

The Impact of Socio-Cultural Factors on Small Business Success in Federal University of Technology, Minna

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Abstract

Entrepreneurs are responsible for the promotion of enterprises and businesses and cause economic development as they infuse dynamism in economic activity within their territory, manage organizational and technical change, and also promote the innovation and learning culture on such environment. As such, the study investigated the impact of socio-cultural factors on small business success in Federal University of Technology, Minna. This was achieved by determining the effect of social factors, examining the influence of individual culture, investigate the influence of corporate culture and establishing the relationship between Federal University of Technology culture and the success of small businesses in FUT, Minna. The data were obtained from 76 business owners at the two campuses (Bosso and Gidan Kwanu). Random purposive sampling was used and all business owners contacted responded representing 100%. Data collected were analyzed using the Structural Equation Model (SEM) using PLS. the findings revealed a positive strong relationship between all the explanatory variables and success of small businesses in FUT, Minna. The study concluded that socio-cultural factors have impact on the success of small business in FUT, Minna. The study recommended that the university management should provide an enabling environment in the two campuses that will ensure businesses thrive. For example, provision of light and water 24hours of the day.

Keywords: Businesses, Culture, Development, Environment and Socio-cultural

1.0 Background to the Study

The nature of business environment affects the behaviour and survival of every organization. The forces in the environment of business would both create an enabling environment, providing businesses with opportunities. It at the same time pose threats to the businesses especially small businesses by way of their ability to contribute to the economic development of a country. Meanwhile, the role small businesses play by way of job creation, contribution to Gross Domestic Product and innovation have been found to be the way to poverty reduction and economic growth in developing countries (Abor & Quartey, 2010). The new dawn paved the way for the private sector to take over the control of establishing new businesses with the state providing the needed infrastructure, thus creating the enabling environment. This era saw the establishment of new small and medium businesses, hence promoting small business era. Aldrich and Zimmer (1986) specify the importance of socio-cultural realities in the creation of new businesses and entrepreneurship which they contend in entrenched in social perspective. The social cultural aspects deals with the institutions, norms, roles and values as they exist outside the individual (SME Owners) and the latter captures the subjective aspect of culture system.

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According to Saonovar and Porter (1994), culture is collective means sharing beliefs, values, attitudes, experiences, religions practices, morality, norms, do's and don'ts, treasure of knowledge and architectural ideas from generation to generation. The culture is transmitted by initiation, teaching of ideas and behavioural factors. According to Rose, Kumar and Yen (2006), a small business is a business which is privately owned and operated with a small number of employees and relatively low volume of sales. Entrepreneurs are responsible for the promotion of enterprises and businesses and cause economic development as they infuse dynamism in economic activity within their territory, manage organizational and technical change, and also promote the innovation and learning culture on such environment. Federal University of Technology, Minna is one of the public universities in Nigeria located in the North Central region of the country. The university has two campuses located in Bosso and Gidin Kwano communities of Minna. It has a student population of about 25,000, with both on and off campus residential accommodation. The university commenced operations in 1984. Some visible businesses within the university community in both campuses include: convenience stores, bakery shops, hairdresser, barbing saloons, tradesmen, restaurants, photographers etc. thus, this research investigate the impact of socio-cultural factors on small business success in Federal University of Technology, Minna.

1.1 Objectives of the Study

1.1.1 Main Objective

To investigate the impact of socio-cultural factors on small business success in Federal University of Technology, Minna

1.1.2 Specific Objectives

1. To determine the effect of social factors on small business success in Federal University of Technology, Minna.
2. To examine the influence of individual culture on small business success in Federal University of Technology, Minna.
3. To investigate the influence of corporate culture on small business success in Federal University of Technology, Minna.
4. To establish the relationship between Federal University of Technology, Minna culture and small business success in the community

1.2 Research Hypotheses

1. Ho: There is no significant relationship between social factors and small business in Federal University of Technology, Minna.
2. Ho: There is no significant relationship between individual culture and small business in Federal University of Technology, Minna.
3. Ho: There is no significant relationship between corporate culture and small business success in Federal University of Technology, Minna.
4. Ho: There is no significant relationship between Federal University of Technology culture and small business success in the community.

2.0 Literature Review

2.1 Conceptual Background

2.1.1 The Socio-cultural Environment

Wetherly and Other (2011) described the socio-cultural environment as consisting of everything that is not contained within the economy or political system. According to them, socio-cultural setting is made up of collection of activities, ad the relationship of people engage in their personal and private lives which include population, features, age, ethnicity, religion, values, attitude, lifestyles and associates. These environmentally relevant patterns of behaviour lead to the creation of different cultural values in different societies, some of which influence the decision to create new businesses. Therefore, culture, as distinct from political, social, technological or economic contexts has relevance for economic behaviour and business performance (Shane, 1993).

2.1.2 Culture

Culture is the software of the mind, a collective mental programming of the people. It is the combination of material and spiritual wealth designed by man through process of material and historical growth (Hofstede, 1981), the total pattern of thinking, emotions and acting that impact on the ordinary and menial things in life such as greeting, eating, decision in expressing or not expressing ones emotion, interacting with people, general body cleanliness, the means by which one makes meaning in life through interacting with the environment is culture (Cohen, 1993), the way of life of a people, the summed total of their behaviours, attitude, and material things which control their actions in a deep and persisting ways which is beyond their control (Hall, 1976). In a similar vein, culture is the individual distinctive way of identifying with the man-made aspect of the environment, the perception of rules, norms, roles, and values which is affected by different levels of culture which include language, gender, race, religion, place of residence, and occupation which as a way of impacting on interpersonal behaviour (Trandia, 1972)

2.2 Cultural Dimension Theory

Hofstede (2001) developed the cultural dimensions theory that describes the effects of a society culture on the values of its members and inevitably its institution. Among other things, the theory has been widely used in other fields as a paradigm for research including marketing, management and cross-cultural communication (Soares, Farhangmehr & Shoham, 2007). From theoretical perspective, several models have been developed and empirical works have been conducted to explain the critical role of culture in business management. Agyapong and Obro-Adibo (2013) pointed out that because small business is often owned by the individuals, there is likelihood that their socio-cultural background including their personality can influence the business operations. They added that a sound business creation requires dynamic social and cultural activities of the society, a well organized economy and the right policies by the government.

3.0 Research Method

The data for the study were obtained from 76 manager of small business outfits of the two campuses (Bosso and Gidan Kwanu) of Federal University of Technology, Minna. Random purposive sampling was used for the study and all the business owners contacted responded representing 100%. This could be as a result of fear of being delisted from business owners operating within the campuses of the university. It was constructed to serve a very specific need or purpose where one has specific group in mind (the students). The strategy was to zero in on the target group, interviewing whoever student is available. The approach to the study was the decision on what needs to be known, after which an effort was made to find people who can and were willing to provide the information by virtue of knowledge and experience (Lewis and Sheppard, 2006). This refers to the employees of the university, who know much about the university culture and are both able and willing to share their knowledge with the researchers.

Measurement of Variables

The variables for the study were defined as follows: Social Factors: the constructs are lifestyle, level of education, taste, credit sales, business location, and type of business. Individual Culture: beliefs, religion and values were constructs Corporate culture: this was looked at from the mode of hiring, decision making, shared values and code of ethics. University culture: obeying university, rules and regulation by all employees, students and owners of business outfits and the campuses. Business success: the number of patronage, number of new businesses, manual turnover of each business and assets acquired by the businesses.

The variables are largely informed by the Hofstede (2001) cultural dimensions theory. The analysis was done using structural equation modeling (SEM).

4.0 Data Analysis and Results

4.1 Measurement Model

Before the results from SEM can be relied on, it is necessary to consider its conformance to various validity and reliability checks. Constructs validity was assessed using the convergent and discriminant validity tests.

4.1.1 Convergent Validity

This is the degree to which items measuring the same concept are in agreement (Rouibah, Romoyah & May, 2001). The factor loadings and composite reliabilities, all exceeds the 0.5 and 0.7 benchmark respectively. Set by Hair et al (2010). With composite reliability ranging from 0.770-0.894 and a minimum factor loading of 0.602, this was enough testimony of convergent validity.

Table 1: Convergent Validity Test

Variable description	Nature of Variable	Cronbach alpha	Number of items
Social Factors	Independent variable	0.894	6
Individual culture	Independent variable	0.770	3
Corporate culture	Independent variable	0.885	4
University culture	Independent variable	0.868	3

4.1.2 Discriminant Validity

The discriminant validity was tested by examining the squared correlations between constructs and square root of the AVE. The results clearly show adequate discriminant validity since the items load strongly on their own than others. For all the constructs, the square root of AVES was more than the squared correlations indicating discriminant validity.

Table 2: Discriminant Validity Test

	Corporate culture	Individual culture	University culture	Job creation	Social culture	Business culture
Corporate culture	0.6710					
Individual culture	0.5252	0.7660				
University culture	0.4996	0.4247	0.7124			
Job creation	0.4592	0.4932	0.4028	0.6881		
Social culture	0.4784	0.5563	0.4551	0.5331	0.6517	
Business culture	0.5032	0.3844	0.4899	0.6142	0.5361	0.7163

4.3 Structural Model

Four main hypotheses were tested by the path analysis. For the first hypothesis, social factors were seen to have a significant causal relationship with business success ($\beta=0.686$, $P<0.05$). Individual culture were seen to have a significant causal relationship with business success ($\beta=0.419$, $P<0.05$). Corporate culture were seen to have a significant causal relationship with business success ($\beta=0.548$, $P<0.05$). and finally, the university culture were to have a significant causal relationship with business success ($\beta=0.693$, $P\leq 0.05$). It was also seen that out of the four dimensions, the university culture had the greatest impact on business success than any other independent variables. Business success was also seen to lead to job creation within the university community ($\beta=1.066$, $P<0.05$).

Table 3: Structural Equation Model

Hypothesis	Beta	Std error	p-value	0.05
H ₁ Social culture –Business success	0.686	.019	36.513	Significant
Social culture –Individual culture	0.836	.007	67.666	Significant
H ₂ Individual culture –Business success	0.419	0.49	8.567	Significant
Individual culture –Corporate culture	0.921	0.031	307.569	Significant
H ₃ Corporate culture –Business Success	0.549	0.173	3.170	Significant
University Culture –Business Success	0.693	0.023	29.720	Significant
H ₄ University Culture–Individual culture	0.671	0.020	28.097	Significant
Business Success –Job creation	1.066	0.004	119.441	Significant

4.4 Discussions

The impact of socio-cultural factors on small business success in Federal University of Technology, Minna are shown on table 1,2, and 3. Four variables were used to explain and predict the impact of socio-cultural factors on the success of small business in Federal University of Technology, Minna. A conformance check for validity and reliability were carried out before using the results of SEM.

The composite reliabilities and factor loadings exceeded 0.7-0.5 benchmark respectively. Composite reliability for social factor is 0.894, individual culture 0.770, corporate culture 0.885 and university culture 0.868, with a minimum loading of 0.602. This represents a good convergent validity.

The results also show adequate discriminate validity as the items load strongly on their own. For all the constructs, the square root of AVEs was more than the squared correlations. For corporate culture is 0.6710, Individual culture 0.7660, University culture , 0.7124, Job creation 0.6887, Social culture 0.6517 and Business success 0.716. With first hypothesis, social factors has a significant causal relationship with business success in Federal University of Technology, Minna with $\beta=0.686$ and p-value .000 which is less than α (0.05). The finding of this study agreed with Weltherly and Other (2011) that environmentally relevant patterns of behaviour lead to the creation of different cultural values in different societies, some of which influence the decision to create new businesses. Some of the constructs of the variable are evident in FUT, Minna in terms of lifestyle, level of education, task, location and business type.

With the second hypothesis, Individual culture has a significant causal relationship with business success in FUT, Minna with $\beta=0.419$ and p-value .001 which is less than α (0.05). the finding of this study concur with Agyapang and Obro-Adibo (2013) that small business are often owned by the individuals, thus the hierarchical that their personality can influence the business operations. The construct of values for individual culture is been put in place in FUT, Minna community and thus a dynamic socio-cultural activities in the society. With the third hypothesis, corporate culture has a significant causal relationship with business success in FUT, Minna. With $\beta=0.548$ and p-value .002 which is less than α (0.05). the finding of the study agreed with Cohen (1993) that corporate culture is the way of life of a people and the summed total of their behaviours, attitude and material things which controls their action. In FUT, Minna these Individual business owners have formed themselves into association so as to have a common platform for operation as it was rewarded from the study in their decision making, shared values and code of ethics. With the fourth hypothesis, University culture has a significant causal relationship with business success in FUT, Minna with $\beta=0.693$ and p-value .000 which is less than α (0.05). the finding of the study concur with Hofstede (2001) who developed the cultural dimension theory that describes the effect of a society's culture on the values of the members and inevitably its institutions Federal University of Technology, Minna is an institution on its own with three classes of its members with different cultural value coming together to abide with that if the university. These members of the University community are the students, employees and business owners.

5.0 Conclusion and Recommendations

5.1 Conclusion

Collectively all the four explanatory variables had significant impact on the success of small businesses in FUT, Minna. The findings of the study revealed that all the null hypotheses for the study were rejected and confirmed that all the explanatory variables used in the model have significant impact on the success of small business in FUT, Minna. The results also posit that where university culture is such that creates enabling environment for small business to thrive, business success is promoted. Hiring of students within the university system are likely to result in committed employees. The results also show a significant relationship between business success and job creation. This provides a source of income for any student engaged by these business owners. Finally, from the study, there is a strong justification of the positive impact of socio-cultural factors on the success of small businesses in FUT, Minna.

5.2 Recommendations

- 1) The university management should provide enabling environment in all the campuses that will enable businesses to thrive. For example, provision of 24/7 light and water for the business community.
- 2) All business must come together to have a common code of ethics for operating businesses in the university community as well as shared values.
- 3) Business owner should strive at all times to meet the need of the members of the community.
- 4) There should be communal benefits to all and sundry, while the university encouraged opening small businesses. Students get employed in these businesses and business owners will smile to the back at the end of the month.

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