acknowledged by a plethora of scholars. SBEs are known to generate vast employment opportunities as they create more jobs per unit of capital employed than big businesses (Lawal, 2002; Maijama'a, 2004); mitigating rural-urban drift via the dispersal of industries (Ogunleye, 2004); providing and accelerating backward and forward linkages between the big and small firms (Maijama'a, 2004), producing import-substituting machineries and equipments (Ogunleye, 2004), mobilizing domestic savings and providing a good training ground for entrepreneurship development. Furthermore, they mobilize local resources (Clive, 2001; Olumide, 2004), stimulate technological development and innovation (Osuagwu, 2001; Huang & Tsai, 2011), and act as catalysts for growth and development by fostering the overall economic development of the nation especially in developing economies such as Nigeria (Obitayo, 1991; Ajonbadi, 2002; Mambula & Sawyer, 2004). It is against the backdrop of these numerous developmental potentials of small businesses highlighted above that nations world-wide have focused on SBEs as strategic vehicles of economic development. For these same reasons, many of the past governments in Nigeria have come up with numerous initiatives since the nineteen seventies to promote the development of Small and Medium Enterprises (SMEs) in Nigeria. Despite the spending of these huge financial resources in funding Small Business Enterprises (SBEs), the failure rate of SBEs continues to be high all over the world. In the UK, for example, about 10 percent of small businesses cease trading annually, 15 percent of 'new starts' or new businesses wind-up in their first year of operation while more than 40 percent wind-up within three years (Stokes, 1998).

The gloomy picture revealed above necessitated the need for business scholars to find out the causes of small business failure. Studies by scholars such as Berryman (1983 as cited in Stokes, 1998) and Cromie (1991) revealed marketing problems to have consistently come second after accounting and finance. Hence the need for research efforts into the marketing practices of small business enterprises.

The key functions of management are generally accepted to be planning, organizing, staffing, leading and controlling. All these are performed within the context of the internal and external environments of the organization and so are consequently affected by the vagaries within such environments. Small business enterprises within the African business environment are confronted with a barrage of unpredictable influences as a result of unstable government policies. These influences and threats arise from, but are not limited to, the intrinsic factors (e.g. limited human and non-human resources), low level of business ethics, tribal/ethnic and religious diversities, competition, and the risk of business failures (Robinson, 2004). Brownlie (1985) posits that the determinants of organizational success are dictated by the business environment and that a firm's knowledge and response to environmental factors represent a strategic choice. Baker (1992) maintains that the marketing environment is the ultimate constraint upon an organization's marketing management practices and performance. These assertions were supported by findings from a subsequent study amongst Nigerian banks by Osuagwu (2001) wherein he stated that "environmental factors have had appreciable effect on the strategic marketing practices of Nigerian Banks, with the environmental factor of competition having the highest impact followed by economic factor, bank clients' behaviour, technology in banking, government policy, legal provisions, banking culture, political factor, and structure of the Nigerian banking industry".

These findings from extant literature (Berryman, 1983; Brownlie, 1985; Cromie, 1991; Baker, 1992 & Osuagwu, 2001) established the context for this study and manifest the need for research into the impact of industry environmental factors on the marketing practices of Small Business Enterprises in Lagos, Nigeria.

Research Problem

Small business enterprises (like all businesses) operate within a complex, continually evolving, turbulent and ever-dynamic business environment which impose threats as well as offer opportunities (Lancaster & Massingham, 2001; Kotler & Armstrong, 2010). The practice of marketing is done within this business environment. The internal environment of organizations (that is, their resources) when viewed on the basis of their success, availability and usefulness, significantly affect corporate value-added, competitive advantage and profitability (Awodun, 2009). Again, the impact of changes in their external environments (direct and indirect), is felt by all organizations (Pettigrew & Whipp, 1991). The environmental forces (particularly their specific industry influences) definitely impinge on the marketing practices and/or orientation of SBEs. These have been known to determine the strategic marketing management orientation/approach of firms and hence their marketing practices (Osuagwu, 2006b). However, none of the above studies actually revealed why the marketing function has continued to be a problem area and neither have they been able to explain the problems created by the industry environmental factors to the marketing practices of small businesses. It is this lacuna in literature and practice that this study, ab initio, principally sets out to fill.

Research Questions

The study attempted to empirically generate answers to the following research questions which flowed from the problems above:
1. What is the relative importance of the industry environmental factors which influence the marketing practices of small business enterprises in Lagos?
2. What is the relationship between industry environmental factors and the marketing practices of small business enterprises in Lagos?

Research Objectives

The main purpose of this study is to assess the effect of some industry environmental factors on the marketing practices of Small Business Enterprises (SBEs) in Lagos, Nigeria. The following specific objectives flow from the above central purpose:
1. To examine the relative importance of the industry environmental factors which influence the marketing practices of small business enterprises in Lagos, Nigeria based on the opinion of SBE managers.
2. To measure the degree of association, if any, between industry environmental factors and the marketing practices of SBEs in Lagos, Nigeria based on the perception of SBE Managers.

Research Hypothesis

In order to further validate the findings of the study, it tested a null hypothesis, viz:

H_0: There is no significant relationship between industry environmental factors and the   marketing practices of small business enterprises in Lagos, Nigeria.

2. LITERATURE REVIEW
Conceptual Clarifications

Organizations operate in a world that is interconnected. No one is an island. To develop cutting-edge advantage in the marketplace, marketers must become adept in *customers relationship management and partners relationship management.* If they do not excel in these areas, the myriads of relationships which exist in the business world will if not properly managed, negatively impact on the company. To understand these relationships and manage them well, marketers as the bridge between the organization and the outside world must understand the forces which lie behind, shape or influence the relationships/networks. These forces are generally referred to as the company's environment or the company's marketing environment. An understanding, regular scanning and analysis of this environment is very important to all marketers and their organizations (Aguilar, 1984; Osaze, 1991; Oghojafor, 1998).

Environmental Factors

Kotler and Armstrong (2004, p.106) defined the Company's marketing environment *as consisting of the actors and forces outside marketing that affects marketing management's ability to build and maintain successful relationships with target customers.* These actors and forces (the marketing environment) are ever-dynamic in nature, present the discerning marketer with business *opportunities* in various forms and impose various *threats* which if not anticipated and confronted can cause great damage to the organization. Many scholars have divided the marketing environment into the two broad categories of Microenvironment and Macroenvironment (Kotler, Armstrong, Saunders, & Wong, 1996; Wilson & Gilligan, 1999; Kotler & Armstrong, 2004; Brassington & Pettitt, 2006; Kotler & Keller, 2009). However, Lancaster and Massingham (1999 & 2001) suggested a three-layer categorization, viz: the micro- (or intra- firm) environment, the proximate macro-environment, and the wider macro-environment. *The proximate macro-environment of the firm consists of persons, organizations and forces within the company's immediate external environment* which are closest or nearest to the company (Lancaster & Massingham, 1999). This environment can also be justifiably called the *Task environment* (Kotler et al, 1996; Kotler & Armstrong, 2004; Kotler & Keller, 2009) as members of this category perform certain tasks within the company marketing system.

Industry Environmental Factors

The environmental factors of interest to this study constitute the proximate macro-environmental factors which affect businesses. They are variously referred to as the task environment (Kotler, 1990; Morden, 1991; Kotler & Keller, 2009) and the intermediate environment (Ogundele, 2007). They include customers' behaviour, supplier practices, competitors, marketing intermediaries and the external marketing services. The inter-play between the various dimensions of customers' behaviour, suppliers practices and the competitors' practices have been divided into five to explain the forces which shape/drive industry competition (Porter, 1980). They are also called the industry environment (Porter, 1980; Lynch, 1997). These forces are popularly referred to in literature as *Porter's Five Forces* (Hutt & Speh, 2007; Mullins, Walker & Boyd, 2008). The forces are - *the threat of new entrants, bargaining power of buyers, threat of substitute products or service, bargaining power of suppliers, and the intensity of rivalry among existing competitors.* The interrelationships between these forces are shown on the left hand side of figure 1 below. It is the influence of these forces on the marketing practices of firms within the context of the internal environment of the firm and the wider macro-environment of the economy that this study investigated.

The model was found to be very relevant for this study as the five forces identified by Porter (1980) are the forces that drive industry competition. An industry in Porter's 1980 view is *"a group of firms producing products that are close substitutes for each other".*

Marketing Practices

Marketing practices (MP) emphasize and are concerned with marketing – that is, the performance of the marketing functions and activities within the organization. It involves the management of the marketing mix and has been referred to as the marketing orientation (not market orientation) of the firm (Ellis, 2005). Golden, Doney, Johnson and Smith (1995) in their Marketing practice study of Russian firms (n = 200) measured the following dimensions of marketing practice, viz ; the level of product quality, level of marketing research, level of customers service, the degree of importance attached to marketing activities such as advertising, personal selling, sales promotion-, pricing-related issues, and distribution coverage. It is these dimensions that this study also investigated.

Small business enterprises

The definition of a small business enterprise has been fraught with a lot of controversies as it varies depending on the country, government institution, ministry and scholars involved. This study adopted the National policy on micro, small and medium enterprises of Nigeria's definition which stipulates that a small business enterprise is one that employs 10 – 49 employees and has Assets (excluding land and buildings) of 5 but less than 50 Million Naira. Nigerian small businesses are characterized by ownership and management which reside in an individual or family member leading to quick but subjective decision making processes; small capita base; personal finances that are inextricably mixed with the business funds; a high rate of mortality; labour intensive production processes; over-dependent on imported raw materials (Ogunleye, 2004).

Characteristics of small business enterprises: Most times their ownership is either sole proprietorship or partnership; usually have a small capital base irrespective of the country where they are based or their industry of operation; the personal finance of the owner is usually mixed with the business funds. For this reason, Ogunleye (2004) posits that this inability to separate personal funds from the business funds is a great contributing factor to their inefficiency and non-performance. Furthermore, small businesses world-wide tend to have a high rate of mortality, production processes that are generally labor – intensive in nature due to their lack of finance, an over-dependence on imported raw materials and spare parts, a lack of managerial skills and an ignorance of technological advances (Ogunleye ,2004; Aruwa, 2006; Osuagwu, 2006; Ayozie & Olatinwo, 2010). In spite of these their characteristics, SBEs play a great role in the economic growth and development of many nations world-wide.

Theoretical Framework

The study proposes a model of the impact of industry environmental factors on the marketing practices of small business enterprises in Lagos, Nigeria. See Figure 2.2. The proposed model for the aspect of the study reported here has two major components, viz: (1) the industry environmental factors and (2) the marketing practices of small business enterprises in Lagos, Nigeria. The industry environmental factors were investigated using Porters' (1980) five forces. Porters' model was found most suitable because it gives a detailed framework for investigating specific industries' proximate macro-environments. Specifically, it covers customers, suppliers, competitors, products and the inter-organizational dynamics that come to play between them. These interconnections tend to be 'limited' to the proximate macro-environments within the national economy. Most of the small business enterprises that were investigated operate mainly within the national economy. For these reasons, Porter's (1980) five forces model was considered appropriate for this study.
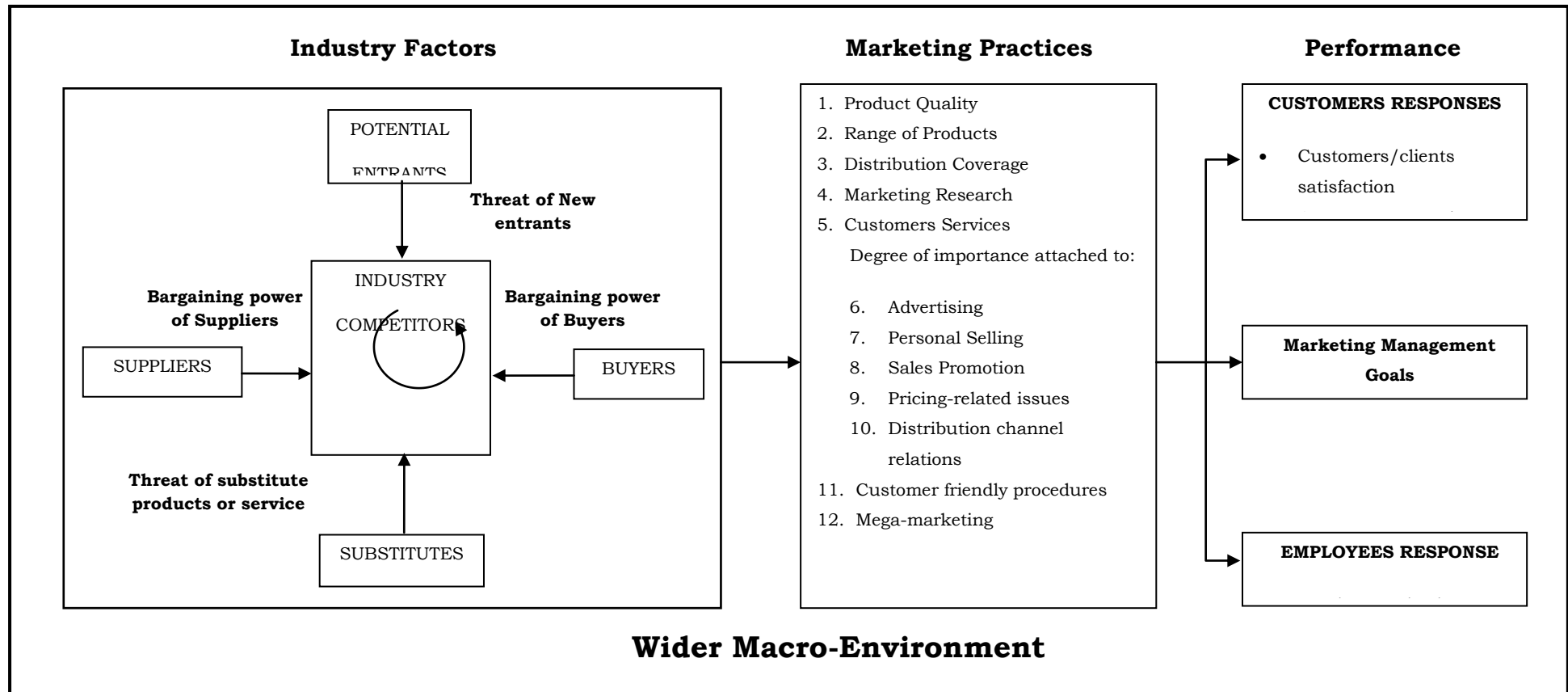
The components of the marketing practices construct were developed by the researcher to cover the relevant marketing mix activities of the SBEs studied. However, some of the dimensions of marketing practice measures developed by Golden et al (1995) in their marketing practice study of Russian firms were also incorporated.

The thesis of this study is that industry environmental factors within the context of the wider macro-environmental factors impact upon small business enterprises (SBEs) in Lagos such that they shape or influence the various dimensions of their marketing practices. As a result of the differing emphasis laid on the different aspects of marketing activities by SBEs, performance outcomes of such SBEs are also determined. The extent of the impact on the performance outcomes are not reported here. The model proposes that as the industry environmental factors impact upon SBEs in Lagos, it influences the firm to design and adopt appropriate marketing practices in order to obtain competitive advantage in the market place. The use of these marketing mix elements constitutes its marketing orientation within the context of its adopted market orientation.

3. RESEARCH METHODS

The study adopted a **survey design** and primary data for the study were collected using a fully structured questionnaire and in-depth oral and written interviews though the results of the interviews are not reported here. Mixed methods were used to enhance the robustness of the research strategy and to capture the essence of triangulation (Strauss & Corbin, 1990; Yin, 1994). The **study area** is Lagos metropolis in Lagos State of Nigeria on the West coast of Africa. Lagos with a population of over 9.11million people (2006 census) is a microcosm of Nigeria and the commercial nerve-centre of Nigeria which is reported to have over sixty percent of the nation's industries (Aboyade, 1968; Lawal, 2002).

Fig 1: Proposed model of the impact of industry environmental factors on marketing practices of SBEs

Industry Factors

POTENTIAL ENTRANTS

Threat of New entrants

INDUSTRY

COMPETITORS

Bargaining power of Suppliers

Bargaining power of Buyers

SUPPLIERS

BUYERS

Threat of substitute products or service

SUBSTITUTES

Marketing Practices

1. Product Quality
2. Range of Products
3. Distribution Coverage
4. Marketing Research
5. Customers Services

Degree of importance attached to:

6. Advertising
7. Personal Selling
8. Sales Promotion
9. Pricing-related issues
10. Distribution channel relations
11. Customer friendly procedures
12. Mega-marketing

Performance

CUSTOMERS RESPONSES

- Customers/clients satisfaction

Marketing Management Goals

EMPLOYEES RESPONSE

Wider Macro-Environment

Source: Developed by the Researcher from the works of Porter, M.E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors.* New York: The Free Press, p.4; Golden, P. A., Doney, P. M., Johnson, D. M. & Smith, J. R. (1995). The dynamics of marketing orientation in transition economies: A study of Russian firms. *Journal of International Marketing, 3* (2), 29 – 49.

Study population
In line with the new National Policy on Micro, Small and Medium Enterprises (p.14), a Small Business Enterprise (SBE) is here taken as an organization which employs between ten and forty-nine (10 – 49) employees and has a total asset base of between N5million and less than N50million (including working capital but excluding land and buildings) (Small and Medium Enterprises Development Agency of Nigeria, nd). Where there is a conflict in classification between the employment criterion and the asset criterion, the employment criterion takes precedence. The SBEs studied was purposely limited to the following **eight sectors** of the Nigerian Stock Exchange: Agriculture, Chemicals and paints, Computer and office equipments, Food/beverages and tobacco, health care, Industrial/Domestic products, Packaging, and the Printing and publishing sectors. The respondents were the owner-managers/entrepreneurs and senior marketing management staff of the selected companies.

Sample size, sampling and instrument administration
A total of nine hundred and sixty (960) copies of the research questionnaire were administered. In view of the absence of a reliable population frame for SBEs in Nigeria in general, due to tax-related and other governmental issues, quota sampling technique was used in picking the actual respondents as suggested in extant literature (Folarin, 2010; Otokiti, 2010). Six (6) respondents were drawn from each of twenty (20) organizations in each of the eight (8) sectors in order to achieve stratification making a total of 960 respondents from 160 organizations. This increased level of heterogeneity in the sample it is hoped will enhance generalizability of the findings (Hooley, Lynch & Shepherd, 1989; Kohli & Jaworski, 1992; Avlonitis, Gounaris & Papavasiliou, 1999).

Prior to the field survey, and in order to enhance the content validity of the instrument, extensive pre-tests were held vide 12 personal interviews with senior marketing scholars and owner-managers of small businesses; and based on their comments the instrument was further fine-tuned (Churchill & Brown, 2004; Osuagwu & Obaji, 2009). The questionnaires were hand-delivered and retrieved between the months of September 2010 and January, 2011 in two tranches. The introductory letter to the instrument promised an advance copy of the abridged research report if they so desire, as an incentive to encourage respondents' participation in the research (Dawes, 1999; Osuagwu, 2001a; among others). Marketing literature has it that Moorman and Rust (1999) further attached a dollar to each questionnaire plus an offer of an advance copy of the report. A *test of non-response* (Armstrong & Overton, 1977) was undertaken vide an analysis of the early versus the late questionnaire returns (after the second round of visits) on the key variables in the study. No significant differences were noticed and therefore it was believed that there was no non-response bias. A total of 545 of the returned questionnaires were found useable giving a 57 per cent useable response rate.

Instrumentation
The study opted to collect managers' subjective perceptions of the research variables using a structured questionnaire. Past studies are known to have found a strong correlation between objective assessments and their subjective counterparts (for example, Dess & Robinson, 1984 as cited in Moorman & Rust, 1999, p.187). The non-committal questionnaire for this study was a 3-page multi-item measure that had three sections, viz: Section A containing 34 questions covering the various operationalised industry environmental influences (Porter's five forces), Section B containing 12 questions covering the marketing practices of the firms, and Section C covered the biographical data of the respondents. The key variables were adapted from extant literature as discussed above and supported by anecdotal and empirical evidence.

In sections A and B, respondents were asked to indicate the intensity of their perception of the issues under consideration using a 6-point Likert rating scale ranging from 'No extent at all' = 1 (least intense) to 'Very high extent' = 6 (most intense). The five- and seven-point Likert rating scales were deliberately avoided so as to preclude the likely problem of central tendency and to obtain more effective screening power (Sin & Tse, 2002; Osuagwu & Obaji, 2009; Oyedijo, Idris & Aliu, 2012).

Validity and reliability
The expert opinion method was used to test the instrument for content validity. A panel of three senior marketing experts in the academia with relevant experience in the subject matter critiqued the questionnaire and validated it (Malhotra, 2004; Saunders, et al, 2007). With respect to reliability, aside from the alternative form method, the Cronbach's alpha coefficients were computed for the sections of the questionnaire (section A- 0.853 and section B- 0.904). These having exceeded the recommended standard of 0.7 suggest that the instrument is adequately reliable (Cronbach, 1951; Carmines & Zeller, 1980; Nunnally & Beanstein, 1994, Sekaran, 2000).

Biodata

The biographical data of the respondents show that about 71 percent had equivalent of bachelor's degrees or above; of senior management cadre in their respective SBEs; and quite experienced with work experiences clustering around 6 – 15 years (54 percent). Considering the respondents' background, the data-set generated from them was considered reasonably rich for the intended purpose.

Data analysis

The Predictive Analysis Software Package (version 19) was used to execute the entire data analysis at 95 percent confidence level or better. Factors analysis was used to reduce the many variables making up the dimensions of the key variables into a more manageable number by bringing those variables which belong together and have overlapping measurement characteristics into groups (Cooper & Schindler, 2001; Blumberg et al., 2005; Hair Jr, Black, Babin, & Anderson, 2010). The sample size check for the appropriateness of the data set for the use of factor analysis was considered. **As a general rule**, the minimum standard is to have at least five times as many observations as the number of variables to be analyzed, while the more acceptable sample size would have a 10:1 ratio (Hair Jr, et al., 2010, p.101). The research instrument for this study had sections, A – 30 variables and B – 12 variables. The data set for this research was obtained from 545 observations which surpassed the 10:1 upper standard for each of the sections. Considering the sample size, factor analyzing the data is, therefore, confirmed appropriate. The Principal component method of factor analysis was adopted. After factor-analyzing the variables, simple regression, analysis of variance (ANOVA) and correlation coefficient (R) was further used to establish and assess possible relationships between the key variables of the study and to test the stated hypothesis (Hooda, 2010). The data analysis results are presented in Tables 1 to 9 and are discussed in the section following.

4.0 RESULTS AND DISCUSSIONS

The results are now presented and discussed along the main themes of the study which centered on the importance attached to and the relationships subsisting between the following constructs:

1. The dimensions of industry environmental factors affecting SBEs, and
2. The marketing practices (or orientations) of SBEs in Lagos, Nigeria as a result of these factors.

Table 1 shows the Descriptive statistics of the extent of importance placed on the industry environmental factors affecting the marketing practices of small business enterprises (SBEs) in Lagos, Nigeria. . The mean for the response scale being 3.5, all the environmental factors were therefore of above average perception. The most crucial seven industry environmental factors influencing the companies under study in rank order appears to be market turbulence (A1, mean = 4.63), the bargaining power of buyers to negotiate lower prices (buyer power) (A3, mean = 4.29), intensity of competition increased promotional efforts (A27, mean = 4.06), possibility/emergence of new entrants (A12, mean = 4.05), intensity of competition affects marketing activities generally (A21, mean = 4.022), the bargaining power of suppliers affects price-related issues (A10, mean = 4.02), and threat of new comers affects degree of importance attached to promotional activities (A13, mean = 4.00). The least two rated were threat of new entrants affect level of product quality (A16, mean = 3.59) followed by threat of new entrants affects range of products (A15, mean = 3.64). It would appear that the fear of new comers into

Table 1: Descriptive statistics of industry environmental factors (N = 545)

Variable	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic
A1	4.6367	1.27336	-1.321	2.323
A2	4.4624	1.30854	-1.222	1.665
A3	4.2917	1.33987	-.995	.994
A4	3.8697	1.56463	-.708	-.231
A5	3.9523	1.52236	-.735	-.063
A6	3.8092	1.57890	-.642	-.419
A7	3.9284	1.53286	-.789	.162
A8	3.9138	1.52850	-.632	-.249
A9	3.9560	1.49321	-.739	.067
A10	4.0202	1.46075	-.905	.519

A11	3.7761	1.46697	-.629	-.160
A12	4.0587	1.40255	-.819	.335
A13	4.0073	1.46024	-.635	-.033
A14	3.9670	1.50331	-.638	-.257
A15	3.6495	1.61226	-.471	-.709
A16	3.5908	1.67472	-.360	-.899
A17	3.8367	1.57559	-.575	-.511
A18	3.9303	1.56909	-.595	-.428
A19	3.9009	1.50529	-.616	-.195
A20	3.8275	1.45002	-.489	-.155
A21	4.0220	1.44236	-.577	-.167
A22	3.9505	1.60517	-.647	-.479
A23	3.9890	1.46650	-.711	-.061
A24	3.9615	1.50623	-.870	.252
A25	3.8257	1.54256	-.668	-.104
A26	3.8202	1.48916	-.591	-.268
A27	4.0624	1.50726	-.734	-.013
A28	3.9523	1.46451	-.657	.010
A29	3.9339	1.40745	-.764	.406
A30	4.1780	1.35970	-.933	1.007
Valid N(listwise)				

Source: Field Survey (January 2011).

the industry may have no strategic influence on SBEs' product – related strategy. This supports the view in extant literature that developing economy markets are so burgeoning that firms need to pay attention to the growing markets rather than the competition.

Table 2: Descriptive statistics of the marketing practices measures (N = 545)

Variable	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic
Marketing Practices				
B1	4.4092	1.43214	-1.170	1.123
B2	4.4862	1.34912	-1.244	1.784
B3	4.4642	1.41262	-1.382	2.119
B4	4.2844	1.44566	-1.147	1.289
B5	4.3229	1.52742	-1.282	1.451
B6	4.1101	1.56442	-1.019	.662
B7	4.2642	1.45139	-1.097	1.168
B8	4.1872	1.51640	-1.072	.886
B9	4.1982	1.43652	-1.101	1.242
B10	4.3211	1.45446	-1.269	1.674
B11	4.2972	1.42576	-1.179	1.504
B12	4.1486	1.43676	-.878	.632

Source: Field Survey (January 2011).

Table 2 shows that the studied SBEs placed high importance on all the marketing practice variables as they all had mean values greater than 4.0. The eight most important in rank orders were The manipulation of the range of products offered the market is the most applied marketing practice strategy adopted by the SBEs studied (B2, mean =4.48), followed by the use of distribution coverage strategy (B3, mean = 4.46), level of technical product

8

quality (B1, 4.40), customer services (B5), distribution channels relations (B10), the customer friendly nature of our products (B11), marketing research (B4), and personal selling (B7). **XXX KMO INSERT**

Table 3: KMO and Bartlett's tests of industry environmental variables and marketing practices measures

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.929
Bartlett's Test of Sphericity	Approx. Chi-Square	3081.363
	Df	66
	Sig.	.000

Source: Field Survey (January 2011).

The KMO results (factor analysis) for both industry environmental factors and marketing practices measures in Table 3 surpassed the 0.7 standard while the Bartlett's test was also highly significant (.000) with $p < .001$ showing that the R-Matrix is not an identity matrix. These indicate the adequacy of the sample data for factor analysis and factor analysis' appropriateness further confirmed (Hair, et al, 2010).

Table 4 shows the total variance explained of industry environmental factors after extraction. Six components having Eigen values greater than 1 were extracted and these six components explained 59.826% of the total variance in the industry environmental factors affecting small business enterprises in Lagos, Nigeria.

Table 4: Total variance explained of the dimensions of industry environmental factors affecting small business enterprises in Lagos

Component	Initial Eigen values			Rotation Sums of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	13.508	39.728	39.728	5.270	15.399	15.499
2	1.835	5.396	45.124	4.236	12.460	27.959
3	1.676	4.930	50.054	3.445	10.133	38.092
4	1.239	3.643	53.698	3.217	9.462	47.554
5	1.077	3.166	56.864	2.206	6.489	54.043
6	1.007	2.963	59.826	1.966	5.784	59.826

Extraction Method: Principal Component Analysis
Source: Field Survey (January, 2011) Factor Analysis.

After rotation, the structure matrix for the industry environment was obtained and these are reported in Table 5. Furthermore, Kaiser's rule of thumb (Kaiser, 1960; Field, 2006) was used in naming each factor in this study; and as a cut-off point, any variable with a +0.5 and above loading is regarded as having a high loading. The greater the loading, the more the variable is considered to be a pure measure of the factor. The following questions were eliminated due to their having low factor loading that did not contribute to a stable factor structure: A2, A18, A23, A24, and A28. Only variables with loadings in excess of 0.32 are interpreted (Comrey & Lee, 1992; Tabachnick & Fidell (2007).

From the structure matrix (principal component analysis) of the industry environmental factors (Table 5), a six-factor solution was derived.

Table 5: Structure matrix of industry environmental factors affecting the marketing practices of small business enterprises in Lagos

Rotated Component Matrix[a]

Variable	Component/Factor					
	1	2	3	4	5	6
A1			.710			
A2						
A3			.750			
A4			.660			
A5			.609			
A6			.738			
A7			.656			
A8			.609			
A9					.693	
A10					.574	
A11					.530	
A12		.516				
A13		.632				
A14		.713				
A15		.643				
A16		.615				
A17		.631				
A18						
A19				.568		
A20				.640		
A21	.647					
A22	.695					
A23						
A24						
A25	.654					
A26	.555					
A27	.592					
A28						
A29	.521					
A30						.525

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a.Rotation converged in 9 iterations.
Source: Field Survey (January 2011).

The six-factor solution derived show the principal influences as named by the researcher as follows:

Factor 1 – Competitive risk/competitive rivalry: A21, A22, A25 – A27, and A29. These are the issues of competitive rivalry among firms in the industry.

Factor 2 – Market attractiveness risk: A12 – A17. These are the issues regarding possible threats from new entrants into the industry as a result of the attractiveness of the industry due to the income/profit potentials which draw in new comers.

Factors 3 – Buyer power risk: A1, A3 – A8. These are issues relating to the relative power of buyers to influence the marketing activities of firms in favour of the buyers.

Factors 4 – Substitutability threat: A19 and A20. These factors relate to the availability of substitute products and their likely effects on firms' marketing activities.

Factor 5 – Supplier power factor: A9 – A11. These are issues relating to the impact of the firm's suppliers' activities on the firm's business and in particular its marketing activities.

Factor 6 – Competitive strategy: A30. These are issues that relate to competitive advantage of a company resulting from its line of business.

Table 6 below show the variance explained of the dimension of marketing practices after extraction. After double-and-low-factor loadings were identified and eliminated, two workable factors with Eigen values greater than 1 were extracted and they explained 59.292% of the total variance.

Table 6: Total variance explained of the aspects of marketing practices measures of small business enterprises (SBEs) in Lagos

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.055	50.462	50.462	4.080	33.999	33.999
2	1.060	8.829	59.292	3.035	25.293	59.292

Extracted Method: Principal Component Analysis.
Source: Field Survey (January 2011) Factor Analysis.

Table 7 shows the structure matrix of the dimensions of marketing practice measures with a two-factor solution. Using Kaiser's rule of thumb (Field, 2000), **Factor 1** was labeled as "**Marketing mix issues**" while **Factor 2** was labeled as "**Product strategy issues**". From the two-factor solution, the 'marketing-mix issues' (Factor 1) explain 33.99% while the 'product strategy issues' explain 25.29% of the variances in the marketing practices of the surveyed SBEs in Lagos, Nigeria (Table 6).

Table 7: Structure matrix of the aspects of marketing practices of small business enterprises in Lagos

Rotated Component Matrix[a]

Variable	Component	
	1	2
B1		.736
B2		.875
B3	.661	
B4	.477	.635
B5	.596	
B6	.614	
B7	.772	
B8	.745	
B9	.754	
B10	.745	
B11	.642	
B12	.785	

Extraction Method: Principal Component analysis
Rotation Method: Varimas with Kaiser Normalization
a.   Rotation converged in 3 iterations.
Source: Field Survey (January 2011) Factor Analysis.

Under factor 1 "**Marketing mix issues**", the variables that loaded high include:
BI 13   =   distribution coverage (0.661)
BI 15   =   customers services (0.596)
BI 6   =   degree of importance attached to advertisement (0.614)
BI 7   =   degree of importance attached to personal selling (0.772)
BI 8   =   degree of importance attached to sale promotion (0.745)
BI 9   =   degree of importance attached to pricing-related issues (0.754)
BI 10   =   degree of importance attached to distribution channel relations (0.745)
BI 11   =   customer friendly nature of the firm's procedures (0.642)
BI 12   =   use of mega-marketing-high level contact and networks (0.785).

Almost all the dimensions of marketing practices in this factor had high loading. The use of mega-marketing had the highest loading of 0.785. This implies that networking is very important in the activities of small business enterprises in Lagos. This high voltage contact and network management has been reported in literature to be an important ingredient in the marketing mix of organizations. For example, Osuagwu (2002) reports that the Nigerian business culture is anchored on mega-marketing activities and this takes the form of connections, the use of positions–occupied, contacts and power; and that such influence can result from tribal, professional or religious links (p.841). Hill (2001a,b) in his study of 57 small and medium enterprises in Ireland

and the UK also found that personal contact networking (both formal and informal) is 'the *defacto* operating system of small businesses' (p.223).

The degree of importance attached to personal selling comes second within factor 1 (eigen value =0.772) an indication that personal selling is held highly by the small business enterprises studied. Extant literature supports this finding as Hill (2001a,b) observed a strong sales orientation in all the small and medium enterprises (SME) he studied with the entrepreneurial sales person being the predominant type and the most representative of the type of selling activity practiced in SMEs (others being the ambitious/career sales person and the long service sales person).

Under factor 2 "**Product strategy issues**", the variables that loaded high are:
BI 1   =   level of technical product quality (0.736)
BI 2   =   range of product (0.875)

It would appear that the SBEs laid more emphasis on the range of their products (loading = 0.875) as well as on their level of technical product quality (0.736).

Test of hypothesis: The study tested the null hypothesis below using regression analysis the results of which are presented in Tables 8 and 9:
H_0:   There is no significant relationship between industry environmental factors and the   marketing practices of small business enterprises in Lagos, Nigeria.

Table 8, shows that industry environmental factors and marketing practices have a positive relationship, R = 0.443. It also shows that in the respondents' perception, the specified industry environmental factors account for 19.6 percent of the total variation in the marketing practices of the SBEs studied (R^2=0.196).

Table 8 : Summary of correlation coefficient between industry environmental factors and marketing practices of small business enterprises (SBEs) in Lagos, Nigeria (N = 545)
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.443^a	.196	.188	1.21542	.196	26.253	5	539	.000	1.670

a.   Predictors: (Constant), Threat of Substitute Products, Bargaining powers of Buyers, Rivalry among Firms, Bargaining power of suppliers, Threat of New Entrants
b   Dependent Variable: Marketing Practices
Source: Field Survey (January 2011).

Table 9 shows the ANOVA with a computed F ratio of 26.253 which is greater than the corresponding F-table figure of 6.08 at 5/539 degrees of freedom and 5 percent level of significance. Therefore, the above **null hypothesis is rejected** and **the alternate hypothesis which states that 'there is significant relationship between industry environmental factors and the marketing practices of small business enterprises (SBEs) in Lagos' is accepted**. This conclusion is suggestively confirmed by the correlation coefficient R of 0.443 or 44.3% (Table 8).

Table 9: Summary showing the analysis of variance between industry environmental factors and the marketing practices of SBEs in Lagos, Nigeria (N = 545).
ANOVA^b

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	193.908	5	38.782	26.253	.000^a
Residual	796.239	539	1.477		
Total	990.147	544			

a. Predictors: (Constant), Threat of Substitute Products, Bargaining powers of Buyers,
Rivalry among Firms, Bargaining power of suppliers, Threat of New Entrants
b. Dependent Variable: Marketing Practices
Source: Field Survey (January 2011).

5.0 CONCLUSION AND RECOMMENDATIONS

The study concludes that there is a significant and positive relationship (R = 0.443) between industry environmental factors and the marketing practices of SBEs in Lagos and that such industry environmental factors account for 19.6 percent of the total variation in their marketing practices (R^2 = 0.196). Results from the study are also suggestive that the most emphasized marketing practice dimensions of the SBEs studied were "marketing mix issues" and "product strategy issues" and that these two factors accounted for 59.29% of the variation in the SBEs marketing practices (Table 6). However, there are likely to be other variables which account for the remaining 40.7%.

In view of the above, the study recommends as follows:
1.   SBEs' Top managements need to champion the active investigation of the remaining factors that determine firm marketing practices outside of the identified competitive factors; and ensure that their SBE managers manage the impact[s] of same to the advantage of their firms.
2.   Market turbulence haven been found to be the most important competitive variable affecting marketing practices (buyer power and competitive advantage position of firms being next), SBE managers need to constantly and systematically monitor changes in market preferences; and then pro-actively respond to such situations with their marketing practices.
3.   Furthermore, SBE managers who participated in this study perceived that firm competitive position is an important determinant of marketing strategy. It is here opined that SBE managers adopt the procedures in Porter (1980) to analyze their industry and determine their competitive position in the market with a view to developing appropriate competitive and marketing strategies.
4.   The factor "competitive risk/competitive rivalry" which cover the dimensions of intensity of competition has its effect most pronounced on technical product quality, marketing research, and increase in promotional efforts in that order. Managers, therefore, need to focus more on these three marketing activities in order to obtain competitive advantage in the market place. This will be even more critical in highly competitive markets where product quality is recognized and valued, and product differentiation is possible and viable.
5.   The model of the impact of competitive environment on marketing practices formulated in this research could be used by managers to monitor and predict the variables and constructs therein for SBEs.

As expected, the study is not without some limitations. The study was conducted in Lagos, Nigeria making generalizability appropriate to the developing economies of Sub-Saharan Africa. Generalizing outside these climes may need to be done with some caution. Quota sampling (though with some stratification) was used with its inherent limitations. As is characteristic of most behavioural studies (Ogundele, 2000; Gray &Wert-Gray, 2000; Idris, 2012), most of the measures of the variables studied were perceptual in nature and these usually err on the basis of their subjectivity. However, many past studies have found a strong correlation between objective measures of performance and their subjective assessments (Pearce, Robbins, & Robinson, 1987; Slater & Narver, 1994, among others). Finally, the study was conducted within 8 sectors which increased the likelihood of reliability problems; but also enhanced the power of generalization.

In view of the findings and limitations of the study, it is suggested that future research should investigate the other environmental factors (outside of the industry factors) that may be responsible for the remaining 40.7% variation in the marketing practices of SBEs. Furthermore, the study may be replicated on an industry specific basis and also in other developing and developed economies to further understand how the industry environments impact SBEs and their marketing strategies.

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Keys to the industry environmental variables as applied in the statistical analysis.

A1	=	Market turbulence affects marketing practice.
A2	=	The rate of technological change affects marketing practices.
A3	=	The bargaining power of buyers to negotiate lower prices (buyer power) affects pricing-related issues.
A4	=	Buyer power affects level of product quality.
A5	=	Buyer power affects the width of product range.
A6	=	Buyer power affects level of customers service.
A7	=	Buyer power affects the degree of importance attached to personal selling.
A8	=	Buyer power affects use of sales promotion.
A9	=	The bargaining power of suppliers (supplier power) affects product-related issues.
A10	=	The bargaining power of suppliers affect price-related issues.
A11	=	Supplier power affects promotional mix (e.g. advertising, personal selling, sales promotion).
A12	=	The possibility of new entrants into the business affects marketing practices.
A13	=	The threat of new comers affect the degree of importance attached to promotional activities (e.g. advertising, personal selling, sales promotion, etc).
A14	=	The threat of new entrants affect pricing related issues.
A15	=	The threat of new entrants affects range of products.
A16	=	The threat of new entrants affects level of product quality.
A17	=	The threat of new entrants affect distribution coverage.
A18	=	The threat of new entrants affect level of customer service positively.
A19	=	The threat of substitute products affect marketing practices generally.
A20	=	The threat of substitute products affect market research activities.

A21	=	Intensity of competition (competitors hostility/rivalry among existing firms) affects marketing activities generally.
A22	=	Intensity of competition affects level of technical product quality.
A23	=	Intensity of competition affects distribution coverage
A24	=	Intensity of competition affects distribution channel relations.
A25	=	Intensity of competition affects level of market research.
A26	=	Intensity of competition affects customer service.
A27	=	Intensity of competition increases promotional efforts.
A28	=	Competitor hostility affects price-related issues.
A29	=	Competitor concentration affects marketing activities positively.
A30	=	The company has competitive advantage over its competitors because of its line of business.

Keys to the marketing practices variables as applied in the statistical analysis

B1	=	Level of technical product quality.
B2	=	Range of product
B3	=	Distribution coverage
B4	=	Marketing Research
B5	=	Customer services
B6	=	Degree of importance attached to advertising
B7	=	Degree of importance attached to Personal selling
B8	=	Degree of importance attached to Sales promotion
B9	=	Degree of importance attached to Pricing-related issues
B10	=	Degree of importance attached to Distribution channel relations
B11	=	The customer friendly nature of firm's procedures.
B12	=	Use of mega-marketing – high level contacts and networking with clients.