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INFLUENCE OF POLITICAL ENVIRONMENT ON FIRMS' CORPORATE PERFORMANCE: EVIDENCE FROM SELECTED MANUFACTURING FIRMS IN OYO STATE, NIGERIA

Idowu Emmanuel Olubodun, Obafemi Awolowo University, Ile-Ife, Osun State, Nigeria

ABSTRACT

The array of incidences of corporate failure and poor performance witnessed in the economy recently cannot be unconnected to the activities in the political environment surrounding business operations. Thus, the study focuses on the influence of the political environment on firms' corporate performance with evidence from selected firms in the manufacturing sector of the Nigerian economy. The study used research survey using questionnaire to elicit data from the middle and top managers about their perception of the effect of political environment measured by government regulations, legislation, policy and security on corporate performance using multiple regression techniques. The individual effect of each of the proxy for the independent variable on the dependent variable was mixed. The study reveals that political environment has a significant effect at $p < 0.05$ on corporate performance for the two objectives and hypotheses raised. The study concludes that government policy inconsistency should be minimised to aid its predictability and regulatory agencies enforcing compliance on regulations of business operations should be collapsed into an integrated body to reduce administrative burdens on firms. The study recommends more investment in security infrastructure to engender the safety of lives and property as a means to enhance business survival. Further studies are suggested to cover other sectors of the economy.

JEL: M100, M190

KEYWORDS: Political Environment, Corporate Performance, Manufacturing Sector

INTRODUCTION

Political environment uniformly affects and is affecting business because business usually is perceived as seeking its unchanging interest of protecting and creating value for itself (Oliver & Holzinge, 2008). However, Aplin and Hegarty (1980) established that critical challenges confronting businesses had their origin in external forces and constraints which result from changes in the external environment. Most often organizations consider the market environments such that comprise factors like interest rate, foreign exchange rate and so on to be of more importance to their operations than the non-market environments which capture the political environment (Boddewyn, 2003). Moreover, the activities in the political environment of any nation matter so much as to determine whether businesses survive or not. The government participates in the nation's economy via the political environment either through legislation, regulations, policies and other more; and these government activities could enhance the performance of businesses where management of organizations' pay attention to them. In any way whatsoever, organizations should design strategies to cope, adapt or influence this environment in order to experience continuous business operations. The political environment is crucial in any economy yet excessive and extensive government interventions can be detrimental to businesses' growth and prosperity thereby making their contributions to overall national economy deterred and difficult (Spencer & Gomez, 2003). For instance, excessive business regulations and government interventions often limit organizations' strategic options and success except where enterprises are state-owned. Larger firms' inability to comply with demands of the political environment quickly become an obstacle to their success as the government often treat them as public examples because of their visibility, the example of the telecommunication industry in Nigeria.

Again, government interventions, political instability and corruption in the political environment of most developing economies always result in issues such as additional cost burden to organizations and weaken firms' capacity to enjoy improved performance. Often, firms may experience underutilization of their resources, which might escalate unemployment conditions due to poor political environment management of nation's economy. Its resultant effects in most cases are unpleasant activities like kidnappings, armed robbery, terrorism, youth restlessness, street crimes, and organized crime resulting to vandalization of national infrastructural facilities and disruptions of firms' operational activities. Insecurity is now a concern to businesses because firms desire the safety of personnel and facilities for guaranteed business operations and returns to shareholders. The alignment this takes is that organizations should endeavor to get themselves involved through their strategic decisions as a means to reduce potential adverse effects on performance. The aggregated effect of these issues form bureaucratic hurdles and constitute cost to organizations. This cost adds to the overall price charged on goods and services offered to customers. However, organizations may have to take some actions to ameliorate the effect on their operations as a means to improve performance.

The typical political environmental strategy firms' management often uses include cost accumulation, which does not have any enduring market impact except build relationship in managing the political actions of government about business activities of organizations. These political strategies include lobbying, advocacy advertising, constituency building, financial contributions/inducement, and coalition formation, which firms undertake to manage their political environment (Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004 and Bonardi, Hillman, & Keim, 2005). The effort in this study, however, is geared towards investigating the influence of the political environment on corporate performance of organizations in the manufacturing sector. The political environment contributes to the success of businesses when managed effectively. However, no political environment can claim absolute predictability, especially in developing nations. Organizations engage in political activities either directly or otherwise to stay in business. Excessive regulations, government intervention in terms of diverse legislation, policies inconsistency and security insensitivity often raise the concern of organizations irrespective of size. The array of these issues taken together is what characterizes the political environment of most nations in the developing economies, including Nigeria. Levy and Spiller (1994) observe the importance of consistent government policies in the energy industry as a significant determinant of the success of organizations. This circumstance aids strategic decision of organizations that are in the sector because of no need to base any intending business decisions on speculation, which is usually attributable to the inconsistent policy environment. The situation explains the level of predictability in such an environment. Again, customer purchasing power suffers in an environment dominated by excessive regulations because all costs (e.g. bureaucratic hurdles to demonstrate compliance to regulations and policies) incur are passed to final users of products or services of organizations (Spencer & Gomez, 2003; Cheng & Wang, 2012).

Stakeholders' involvement in policy making can smoothen operations for industries depending on how critical the industry is to the economy and the level of interactions of players in such industry with policymakers. The importance of the manufacturing sectors to the economy counts significantly in this regard because of its role in terms of employment generation and gross domestic product (GDP) contributions to the overall economy. Recently in Nigeria, non-availability of foreign exchange (FX) to purchase raw materials that are not locally available for manufacturing sector compelled the Manufacturer Association of Nigeria (MAN) to demand unique FX window as a means to cushion effects of its scarcity and for them to continue in business. The circumstantial action display around it is reactive, but it expresses a cumulative effect of continued dependency of the nation on mono-product revenue source. Both the government and the industry pay for this situation in economic recession with declining manufacturing sector capacity utilization. Organizations may either seek to relate to the government through compliances to its political actions only to protect or maintain future or current organizational assets (Oliver & Holzinger, 2008). However, the level of complexity and rate of changes in the political environment make it worthwhile for organizations to develop dynamic capabilities for influencing the environment by their strategic actions. Oliver and Holzinger (2008) identify four firm-level strategies which are reactive, defensive, proactive and anticipatory strategies for influencing the political environment. These all point to the fact that organizations that practice any of these strategies understand the political environmental situations. Hence, organizations should consider seeing the need to imbibe ahead of the game action as a path to follow. The need to investigate the influence of the political environment on corporate performance is necessary to deepen understanding of managers of the level of effects possible in order to craft improved policy and strategy for both government and organizations. The study considers survey responses from senior officials of the selected firms to know their managerial perceptions of the influence of the political environment on their corporate performance in Nigeria. The foregone has the potential of rubbing off on the competitive advantage of organizations (Porter, 1980).

The current study focuses on the overall influence that political environment has on corporate performance, which provides insight and help managers anticipate the required strategy needed in political environmental circumstances ahead of their occurrence. The study provides ground for business owners and investors to navigate political conditions prevalent in the nation's economy to aid business planning and actions. The result also exposes managers to the behavior of forces in the political environment and guides them to make provision for cushioning measures to salvage adverse effects.

In this study, the following research questions were raised: what is the effect of political environment factors on the sales growth of manufacturing firms? And what influence does political environment has on manufacturing firms' business survival? The general objective of the study is to investigate the effect of the political environment on firms' corporate performance of selected manufacturing firms in Oyo State, Nigeria. However, the specific objectives of the study are to: (i) determine the effect of political, environmental factors on sales growth of manufacturing firms; and (ii) examine the influence of the political environment on manufacturing firms' business survival. However, the following hypotheses were tested: (i) political environment does not have a significant positive effect on sales growth of manufacturing firms; (ii) Political environment does not have a significant positive influence on manufacturing firms' business survival.

LITERATURE REVIEW

The political environment is critical for organizations and businesses, whether for the profit-making or not-for-profit making establishments. In this environment, organizations often push for common interest, mainly where an industrial potential is in threat or solicit collectively for an incentive to strengthen and enhance overall capacity utilization of the industry. Individual firm's pursuit usually is costly and expensive, yet firms venture into it to gain a competitive advantage over rivals to avoid free riding. Political environment's instability might decrease investment and the economic development speed of any nation, particularly where there is uncertainty (Alberto, Sule, Nouriel, & Phillip, 1996). Organizations effort to ensure systematic political risk management can improve corporate performance. However, Richard, Devinney, George and Johnson (2009) refer to the political environment as the totality of all factors and issues resulting from the political actions of the government, which are capable of changing the expected outcome and value of a given economic entity by altering the probability of achieving business objectives. Besides, inactions of government in some instances can make organizations to initiate strategies as means of addressing the possible effects of government inactions or else their operations or existence might be threatened hence the need to investigate the effects through this research work.

Oliver and Holzinger (2008) explain political compliance strategies as firm-level actions undertaken to conform with political requirements and expectations for purposes of value creation and maintenance by anticipating or adapting to public policy. In this regard, government actions that come in the forms of policies, regulations, legislation and the creation of secured atmosphere (which is the general outlook of the political environment) affect firms' actions and performance. Organizations are to monitor these variables to know and understand their dynamics. The influence of these factors can have a combined effect on the performance of any organizations, no matter the size. Meanwhile, well-rounded information on each of these items in the environment can assist managers in making informed decisions that can improve corporate performance. The variables of interest in this study are subsequently explained.

Government policies play essential role in the industrial success of every sector of any nation, whether in the developed or developing economies because some decisions taken within specific industries are based on the policy conditions of the political environment. Managers often want to avoid uncertainty; however, they always make preferences for strategies that can help them cope in these types of situations; otherwise, firms' likelihood for long term thinking may suffer (Pindyck & Solimano, 1993). Organizations' understanding of the political environment matters in deciding the strategic decisions to carry out though this varies from one sector to another. In this regard, firms place prominence on the level of interactions they have with the government where the regular update in policies peculiar to their industry is feasible. Organizations tend to move into action where an understanding of the policy environment relating to their operations and industry is accessible in terms of interactions with policymakers, access to information before policy release, and a notice of enforcement (Spencer, & Gomez, 2003). Policies that address import restrictions and substitution, export promotions, foreign exchange restrictions and high taxes in national fiscal policy tend to affect firms' performance within the manufacturing industry. Murtha (1993) confirms that government policy inconsistencies often have a highly significant adverse effect on firms' strategic decisions in developing nations than developed countries which is due to overall confidence in the political environment and policies of the advanced nations.

Predictability and consistency of government regulations could be the source of encouragement to industry growth and development, but this phenomenon is only realistic in developed economies (Spencer & Gomez, 2003). Dess and Brown (1995) affirm that new firm entry into industries is deterred in tight environmental regulatory condition. Regulations suggest the extent of economic freedom available to firms in any economy. Regulation is defined, therefore as the use of legal instruments to enforce compliance and adherence to the social and economic framework set up by the government to implement social-economic policy objectives (Hertog, 1999). It is a set of constraints compelling individual firms to abide by government actions on industries activities to ensure the safety of consumers. However, Christainsen and Haveman (1982) posit that government regulations stiffen capital investment, which often slows down productivity. For instance, the cost of federal regulations annually in the United States account for an amount well over $1.75 trillion in 2008. In addition, every U.S. household would have paid an equal amount of $15,586 if the federal regulatory cost burden was shared among them (Crain & Crain, 2010). It is imperative to consider this phenomenon empirically as its implications on firm's performance abound. Reich (2009) affirms that there is a tendency for regulations signaling behavior to run the risk of blocking innovation or shifting it into its shadows and aiding complacency.

Legislation establishes the legitimacy of firms operations and existence. However, these laws enacted facilitate a framework for setting limits in the production, distribution and marketing of products of companies in the consumer goods industry. However, the multiple agency systems in Nigeria with responsibility for food control, safety and public health protection cut across federal, state and local governments. These legislative conditions impose numerous sectorial challenges such as duplication of functions, increased cost of doing business, several measures of effectiveness in enforcing control demands set by laws along the value chain (Omojokun, 2013). All these have some levels of impact on the performance of firms in the manufacturing sector. The efficiency and effectiveness of the sector might be better enhanced if the single agency system model is adopted (Omojokun, 2013). However, the integrated system could engender above board confidence in stakeholders, particularly consumers if it is embraced, and this is possible with a vibrant political environment. However, information-based strategies such as an expert witness, technical report and providing a specific argument (Aplin and Hegarty, 1980) at influencing legislation can produce enhanced benefit for the economy more than using advocacy advertising, constituency building, financial contributions/inducement (Hillman & Hitt, 1999; Bonardi, *et al*, 2005).

Several insecurity incidences in the country raise concerns and worries to all and sundry which at a point called the competencies of security apparatus to questions because lives and properties are no longer guaranteed adequate safety. The anti-terrorism Act passed by the government in 2011 attested to effort to criminalized terrorism, yet the persisted high-level breach of security in the country does not portray the nation's business environment as conducive for business activities. This condition places Nigeria at a low rank in the Global Peace Index (GPI, 2012).Of recent, the country ranked 148th among the 163 nations surveyed. Ifeoma, Purity, and Anagbogu (2015) observed further that most business establishments in the Northeast, Nigeria had closed operations due to the prevalence and pervasiveness of insecurity. This concern creates fears and anxieties in investors' minds at both the local and foreign levels within the nation's business environment. People living in the area along with existing companies operating in that region relocated to neighboring states in Nigeria or to other African counties like Ghana because the tendency to lose lives and properties was high. Others reduced operational capacity to stay in business (Nwagboso, 2012). Hence, it is argued that in such conditions, when investments and economic activities suffer they might further deepen unemployment, poverty and level of uncertainty in the political environment (Nestle, 2010). Security further shows its relevance to economic growth and prosperity of a nation. Level of ammunition investment also determines the rate of conflicts in any country. This stance affects investment and expansion drive of business in such an economy, especially if the decision bothers on merger and acquisition (Ciobanu & Bahna, 2015). Reduction in street crime, organized crime and other types of business disruptive activities are essential issues for the government to focus on in order for businesses to operate competitively in the environment (Schiffer & Weder, 2002).

Corporate performance is anchored as the output of business enterprises premise on a combination of income-generating assets of any organization and usually made up of all the resources including man, material, money and methods in order to achieve dream and aspiration of an organization (Barney, 2002; Carton & Hofer, 2006). Mark and Nwaiwu (2015) posit that growth strategies may be driven after adequate steps have been taken to identify, measure and manage the risk that can easily facilitate entering of promising markets thereby improve performance of existing businesses. Performance of unlisted companies is not available publicly, and subjective estimates of managers can be reliable (Dess & Robinson, 1984; Robinson & Pearse, 1988 and Venkatraman & Ramanujam, 1987). The sales growth data were a self-reported assessment of the managers since the firms are privately held, so sales revenue data are not available publicly. The managers' observation of their firms' revenue stream over time and experiences also help their ability of what can account for such performance in any period. In this study, the proxy for corporate performance is sales growth defined as the change in sales over a particular period, expressed as the difference between sales last period and those of this period as a percentage of the sales last period (Richard et al., 2009). Business survival is measured with questions raised in the questionnaire. The questions of whether business survival is hampered or not by the activities in the political environment are observed in the literature because the environment is a source of large exogenous shocks leading to the closure of firms (Sokolov & Solanko, 2016). In this regard, the higher the value derived from analysis, the more political environment's threat is to business survival. Decreasing crude oil price, falling foreign exchange reserves, foreign exchange fluctuations and spate increase in insecurity dominated the investigated period.

Economy theory as proposed by Stigler (1971) is the theory base of this study and it states that organizations engage in political activities to capture or acquire industry benefits in terms of subsidies, entry barrier, price fixation advantage over rivals, even control the rules in the industry. However, this tends to be direct involvement by giving inducements to influence political actions of policymakers all in an attempt to benefit. However, firms' strategic actions also can drive this anticipatorily and use it to lure government policy as a platform to gaining a competitive advantage over rivals and achieve growth either in sales or profit and so on. Stigler's central positions, in theory, are built on two primary premises: one, the fundamental asset controlled by the state is the power to coerce and any group that can control how this power is used can benefit from it. Second, since we are self-interested actors, we will seek to get the state's coercive power to support our interests. Efforts to do so, however, are costly. Organizations willfully are supposed to take conscious firm level-specific actions to their advantage in order to improve performance by leveraging on the understanding and better interpretation of the political environment. The deliberate action of organizations which is expressed in their decisions becomes the only way to get the state power to their benefit. However, these decisions can be in response to the situations in the political environment or foresighted ahead of time due to the understanding gained in the course of constant monitoring of the environment. The emphasis of the political environment points to the need to investigate the conditions surrounding business operations and activities to determine its influences.

Ogini and Adesanya (2013) affirm in their study that poor electricity infrastructural architecture, government policies and corruption as business environmental factors accounted principally for significant negative impact on the survival and growth of firms in the manufacturing sector in Nigeria. These circumstances in the political environment culminated to the exit of many of such firms from the shore of the nation to neighboring economies. Kigera (2016) asserts in the study of the influence of political environment on the performance of International Hotel Chains in Nairobi, Kenya that there is a positive influence of political environment on the performance of firms in Kenya. The findings support that in Kenya, factors in the political environment are stimulants that ease operations for firms which aid better business performance in the hospitality value chains businesses. Spencer and Gomez (2003) study how the political environment affected the performance of firms operating in the Latin America countries in which companies of focus experienced decreased sales growth due to obstacles posed by regulatory, government excessive intervention and extensive corruption in those countries. The study asserts that factors in the political environment have significant effects on the level of sales growth achieved by firms in those economies. Spencer, Murtha and Lenway (2005) explained that institutional structural framework is fundamental to firms' innovation matters because such framework either stimulates or mars business growth where it is compromised. This innovation often appears in managerial decisions, which manifests in dynamic organizational capabilities. The finding shows the effect of government policies on firms' innovation strategies, which can be displayed in political environment management through firm-level strategies in response to policy direction, thereby affecting performance.

Ciobanu and Bahna (2015) posit that the social, cultural and political factors affect the level of mergers and acquisitions in any economy as these factors influence the investors' perception towards investment. The findings show that social factors like public spending on health, literacy rate or people skills and abilities, cultural factors like the perception on the bureaucracy and new businesses and political factors like tax rates and democratic development are critical determinants of merger and acquisition decision. The effort in the study focuses on nations, but the current study's focus is corporate organization, and this establishes some level of specificity, which can help relate the political environment in Nigeria context. Mark and Nwaiwu (2015) affirm in the study of the impact of political environment on business performance of multinational companies in Nigeria where the findings show that there are significant negative impacts of frequent changes in government policies and political instability on the profitability of multinational companies in Nigeria. The study concentrated only on multinational companies with activities of the period boundary of 1999-2013 and only on quoted companies in the Nigerian Stock Exchange. However, the current study examines the influence of the political environment on corporate performance of selected manufacturing firms (See appendix 1 for conceptual framework).

DATA AND METHODOLOGY

Survey research design was employed in which manufacturing firms in Ibadan city, Oyo state were investigated to determine the influence of the political environment on their corporate performance. The questionnaire was designed to elicit data from the managerial and middle-level staff of the selected manufacturing organizations. The manufacturing companies (consumer goods category) in Ibadan, Oyo State constitute the population of this study. Oyo State and Ibadan, in particular, is the third city with a reasonable concentration of manufacturing companies being the regional hub of southwestern, Nigeria. The total number of fast-moving consumer goods (FMCG) companies in Ibadan, Oyo State is thirty-three (33) Manufacturer Association of Nigeria (MAN, 2018). Consumer goods companies offer products that torch basic human necessities (BHN) of our daily life. Hence, it is vital to know the influence of the political environment on their operations and performance. These firms selected have stood the test of time as they have existed and weathered different political environments in Nigeria. The respondents for the study are staff at the managerial and middle cadres of these organizations.

The sampling technique adopted for the study was random sampling, and the sample size was determined using Yamane's formula (1967) however, the prior interest of the companies were sorted by personal visit, email and phone calls in which only nine (9) indicated participating interest in the study. Also, personal visit and physical contact were the means employed to distribute the questionnaire to the respondents. The administration of instrument was done between September and December, 2018 in which analysis of data followed after data coding. The total number of managerial and middle-level staff in the nine firms were 545 (Research Field, 2018). The sample size was 231 respondents from the same staff and organizations selected to whom the designed questionnaire was administered and this represented 100 percent collection rate of the instrument. The sample size satisfied the condition that the smaller the population, the higher the percentage of the sample size (Paler-Calmorin & Calmorin, 2006). The selected firms resulted from the companies' interest to participate in the study to whom the questionnaire was distributed proportionally, and constant monitoring paid off as all the questionnaire distributed was successfully retrieved.

A questionnaire was used to collect data from the managers both at the top and middle management positions who understand the information around the organizations' performance. Questions relating to several regulatory cost that forms part of production cost which could later hit consumer purchasing power, duplicated laws at different government levels that could cause bureaucratic burden and cost, interrupted business operations due to security lapses in the some parts of the country among others were asked. Specifically, the staff of the Sales and Marketing department of each company also participated in the study because they provide data necessary for determining sales revenue estimate due to activities of the political environment. A five-point Likert scale questionnaire was designed to elicit data from the respondents. The responses range from the scale of (1) for strongly disagree to (5) for strongly agree. Empirically, Dess and Robinson (1984); Venkatraman and Ramanujam (1987) and Robinson and Pearce (1988) posit that estimating performance in percentage is reliable for companies' that are not available publicly. Literature also suggests that estimates of performance measures of interest can also be accessed using the perspective of organizational members (Duncan, 1972). In this regard, sales revenue growth is estimated in percentage using Likert format for the past five years in which questions raised on survival follows Likert pattern. There are two null hypotheses formulated for the study and the model specifications are hereby shown below: Political environment does not have a significant positive effect on sales growth of manufacturing firms.

SG = f (Pol Env)

Which turns out to become

$$SG = \beta_0 + \beta_1 GovtReg + \beta_2 GovtLeg + \beta_3 GovtPol + \beta_1 Secr + Ce \quad (1)$$

Where:

SG = Sales Growth;
β_0 = Slope of the equation;
$\beta_1 - \beta_4$ = Intercept, which accounts for a change in the beta coefficient that explains the increase/decrease in the value of the dependent variable.
GovtPol = Government Policy;
GovtReg = Government Regulations;
GovtLeg = Government Legislation;
Secr = Security;
Ce = Statistical Error Term.

The second hypothesis is thus, Political environment does not have a significant positive influence on manufacturing firms' Business survival. BSV = f (Pol Env) Which turns out to become

$$BSV = \beta_0 + \beta_1 GovtReg + \beta_2 GovtLeg + \beta_3 GovtPol + \beta_4 Secr + Ce \quad (2)$$

Where:

BSV= Business Survival;
β_0 = Slope of the equation;
$\beta_1 - \beta_4$ = Intercept, which accounts for a change in the beta coefficient that explains the increase/decrease in the value of the dependent variable.
GovtReg, GovtLeg, GovtPol, and Security (as earlier stated); Ce = Statistical Error Term

RESULTS

Hypothesis One

H_{o1}: Political environment does not have a significant positive effect on sales growth of selected manufacturing firms in Oyo State.

Model 1

Which turns out to become

$$SG = 3.723 - 0.251 GovtReg - 0.033 GovtLeg + 0.220 GovtPol + 0.097 Secr \quad (3)$$

Table 1 below indicates that model 1 shows the multiple regression coefficients of each of the proxy for the political environment with mixed effects on the dependent variable proxy by sales growth. Government regulations with a $\beta = -0.251$, $t = -2.567$ at $p < 0.05$ shows that for a unit increase in the value of government regulation, the sales growth decreases by -0.251. In this wise, government regulations have a significant negative effect on the sales growth of firms in the manufacturing sector. Also, government legislation with a $\beta = -0.033$, $t = -3.77$ at $p > 0.05$ demonstrates that for a unit increase in the value of government legislation, the sales growth reduces by 3.3%. Indicating that government legislation has a negative effect but not significant marginal influence on the sales growth of firms in the manufacturing sector. Government policy with a $\beta = 0.220$, $t = 2.358$ at $p < 0.05$ also reveals that for a unit increase in the value of government policy, the sales growth increases by 22%. In this wise, government policy has a significant positive effect on the corporate performance of firms in the manufacturing sector. Security with a $\beta = 0.097$, $t = 1.125$ at $p > 0.05$, meaning that for a unit increase in the value of the security, the sales growth increases by 9.7%. In this wise, security has an insignificant positive effect on the corporate performance of firms in the manufacturing sector.

Table 1: Regression Estimates of Sales Growth

Model	Variable	Coefficient	t-stat	p-value	R^2	Adjusted R^2	F-stat	p-value
1	(Constant)	3.723	10.294	0.000	0.484	0.467	3.219	0.014**
	GovtReg	-0.251	-2.567	**0.011****				
	GovtLeg	-0.033	-0.377	0.706*				
	GovtPol	0.220	2.358	**0.019****				
	Secr	0.097	1.215	0.225*				

*The table shows the coefficients proxy of political environment, the t-statistics and the p-value that signifies the significance levels for each Coefficient: ***p <0.01, **p <0.05, *p <0.1; n = 231. Adjusted r^2 showed the variation accounted for in the dependent variable, and F-statistics demonstrated that the predicting model is fit for this study at significance level of **p <0.05.*

The multiple regression estimates shown in Table 1 above indicate that adjusted R square showed that 46.7 per cent variations in corporate performance proxy by sales growth are accounted for by the factors in the political environment while the 53.3% remaining variations are due to factors not covered in the model. All the proxies for the political environment had p <0.05 that is statistically significant, making it the best predictor of firms' corporate performance proxy by sales growth. However, the F-statistics (3.219) at p-value less than 5% shows that the simultaneous combination of the political environment proxies have a significant influence on the corporate performance of firms in the manufacturing sector in Nigeria and this is consistent with the findings of Spencer and Gomez (2003). Therefore, the null hypothesis was rejected while the alternative was accepted.

The implications however abound, government regulations stance on the activities of the sector is harsh, and these need to be minimized through efforts to collapse the multiple regulatory standards of the various government agencies in the country into the integrated standard. All of these agencies' demands tend to increase the cost of production of firms in the industry, which cause higher prices for the products offered in the sector, thereby making the sector not to be competitive. Government policy initiative paid off in recent time hence the result obtained from this study. However, the government need to consolidate her policy position to improve the productive capacity of the sector. For instance, the recent foreign exchange restriction to some items boost drive for local sourcing of raw materials that are once imported. Government improves upon her investment in security to create a more conducive business environment safe for business operations and human lives. Government at different levels also should harness their legislative apparatus in such a way that functions at a lower level of government is not duplicated at the next higher levels by that control measures become more productive.

<u>Hypothesis Two</u>

$H_{o2:}$ Political environment does not have significant positive influence on manufacturing firms' Business survival

Model 2

<u>Which Turns Out to Become</u>

BSV = 0.980 -0.158GovtReg+0.208GovtLeg-0.249GovtPol-0.140Secr……...Equation 4 Table 2 below indicates that multiple regression coefficients shown in equation 4 account for several changes in the level of survival of the business operations in the manufacturing sector of the economy; this undoubtedly confirms the relevance of political environment factors to the business survival rate. However, government regulations (with a value β = -0.158, t = -1.994 at p <0.05) show that for a unit increase in the level of government regulatory activities, business survival chances significantly decrease by -0.158. Again, government legislation has a significant positive effect on business survival in the manufacturing sector with β = 0.208, t = 2.949 at p <0.05 because a unit increase in the level of government legislation translates to increasing significantly business survival rate. By implication, the government legislative initiatives reflected in the ease of doing business laws reduce administrative burdens that make business registration smooth and easier among others. Also, government policy (with a value β = -0.249, t = -3.284 at p <0.05) reveals that for a unit increase in the level of government policy, the survival of business operations in the manufacturing sector diminishes significantly. The implication is that harsh policy stance on the importation of some important raw materials causes shutting down of factories in recent time (Oladeinde, 2018). Lastly, the political environment measured by security challenges poses a threat to business survival as corporate activities are slow down. In the study, security thus exerts significant effect (with a value β = -0.140, t = -2.164 at p <0.05) on corporate performance measured by business survival of firms in the manufacturing sector with its attendant negative influence. In this regard, for a unit increase in the incidence level of insecurity, there is a proportionate decrease in business survival rate by -0.140. This confirms that 148th rank position of the country among 163 nations surveyed by the Global Peace Index (GPI, 2012). Again, the continuous activities of the insurgency in the northeastern part of the country also attest to this finding

Table 2: Regression Estimates of Business Survival

Model	Variable	Coefficient	t-stat	P-value	R^2	Adjusted R^2	F-stat	P-value
2	(Constant)	0.980	3.711	0.000	0.378	0.367	34.398	.000**
GovtReg		-0.158	-1.994	0.047**				
GovtLeg		0.208	2.949	0.004**				
GovtPol		-0.249	-3.284	0.001**				
Security		-0.140	-2.164	0.032**				

*The table shows the coefficients proxy of political environment, the t-statistics and the p-value that signifies the significance levels for each Coefficient: ***p <0.01, **p <0.05, *p <0.1; n = 231. Adjusted r^2 showed the variation accounted for in the dependent variable, and F-statistics demonstrated that the predicting model is fit for this study at significance level of ***p <0.00.*

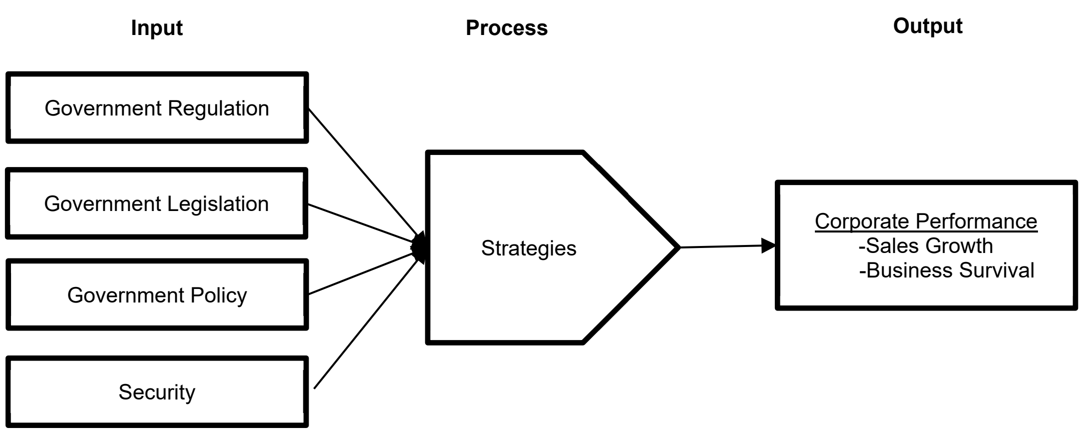
The multiple regression estimates shown in Table 2 above indicate that adjusted R square showed that 36.7 per cent variations in corporate performance proxy by business survival are accounted for by the factors in the political environment while the 63.3% remaining variations are due to factors not covered in the model. All proxies for the political environment had p <0.05 that is statistically significant, making it the best predictor of firms' corporate performance proxy by business survival. However, the F-statistics value of 34.398 at p-value less than 5% shows that the simultaneous combination of the political environment proxies have a significant influence on the corporate performance of firms in the manufacturing sector in Nigeria and this is consistent with the findings of Ogini and Adesanya (2013). Therefore, the null hypothesis was rejected while the alternative was accepted.

The implication of these results shows that the political environment measured by government regulations, government legislation, government policies and security had a significant effect on corporate performance measured by business survival. Recently, there were worrisome accounts of factories and businesses that closed operations due to activities in the political environment. In another case, many people lost their jobs due to the inability of these companies to access some critical input materials that are not locally available. Government's belt-tightening of a loose end in policy, regulations and legislative weakness without a local alternative to ease up the operations in this sector aggravated this circumstance. Capacity utilization of firms in the sector could not be optimized because of policy somersault and high insecurity events in some part of the country. This condition further stiffens innovation, mainly when the political environment is unpredictable and full of inconsistency.

CONCLUSION

The study examines the influence of political environment on corporate performance of manufacturing firms in Nigeria. Primary data were collected from both the top and middle managers of the sampled firms. However, the propositions were tested using multiple regression models. The findings show that political environment has significant effect on corporate performance of firms in the Nigerian Manufacturing sector. The study reveals that the government needs to minimize her policies inconsistencies that often create a higher level of unpredictability around policy drive of the government. These efforts tend to reduce business failure rate and challenges that firm owners and managers face while reflecting on activity in the political environment. The study also concludes that the political environment measured by government regulations, legislation, policy and security has a significant effect on corporate performance measured by sales growth and business survival of firms in the manufacturing sector in Nigeria. The influence of political environment is mixed, as shown in the findings. However, there is room for constant monitoring by managers of these factors in order to minimize their effects on corporate performance of firms in the manufacturing sector. The government should carry out her regulatory activities using integrated standard rather than multiple agencies by which the cost of corporate compliance to regulatory demands can scale down astronomically. Policy formulation should be consistent with reality well ahead of time to encourage innovation and facilitate business growth. Investment in security infrastructure should be enhanced, thereby there will be improvement within corporate performance because age-long customers' retention is sustained more in an environment where safety is guaranteed for lives and properties at all times. Invariably, higher business survival becomes possible. The study only focused on manufacturing sector in Oyo State, Nigeria. However, consideration of southwest region to give more states chance to participate would have made the result more generalized than the present study area. Further studies in other sectors of the economy using the same proxies for the political environment is suggested, such as matching firm's political capability to factors in the political environment.

Appendix 1: Conceptual Framework



Source: Author's Conceptualization, 2019

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BIOGRAPHY

Idowu Emmanuel Olubodun is a Lecturer in the Department of Management and Accounting, Obafemi Awolowo University, Ile-Ife, Nigeria. He can be contacted at the Department.