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Effect of Task Environment on Performance of Manufacturing Firms in Anambra State, Nigeria

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Abstract: *This study explores the effect of task environment on the organizational performance of manufacturing firms in Anambra state, Nigeria. Specifically, the study investigates the nature of the relationship between the bargaining power of customers and firms' market share. A descriptive survey design method was adopted. The population of the study is 485 which comprises the management and non-management staff of three selected manufacturing organizations in Anambra state. A sample size of 219 respondents was drawn using Taro Yamane formula. Pearson product-moment correlation coefficient was employed in testing the hypothesis. The finding revealed that there was a significant positive relationship between the bargaining power of customers and firms' market share ($\beta = 0.741$, $p = 0.003 < 0.05$). It was recommended that manufacturing firms should be committed to maintaining a cordial relationship with their customers and avoids possible conflict in both short and long-run. Organization should match the changing needs of customers because of new or improved products in today's constantly changing business environment.*

Keywords: Task environment, customers, market share, organizational performance.

1.1 Background of the study

The task environment is the closest environment of the organization and its elements are influencing the organization directly. Task environment is made up of factors such as consumers, competitors, suppliers, labour market, industry, and financial resources. Daft et al. (1988) and Auster and Choo (1993) opine that factors in the task environment usually create greater and perceived uncertainty to organizations than factors in the general environment. This is because it is believed that the task environment, which is connected with the short-run, is more volatile than the general environment that is connected with the long-run. Lan and Chris (2003) aver that task environment consists of the organization's immediate environment that affects the performance of the organization. Pulendran, Richard, and Robert (2000) in their related work on business environment observed that the task environment in which organizations operate is complex and constantly changing and found that a significant characteristic of the task environment and business organization is competition. This was supported by the views of Asika, (2001) that organizations that recognize the presence and intensity of competition have a greater tendency to seek out information about customers for evaluation and to use such information to their advantage thus enabling competition to drive business organizations to look for their customers to understand better ways to meet their needs, wants, and thereby enhances organizational performance (Azhar, 2008). Task environment consists of the industry factors which are external to the firms but have a direct and specific impact upon the organization and are in turn affected by organizations' operations. Customers and competitors are task environmental factors close to a business that can have a direct impact on the business' operations and success. Before deciding corporate strategy a firm should carry out a full analysis of the firm's task environment (Simsek, Veiga, Lumbatkin, 2007). This is to say that, customers and competitors are very important factors that need to be considered because of the impact it might have on business operations.

The present day's manufacturing business is universal, extremely obsessed, and technologically driven most especially with the advancement in information technology (Parnell, 2013). Parnell (2013) avers that the resulting business tasks for the strategist in organizations are vast, unstructured and woolly, and would demand effective and efficient strategies that could provide a sustained competitive advantage and the achievement of superior performance. Conversely, superior performance can only be attained and sustained if the strategies are rightly matched with the organization's external environment and internal circumstances. Nigeria is facing a crucial turning point in how to improve significantly the performance of her industries, in terms of production and trade. Thus, the challenge to the country is how to design strategies and policies relevant to regional and global competition given the small market of the economy especially in the area of industrial products (Ohiorhenua, 1999). However, in the contemporary Nigeria setting, the level of performance in the Nigerian manufacturing sector is not satisfactory as the level of growth witnessed in the sector is not much. Poor supply of energy (electricity) in Nigeria, apart from its unavailability and epileptic nature, the greatest grouse comes from astronomical billing and tariff structure which has become a hindrance within the Nigerian manufacturing sector, this leads to production below capacity, which has negatively affected firms market share, new product development, market penetration, profitability, cost of production and low capital utilization in the manufacturing sector. The exchange rate of Naira is unstable; the economy is also plagued with the rising exchange rate and interest rate. Taxes are deliberately high and often outside the reach of organizations. These increases in costs translate directly to the bottom line of all Nigeria manufacturing companies. However, this brings out impediments on the much-needed growth the sector is expected to render to the development and growth of selected manufacturing firms and the nation's economy in general. The study, therefore, investigated the effect of task environment on organizational performance.

1.3 Objective of the study

1) Investigate the nature of relationship between the bargaining power of customers and firms' market share.

1.4 Research Question

1. What is the relationship between the bargaining power of customers and firm's market share

1.5 Hypothesis

There is a relationship between the bargaining power of customers and firms' market share.

2.1 Review of Related Literature

Conceptual Review

Task environment: has a strong relationship with companies and especially with its production-logistics system (Adamczak et al. 2016). The task environment may include a company's competitors, customers, suppliers, strategic partners, and regulators (Scott & Lane, 2000). Customers and competitors are task environmental factors close to a business that can have a direct impact on the business' operations and success. Asheghian and Ebrahimi (1990) and Grant (1999) argued further that the task environment is the closest environment of the organization and its elements are influencing the organization directly**.**

Customers: are the people who pay money to acquire or buy an organization's products in the form of goods and services. The main focus of companies today is to satisfy the customer which has an impact on the competitiveness of an enterprise. Monitoring the customer's behaviour is a prerequisite for business success. A consumer is the one who will ultimately use the company's products and services. Customers are said to be more satisfied if their suppliers can meet and fulfill their orders within the required time (widing, 2003). The desire to satisfy the customers according to (Wang, 2007) makes the supply chain members keep buffer (safety) stocks. The organizations also enter into long-term relationships (which require trust and commitment) with their suppliers to secure sustainability in supplies. A study carried out by Yin-mei (2013) shows that effective customer delivery influences customer satisfaction and service quality. Zerbini, Caru, and Cugini (2007) assert that customer satisfaction is one of a firm's milestones towards profitability.

Organizational performance: has been a source of influence on the actions taking by companies and the degree to which an organization realizes its goals as well as the stated objectives of the organization through the strategies and policies of the organization (Folan & Browne, 2005; Etzioni, 1964). The idea of OP is hanged on the position or premise that it is a combination of productive assets made up of human, physical, and capital resources, for the major reason of fulfilling a dream, vision or accomplishing a shared purpose (Barney, 2002; Carton & Hofer, 2006). OP is also viewed as the measure of how a manager utilizes the resources of the organization efficiently and effectively to accomplish the goals of the organization as well as satisfying all the stakeholders (Jones & George, 2009). In their contribution, Richard, Devinney, Johnson, and Vip (2009) described OP as the real output measured against the intended or expected output. Organizational performance is measure with market share.

Market share: is the percentage of a market (defined in terms of either units or revenue) accounted for by a specific entity (Farris, Neil, Bendle, Phillip, Pfeifer David, and Reibstein 2010). Market shares command the attention of business managers as key indices for measuring the performance of a product or brand in the marketplace. Many individuals in business indeed keep a close watch over day-by-day changes in market shares, so much so that market-share movement to them is almost synonymous with market information (Cooper and Nakanishi 2008). Market share is closely monitored for signs of change in the competitive landscape, and it frequently drives strategic or tactical action (Armstrong and Greene, 2007). Increasing market share is one of the most important objectives of a business. The main advantage of using market share as a measure of business performance is that it is less dependent upon macro-environmental variables such as the state of the economy or changes in tax policy (Grünberg, 2004).

2.2 Theoretical Framework

The study adopted System theory which was initially developed by Von Bertanlannfy (1968) a biologist. In his work on the general systems theory, Bertanlannfy (1968) indicated that a system has a boundary that separates it from the environment and allows inputs to the system and outputs from it. Systems theories derive from general systems theory, which explores the parts of a system that interconnect and interact to make a complete whole (Teater, 2014). The emphasis of system theory is that organizations must be seen as a total system that has interrelated parts with a single purpose. In this case, any defect or error in any plan will affect the entire system. The interrelated parts of the subsystem also represent a decision unit, department of an organization thus; the total of the attitudes of the subsystem will determine the effectiveness of the main system (Joseph 2014).

2.3 Analyzing the Task Environment

Wheelen and Hunger (2010) opine that Corporation scanning of the environment includes analyses of all the relevant elements of the task environment, an examination of important stakeholder groups, such as suppliers and customers, in a particular corporation's task environment is part of industry analysis. In the view of porter's approach to industry analysis 'the level of this intensity is determined by basic competitive forces'' he contends, ' determines the ultimate profit potential in the industry, where profit to potential is measured in terms of long-run return on invested capital.'' In carefully scanning its industry, a corporation must assess the importance of its success of each of six forces: the threat of new entrants, rivalry among existing firms, the threat of substitute products or services, bargaining power of buyers, bargaining power of suppliers and relative power of other stakeholders. The stronger each of these forces, the more limited companies are in their ability to raise prices and earn greater profits. Wheelen and hunger (2010) add that porter mentions only five forces, stakeholders are added to reflect the power that governments, local communities, and other groups from the task environment wield over industry activities. Wheelen and Hunger (2010) maintain that a high force can be regarded as a threat because it is likely to reduce profits. A low force, in contrast, can be viewed as an opportunity because it may allow the company to earn greater profits. In the short run, these forces act as constraints on a company's activities. In the long –run, however, it may be possible for a company, through its choice of strategy, to change the strength of one or more of the forces to the company's advantage. Carrasco (2007) in Oginni (2012) environment has been seen as the totality of the factors that affect, influence, or determine the operations or performance of a business and this is also in line with the views of Azhar (2008) that environment determines what is possible for the organization to achieve. The environment is summarized as the combination of many factors both tangible and non-tangible elements that provide lifeblood support for the organizational success through the provision of market for its products and services and also by serving as a source of resources to others. Limna (2012) assents to the foregoing view and further avers that business organizations must interact within those forces that influence their decisions, directions, actions, size, health, profitability and the performance of the organization as a whole. Since business organizations make demands on the society (environment) on them, it becomes imperative that the management, in any organization, must interact with and respond to environmental factors external and internal to them. Folan and Browne (2015) agree with this assertion and states that the survival and success of organizations depend on the appropriate adaption to a complex and over changing environment. Ukaegbu (2014) states that the contemporary environment is becoming dynamic and competitive since business organizations do not operate in a vacuum, they affect and are affected by environmental conditions. Therefore, business organizations irrespective of their objective must take into consideration, these environmental opportunities and constraints.

3.1 Methodology

The survey research design was adopted. The data was obtained specifically from two sources: primary and secondary sources. The target population of the study includes the management staff and non-management staff of the selected manufacturing firms which are: Innoson Technical and Industrial Ltd, Ibeto Petrochemical Industries, Eastern Distilleries and Food Industries with the population of 485. The sample size of 219 was employed using Taro Yamane formula. A well-structured questionnaire was used for the data collection. The 5-point Likert scale with SA – Strongly Agree, A – Agree, U – Uncertain, D – Disagree, SD – Strongly Disagree was used to develop the answer options for the questionnaire. Using Spearman's Rank order correlation coefficient of reliability, the exercise guided a correlation coefficient of approximately 0.93. The hypothesis was tested using the Pearson product-moment correlation coefficient.

4.1 PRESENTATION AND ANALYSES OF DATA

There is a relationship between the bargaining power of customer and market share

Correlations

		Customer bargaining power	Firm market share
Customer bargaining power	Pearson correlation	1	.741
	Sig. (2 - tailed)		.003
	Sum of squares & cross product	33.04	4.603
	Covariance	.459	,064
	N	211	211
Firm's market share	Pearson correlation	.74	1
	Sig. (2 - tailed)	0.03	
	Sum of squares & cross product	4.603	5.507
	Covariance	.064	.076
	N	211	211

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Source: Researcher's Computation Using SPSS.

The Pearson correlation analysis was tested to ascertain the relationship between the bargaining power of customers and the firm's market share. The Pearson correlation table shows a correlation coefficient of .741. This implies that there is a positive correlation between the bargaining power of customers and firm's market share at a magnitude of 74.1%. The probability values associated with the correlation analysis shows that the probability values at 2 tailed tests yielded p = 0.000. Since p = 0.000 is less than 0.05, we accept the alternative hypothesis that states, there is a significant positive relationship between the bargaining power of customers and firms' market share.

Discussion of the finding

The hypothesis was tested to ascertain the relationship between the bargaining power of customers and firms' market share. It was discovered that there is a significant positive relationship between the bargaining power of customers and market share. The implication of this is that as the bargaining power of customers increases, the organizational market share will also follow suit. Monitoring the customer's behaviour is a prerequisite for business success. Therefore organisations should be able to attract and keep customers with products that meet customers'/consumers' needs. It is always important to consider customers' and competitors' responsiveness to the changes. Morgan, Anderson, and Mittal (2005) advocated that enhancing customer satisfaction is an appropriate strategy for improving market share. Kamakura et al. (2002) argue that improved customer satisfaction is positively related to retention and market share. Zerbini, Caru, and Cugini (2007) assert that customer satisfaction is one of a firm's milestones towards profitability.

Conclusion and Recommendations

Organization should always be prepared to do an analysis of the task environment factors and to know the responsiveness. This is because a firm's success can be influenced by the firm's environmental factors. Organizations can always strive very hard to offer benefits that are better compared to those of the competitor this will enable them to retain their customers**.** It was recommended that manufacturing firms should be committed to maintaining a cordial relationship with their customers and avoids possible conflict in both the short and long-run. Organization must match the changing needs of customers because of new or improved products in today's constantly changing business environment. The basic reason for the very existence of any business is making profits and profits are created by the customer.

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