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## **Conceptualised Framework of the Mediating Role of the Economic Factor of the Business Environment**

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## Abstract

The purpose of this paper was to conceptually examine the mediating role of the economic factor of the business environment and lay a foundation of its effect on organizations survival or demise. This paper lays a comprehensive review on economic factor of the business environment and organization resilience and survival. Thus, for any business that intends to continue its everyday operations, must devise ways to be resilient and survive by always scanning the environment it finds itself in, as well as being aware of the economic policies put in place by the government in power.

**Keywords:** *Business Environment, Economic Factor, Government Policies, Organizational Resilience, Organizational Survival.*

### 1.0 Introduction

Oginni and Adesanya (2013) describes an external environment as the cumulative totality of the external forces that affects both the business and communities that the business resides in. Adeola (2016) defines the business environment as a phenomenon that from time to time directs as well as shapes and steers the direction of organizations. As can be deduced, corporations do not function in isolation, they function within the business environment where the production and distribution of its goods and services are executed or performed or achieved.

Carrasco (2007) cited in Oginni (2012) defined a business environment as the inclusiveness of all the components that affect, influence, impact, control, sway, determine, form, guide etc. the operations, functions, workings, performance of a corporation. Azhar (2008) defined a business environment as an environment that dictates, directs, decides, regulates, shapes, molds, modifies, influences what is feasible, practicable, realizable, conceivable, probable for the corporation to attain or achieve or obtain. Simply put, a business environment is the amalgamation of various components that are both physical (visible) and non-physical (invisible) that gives or furnishes the essence, mainstay, core center, backbone, livewire, aid or support or help or sustenance for the corporation's accomplishments or achievements by

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providing the market for its goods and services as well as being a fountain of resources to other corporations. So therefore, a business environment is the totality of the factors of both the external and internal conditions in addition to influences that impact the resilience, advancement and development of the corporation.

Every corporation function within a business environment, and in the words of Adidu and Olanye (2006) the business environment comprises of every external factor that the corporation is exposed to that impacts it directly or indirectly. Ukaegbu (2004) surmises that corporations in Nigeria are confronted with these business environmental factors that impacts the corporations and so they must endeavor to understand these continuous changes in the environment and how these continuous changes will influence their corporation and decide its resiliency, survival or demise.

The economic factors of a business environment comprise mainly of trade rate, unemployment rate, inflation rate, interest rate, per capita domestic product, exchange rate, trade deficit or surplus, and generally the economic climate rate (Gamble, 2014 as cited in Litavniece & Znotina, 2015).

Vincent, Loraver and Wilson (2012) defined exchange rate as the process by which a country's currency is converted to another country's currency, that is the process of converting Nigeria's naira to American dollars, or British pounds or Ghanaian cedis etc. Thus, this process of changing currencies can either affect the stability of the economy positively or negatively as this is contingent on the factors or elements associated with the country's external borrowing

Adi (2006) surmises that the most crucial exclusive and singular effect on corporate policy and strategy or tactic consistently in its evolution, growth, expansion and establishment is caused by the internal (climate) and external (business) environment. The unstable, chaotic, tempestuous and stormy as well as the ever-changing business environment that corporations conduct their business in, has invariably impacted the strategies of these corporations, and so therefore, for these corporations to expedite growth, enhance corporate performance, secure their operations and survive, they must undertake, adopt, choose, select or acquire the most needed, suitable, proper and relevant strategies that will enable them wither the economic business environment (Oluwafolakemi, Abiodun & Bukola, 2019).

## **2.0 Literature Review**

### **Concept of Economic Factor and Their Descriptions**

#### **Inflation Rate**

George (2005) defined inflation rate as a continuous rise in price of goods and services in the economy for a long time. Thus, inflation shows, demonstrate or indicates a cutback or depletion in the ability to purchase, or buying power of the individual and also that of the corporation proportionately with the speculation of money in the economy. Also, Asiedu (2002) remarked that the rate of inflation is an instrument that is utilized for measuring the economy's stability. This is because a country with an economy that has an inflation rate that is frequently and regularly low aids, supports and promotes the growth of small-scale enterprises, and vis versa when the inflation rate is continuously high, the reverse is the case. Moses-Ashike (2020) observed that inflation rate and interest rate are contrarily linked, which is to say that the higher the inflation rate in the economy, the less a corporation would go borrowing to conduct business and so this leads to less business transactions in the economy and also likewise the reverse is the case when inflation rate is low, which cumulates to more business transactions occurring in the economy.

## Interest Rate

Umeora (2013) defined interest rate as the percentage of a loan that is levied on the borrower as interest on the money borrowed, and this is levied yearly. Also, an interest rate is conveyed as a percentage of the capital, money, or loan borrowed and this is done by the lender in order to raise funds. The low direct foreign investment arising from the instability in the country's economy gives rise to inflated interest rates that leads to a reduction in the borrowing limit or credit line of corporations (Zinyemba 2014). Because of this, corporations are no more certain of their survival in this continuous unstable economic environment that have given rise to a considerable change in the labor market or employment market.

As a consequence, employers would rather wait till they perceive the ensuing environment vividly before they allocate their resources. Therefore, the forecast or prediction of human resource planning has been affected by the unstable interest rates in the economy thereby making it difficult for the manager to predict how long the employee will be employed in the corporation whether on a temporary basis or on a permanent basis. Unstable interest rates are destructive and inimical to human resource planning as it leads to stress in employing, recruiting or procuring the right personnel, to occupy the right job at the right time because of the insufficiency of requisite and needed resources given rise to bit-by-bit technique to human resource planning thereby frustrating, preventing, hampering or impeding the sole objective of planning the human resource of a corporation.

## Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) of a country relates to the market value or money value of all the goods and services that is manufactured or produced in the country continuing for a long time. That is to say that the Gross Domestic Product of a country in the words of Hedreen (2019) is the basic index of the country's economic development. In the words of Emefiele (2012) Nigeria's Gross Domestic Product measures the economic growth rate in Nigeria.

The Gross Domestic Product of Nigeria measures all the goods and services that is manufactured or produced in Nigeria. A fluctuating economy gives rise to changes in the behavior of consumers, trends in age, income, ethnicity, general demographics and changes or alterations that influence or impacts the demand of products and services of a corporation and so the Gross Domestic Product (Duane, 1996). Invariably, the planning of human resource will be affected since employee demand forecasts rely on the products and services needed. The unstable economy leads to the consumers or end users to be pessimistic, hopeless, skeptic, suspicious and uncertain in the growth of the economy and so will decide to spend sparingly, or be thrifty or be economical with their spending habit. And so therefore, this will undoubtedly give rise to less demand of goods and services which will then culminate into low production thereby affecting the planning of human resource and in the long run will affect resiliency and the survival of the corporation.

## Unemployment

Fapohunda (1984) defined unemployment as a situation where there are qualified and competent people willing, ready and able to work, but are unable to be employed due to the prevailing wage rate or remuneration. The total employees or workforce or human resources comprises of everyone aged from fifteen (15) to sixty (60) years not including students, people that are incapacitated and those that are unwilling and disinterested to work. It should be noted that unemployment can either be open (someone who is willing to work, educated but can't get a job) or disguised (a situation where there are too many workers but very few jobs). According to Fapohunda (1984) the Nigerian workforce or human capital or personnel is identified by high employee supply and low employee demand culminating to an increase in unemployment

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because of low funding, capital or financing and decrease in production thereby affecting the environment. In the event that unemployment is high, managers of corporations have a wider selection of employees in the labor market to choose from, but on the flip side, the managers may find it difficult to decipher and employ who possess the requisite skills, talents, experience, capabilities and all-round competencies required by the corporation. One major disadvantage of high unemployment rate is that it leads to brain drain of human resource whereby competent, qualified and highly skilled workforce seek for employment in other countries apart from the country in which they reside, looking for the proverbial “greener pastures”.

### **Economic Recession**

Another economic measure to consider is economic recession, which in simple terms is a reduction in the Gross Domestic Product or a Nation’s output. The definition of recession is a period of decline in the economy arising from a decrease in the Gross Domestic Product for two consecutive quarters (six months) (Wall Street Journal, 2009; World economic Outlook, 2009). A global recession as defined by the International Monetary Fund (IMF) is a reduction or decrease in the annual per-capita real world Gross Domestic Product (Purchasing Power Parity weighted), supported by a reduction of one or more of the different seven (7) international macro-economic measures namely: per-capita investment, industrial production, per-capita consumption, capital flows, unemployment rate, trade, and oil consumption (Wall Street Journal, 2009; World economic Outlook, 2009). In the past, in the year 1929 in the United States of America, there was a terrible recession that occurred called the Wall Street Crash or the Great Crash. But over the years after World War II, there have only occurred four (4) Worldwide recession that took place in the year: 1975, 1982, 1991 and 2009, and they all persisted for one year (Wall Street Journal, 2009; World economic Outlook, 2009). It should be noted that the most terrible of these recessions is that of 2009 that started in 2007 and lasted for two years till 2009, and because of this, it was referred to as the Great Recession, because of the several countries affected as well as the decline in the real world per-capita (Wall Street Journal, 2009; World economic Outlook, 2009).

Usually, a recession in the words of Akinbobola, and Bada (2018). will normally be typified by high rate of unemployment, high level of inequality, falling average income, increase in government borrowing etc.

### **Foundational Theory**

#### **Population Ecology Theory**

This hinges on the notion that the business environment does affect and influence the organization where it is located. According to the studies carried out by Hannan and Freeman (1977) they questioned and disputed the main dimensional analysis governing organizational theory which is the organization. On their part, they propagated the population ecology strategy. Haman and Freeman (1977) opined that the population ecology strategy is all about making use of the whole organizational population as its dimensional analysis. The population ecology strategy till date is being used by researchers to empirically conduct their studies on the twain capitalistic and civil society conglomerations as well as considering public and private sector.

The population ecology strategy has shot both Haman and Freeman (1977) as cited in Okeah (2022) to limelight based on their works titled “Population Ecology of Organizations”. The work centered on how the environment influences the survival or dearth of an organization. Betton and Des (1985) talked about how the survival or the dearth of an organization is premised on the environment and not on the prowess of the organization. The study hinges its notion that the organization is passive, sluggish and inactive (state of inertia) from conducting

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reformist, revolutionary and progressive changes and so is compelled and influenced by the business environment that causes it to change.

### **Empirical Review**

Umaru and Zubairu (2012) investigated the relationship between unemployment and inflation in the Nigerian economy through the application of Augmented DickeyFuller techniques to examine the unit root property of the series after which Granger causality test was conducted to determine causation between unemployment and inflation, then cointegration test was conducted through the application of Johansen cointegration technique to examine the long-run relationship between the two phenomenon, lastly ARCH and GARCH technique was conducted to examine the existence of volatility in the series. The results indicate that inflation impacted negatively on unemployment. The causality test reveals that there is no causation between unemployment and inflation in Nigeria during the period of study and a longrun relationship exists between them as confirmed by the cointegration test. ARCH and GARCH results reveal that the time series data for the period under review exhibit a high volatility clustering. The paper recommends the use of inflation/unemployment theory in order to ensure their applicability in the Nigerian context, so as to achieve a desire reduction in unemployment and inflation which in turn boost economic growth and development.

Mohammed, Okoroafor and Awe (2015) scrutinized the interrelationship betwixt joblessness, hike in price and services and fiscal development in West Africa, Nigeria during the years of 1987 to the year 2012. The inquiry employed archival data to investigate the interrelationship betwixt joblessness, hike in price and services and fiscal development. Methodology employed was least squares approximation. The outcomes confirm that ultimately, annual percentage rate and consumption have substantial effect on fiscal development in West Africa, Nigeria, whereas hike in price and services and joblessness have a reverse and opposite impact on development in West Africa, Nigeria. The conceivable and thinkable reason, rationale and explanation as to the reverse and opposite impact of hike in the price and services shows that hike in price and services cannot be caused due to collective and accumulated constraints in demand or its encumbrance but can be caused by irregularities brought on by production of goods and services and also from the home, national as well as external, outside or overseas provision and distribution vendor and peddlers. Experimental inferences and assumptions do state the existence of substantial response and input from the distant future and long term all the way to the brief and temporary term imbalance and unbalance. But, there's a presence of a causality interrelationship betwixt hike in price and services, joblessness and fiscal development in West Africa, Nigeria. Conclusively, the article proposed and suggested Nigerian leaders in authority ought to out of expediency boost or continually tweak and refine the income and employment theory guidelines techniques so as to accomplish and attain a maintainable, attainable conditions so as to boost increment in home and national production and gross national product.

Zeaud (2014) on his part inquired on the presence and survival of back-and-forth interrelationship betwixt the unemployed and hike in price of goods and services in the Jordanian industry betwixt the year 1984 to the year 2011. All of the Granger causation examination is employed to investigate the interrelationship betwixt parameters as well as the trajectory of the causality. For the fact that all these instruments are delicate and subtle to motionless, static, combination, unification and assimilation and consolidation of the parameters ADF and PP examination is implemented to inquire the static, motionless and assimilated sequence and arrangement of the set and progression while Johansen-Juselius process is executed and accomplished to investigate and search the presence and survival of the assimilation and consolidation betwixt parameters. The examination brought to the fore the

parameters' sequence and arrangement have differed levels of unification, and so, their next in line differed sequence and arrangement - having identical level of unification- have been employed to investigate the causes betwixt both paradigms. The outcomes highlighted no causality interrelationship betwixt unemployed and hike in price and services in Jordan while the inquiry was conducted meaning no existence of back-and-forth interrelationship betwixt both parameters.

Thayaparan (2014) for the years of 1990-2012 inquired on the influence of hike in the price of goods and services and boom and prosperousness in Sri Lanka as it affects unemployment. Dickey Fuller Evaluation was employed to evaluate the unit root or stationery. Also employed was the usual and expected fourth-square approach that is used to ascertain the teleology and cause and effect amidst the stated parameters as the Granger determination evaluation was employed, administered and correlated. The inquiry revealed that the unit root evaluation stipulates and shows that in Sri Lanka just the exclusive Gross National Income (GNI) has stationery and jobless, idle and unoccupied as well as hike in price of goods and services have single part cause issues, difficulty and snag or motile, adjustable and flexible at magnitude measure. Though at first instance when testing the twain parameters, it was discovered that there were no issues pertaining to the single exclusive root which then signifies that the single exclusive root was dormant and hence at first evaluation. The regression statistical instrument employed depicted the hike in price of goods and services coefficient was negated and so did not have mathematically have a substantial impact pertaining to jobless, idle and unoccupied people, but on the other hand, gross national income indicated a definite and irrefutable correlation but no substantial impact on jobless, idle and unoccupied people. Conclusively, the inquiry surmised that just the hike in price of goods and services substantially brought down the rate of jobless, idle and unoccupied people and gross national income irrefutably and substantially impacted the rate of jobless, idle and unoccupied people. The reason and teleological findings depicted a one-sided, unocular and irreversible reason and teleology betwixt hike in prices of goods and services and jobless, idle and unoccupied people.

### **3.0 Conclusion**

This paper has conceptually examined the moderating economic factor of the business environment. This paper has also laid a comprehensive review on economic factor of the business environment and how it affects organizational resilience and survival, and so for any business that intends to continue its everyday operations and tasks, must first of all devise ways to be resilient and survive by always scanning the environment it finds itself in, as well as being aware of the economic policies put in place by the government in power so as to adapt and change with these economic policies as the economic policies changes .

### **4.0 Recommendation**

It is proposed that corporations in Nigeria ought to constantly scan, scrutinize, survey and examine the environment they find themselves so as to be able to change as the environment changes. This is to aid position the corporation advantageously. For a corporation to sustain itself, continue to be in business, perform better, be resilient and survive, it needs to be constantly be aware of its business surroundings.

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