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AN EMPIRICAL ASSESSMENT OF INTERNAL ENVIRONMENTAL FACTORS ON THE GROWTH AND PRODUCTIVITY OF SELECTED MANUFACTURING FIRMS IN SOUTH EAST NIGERIA

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Keywords: Internal Environmental Factors, Growth, Productivity, Manufacturing Firms

Abstract: *The study focused on internal environmental factors on the growth and productivity of selected manufacturing firm in South East Nigeria was motivated by the need to provide solution to the problem of productivity and environmental factors in manufacturing industrial in South East Nigeria. The study set out to accomplish the two specific objectives from which appropriate research questions and hypotheses were formulated. The study adopted survey design. The population of the study was staff of selected manufacturing firms in Abia State, Anambra State, Ebonyi State, Enugu State and Imo State in South East Nigeria. A sample size of 337 staff was determined from the total population of 2147 population using Taro Yamani sampling technique. The hypotheses were tested using regression analysis with the aid of statistical package for social sciences (SPSS) version 20. The major findings of the study were that internal business environment growth has a significant positive effect on technological capabilities of manufacturing firms. The study also found that there is a significant positive relationship between internal control activities and environmental factors of a manufacturing firms. The study recommended that the internal business environment growth along with technological capabilities should be strictly observed in practice and internal control activities should be highly observed for best practice in global manufacturing.*

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Introduction

In management, the word "environment" does not necessarily mean physical surroundings, but is used to describe all those influences that bear upon the individual organizations. Internal environment relates to the culture and climate of the organization how things are done around here and to the prevailing atmosphere surrounding the organization (Nnadi, 2006).

Business environment is anything, which surrounds the business organization. It affects the environment decisions, strategies, process and performance of the business. The environment is consisting of factors which are beyond the control of the business (STEP) social, technological, economical, legal and political. It provides opportunities or poses threats to the organization. Since business demand on the society and the society makes demands on the business, managers in any, organization must interact with and respond to environmental factors internal or external to their organizations. The sum of these interrelationships within the business and between the business limitations society is what is the management regarded as business environment. Organizations survival and success depend on the appropriate adoptions to a complex and over changing environment. It is pertinent for top management in organization to identify opportunities and threats in the internal environment, it should focus on strengths and business environment became important considering the fact that business organization do not operate in vacuum and effective management in complex and dynamic society such as Nigeria, requires the assessment of strengths and weaknesses of the organization and the opportunities and threats posed and the challenges of the external environment.

Business is any commercial or economic activity that tends towards business profit. The primary objective of business organizations is to make profit, grow and survive in the environment in which it operates. The environment in which business organizations operate is a complex, multi-focus dynamic and has a far reaching effect on such organization. The environment tends, shape the outlook, and goal of the organization by placing constraints on them. These constraints in the environment of organizations goal could be in the form of competition, this sets a limit on the goals specify by the organization. For instance, trade union asking for increase in salary, will affect the shareholder dividend. Unethical behaviour also affects profit. All these settings provide multiple contexts that influence how the organization operates and how and what it produces (Oghojafor, 2012).

Many managers and supervisors, labour under the mistaken impression that the level of employee performance on the job is only proportional to the size of the employee's pay package. Although, this may be true in a minority of cases, numerous employee survey, have shown that this is untrue. In fact, salary increases and bonuses for performance in many instances, have a very limited short-term effect. The extra money soon comes to be regarded not as an incentive but an "entitlement." From so many surveys conducted, the internal environment has a big role to play in the growth and productivity of an organization growth, organization must adapt to these changes. The objective of this study is to examine the effect of internal environment factors on the growth and

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productivity of an organization in South East Nigeria.

Statement of the Problem

The consequences of not taking care of the internal environment factors of the organization are devastating. The employer-employee relationship is likely to be strained. The employees may not have the zeal to put in their best for the organization.

As a matter of fact, the productivity of the organization will be adversely affected. When we consider an organization that is not well structured, there are likely to breakdown in communication, function overlap, uncoordinated department. In view of an organization that lacks finance, the consequences are that the organization will not be able to pay salaries and even the day-to-day running of the organization will be affected. Labour turnover will be high while productivity of the organization will be at a low level. Internal environment factors and effective production require manufacturer to improve on their performance in the realisation of objectives. There is no that they are properly applied in manufacturing firm in South East Nigeria.

Objectives of the Study

- To assess the effect of internal business environment growth on technological capabilities of manufacturing firms.
- To ascertain relationship between internal environmental factors on the growth productivity.

Research Questions

- Does internal business environmental growth enhance technological capabilities of manufacturing firms?
- What is extent of relationship between internal environmental factors on the growth productivity?

Research Hypotheses

- Internal business environmental growth has a significant positive effect on technological capabilities of manufacturing firms.
- There is a significant positive relationship between internal environmental factors and growth in productivity.

LITERATURE REVIEW

The Concept of Internal Environment

Environment is the totality of the surroundings of the organization for wider concept.

Harrison (2006) defines environment as all the conditions circumstances, and influences surrounding and affecting the development of the total organization or any of its internal systems. He argued that environment contains forces of complexity that are dynamic to varying degrees at differences, and under different circumstances.

Atsegbua (2002) described environment as the system of abiotic, biotic and interact and simultaneous to which he adapts and transforms and uses in order to satisfy his needs. The Black Law Dictionary (6th edition) physical, economical, cultural, aesthetic and social circumstances and factors which surround and affect the desirability and value of property and which also affect the quality of peoples' lives. In environment, the word "environment" is used to describe all those influences that bear upon the individual organization.

Bernard (1999) noted that environment consists of atoms and molecules, agglomerations of things in motion, laws of men, emotions of physical laws, social laws, social ideas, norms,

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action, forces and resistances. Their number is infinite and they are always changing. The nature of the constituting the environment often confronts management with the need to make decisions under considerable uncertainty. The dynamitic nature of variables that are seldom well identified their controls over the outcomes of events initiated within the organization are also complex. However, the frequent lack of control does not mean that management should disregard the environment, but rather that it must undertake continuous surveillance of the environment so it may respond to adverse reactions or outside changes. Every organization must exist in some extent: no organization is an island unto itself. Each organization has goals and responsibilities relates to others in its environment. Not only must or organization deal with its environment in coordinating its everybody's affairs, but it is must also give consideration to the goals of others, as it establishes its own goals and conducts its operations.

Business Environment

As a concept, business environment is regarded to be a complex and important consequent, the concept has been addressed in a number of ways by different scholars. For example Ola (1993) seems to believe that business environment is phenomenon that is too complex and too varied to be captured by any one definition.

The important of business environment has been attested to by numerous scholars such as Oyebanji (1994), Lawal (1993) and Aldrich (2014). All these scholars have discussed extensively that business environment is an important process to influence on a group in particular situation to motivate others to goals achievement. Environment in management does not mean the surrounding but it covers the factors of forces that affect business effectiveness in the process of producing an intending result.

Oyebanji (1994) defined business environment as those factors that can influence the individual's business organization. He stressed further by saying that every organization must take into consideration the environmental constraints, material and human resources in their respective business in spite of their differences in status and that the effect of the environment caries from one situation to another.

Ola (1993) is fed Nigerian business environment as the Nigerian economy since the businesses are established and managed within an economy. He was of the opinion that the state of affairs has a significant on the business within that economy. Oyebanji (1994) further testified that Nigerian business environment has witnessed a total change, which started from the oil boom era in 1960s austerity measure in the early 70's and structural adjustment programme in the 80s. Aldrich (2014) noted that the environment was made up of stable and unstable homogenous, heterogeneous, rich and poor, complex and simple, unpredictable variables. He further stressed that business environmental factors change along with factors of production and environmental influences may be stable over a certain period of time. The assertion was supported by Ashley and Van de Van (1986), which had the view that the manager's basic role is to be able to manage and control the organization in the difficult and emergency period. Changes take the form of adaptation. The manager must perceive the process and respond

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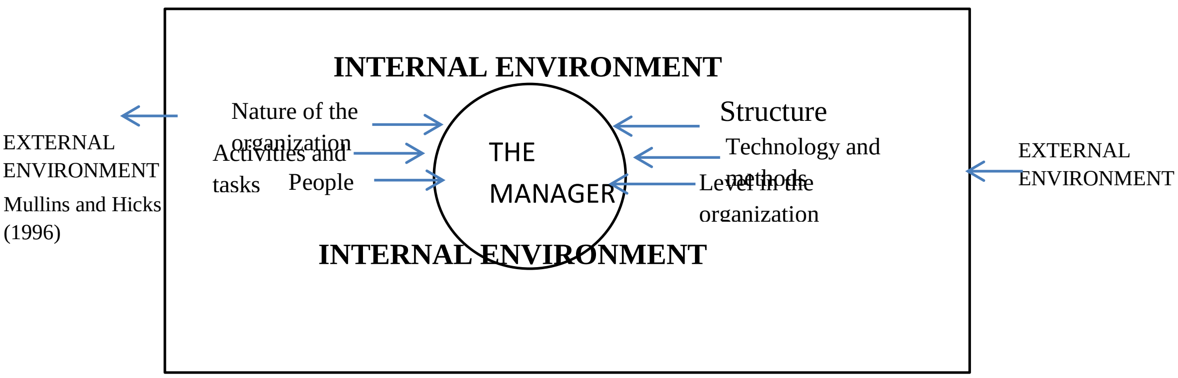
to a changing environment by re-arranging the internal organization structures so as to ensure survival and effectiveness. The need for studying business environment is important considering the fact that business organization do not operate in a vacuum, effective management to complex and dynamic society requires the assessment of strength and weakness of the organization and the opportunity and threat posed by the challenges of the external environment. For survival and growth, organization must adapt these changes.

Types of environment

There are two types of environment namely, External environment and internal environment (1996: 414).



Source: Mullins and Hicks (1996) Diagram of Environmental Setting

Internal Environment: Relates to the culture and climate of the organization, how things are done around here and to the prevailing atmosphere surrounding the organization. Internal environment of business includes physical assets, technological capabilities, human, financial and marketing resources, management structure, relationship among various constituents, goods, objectives and value system prevailing. Although business is undertaken with profit-maximization motive even then the top positions in modern corporate enterprises maintain some sense of values which usually influence the policies, practices and general internal environment of business. However, there are certain deviations, where the executives and management have been showing scant regards towards well being of the people.

External Environment:

Relates to the organization as an open system managers must be responsive to the changing opportunities and challenges and risk and limitations facing the organization. External environment factors are largely outside the control of management. External environment of business is composed of various organisations, institutions and forces operating outside the company, which exert influence individually and collectively as well on this environment. External environment of business is broadly classified into micro environment and macro environment.

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1. Micro Environment:
Micro environment includes those, players whose decisions and actions have a direct impact on the company. Production and selling of commodities are the two important aspects of modern business. The micro environment of business can be divided. Input suppliers and workers along- with their unions are exercising influence on production and they are considered as prominent performers in the micro environment.

2. Macro Environment:
Another constituent of business environment in the macro environment which includes all those economic and non-economic factors which exerts its influence on the business activity in general. Considering the business point of view, the role of macro environment may be either positive or negative. Thus macro environment can be broadly classified into economic environment and non-economic environment. Business being an economic activity is broadly influenced by the economic environment both national and global. The economic environment of the country is constituted by some important elements like country's economic system, macro-economic scenario, prevailing phases of business cycle, current economic policies of the government and the financial system and its.

Internal Environment Factors
The internal factors influencing the scanning activity were identified as being of an individual nature of an organization nature. It is important to recognize potential opportunities and threats outside company operations. However, managing the strengths of internal operations is the key to business success.

1. **Leadership:** The role of company leadership is an essential internal factor. Your leadership style and other management style impact organizational culture. Often, firms provide a formal structure with its mission and vision statements. Some cultural implications which result from leadership approaches are:
2. **The strength of employees** is also an essential internal business factor. Check if employees are motivated, hard-working and talented. They will produce better results compared to an unmotivated and less talented workforce. The processes and relationships between and within departments can also improve effectiveness and efficiency.
3. **Organizational and operational:** These are a part of the operational and administrative procedures. This includes disorganized or inaccurate record keeping. Interruptions to your supply chain and outdated or faulty IT systems are also factors you should evaluate. If you do not overcome these, your customers might see you as unreliable. You can also lose all your data.
4. **Strategic Risks:** These affect your firm's ability to reach the goals in the business plan. They could be due to the impacts of changes in technological evolutions or customer demand. These factors could pose as threats as they can alter how customers perceive your product. Based on these, customers might think a product is overpriced, dull and outdated.
5. **Innovation:** Your business needs innovation in order to keep up with competitors. It is essential to get one step ahead. Innovation could come hi the form of marketing. It could also be through promotional initiatives in the marketing plan, staff training, and

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welfare. Embracing **new** technology is the best way to keep up with technological advancements.

6. Financial: The financial risks depend on the financial structure of your business. It is also dependent **on your business** transactions and the financial systems. For example, changes in interest rates or being overly reliant on one customer could affect business.

7. Employee Risks: Employees are vital to business success. But, there are risks associated with them. For an industry, strike action could lead to a lot of problems.

The Concept of Productivity

In general terms, productivity is defined as the ratio of output to input. As output increases for a particular level of input or as input decreases for a constant output level, productivity enrichment is achieved. A productivity measurement thus states how well an organization has been successful in utilization of its resources to produce maximum output (Jammu; 2010; 32). Organization productivity is obtained by a large range of factors out of which some can be analyzed quantitatively while some need quantitative evaluation. While evaluating productivity it is crucial to completely understand each of the key levers impacting productivity. Besides, it is essential to know the relation of these levers with each other. Change in one aspect can lead to have impact on other. Hence effective analysis under pins deeper understanding the role of each aspect on holistic productivity. Some of the noteworthy organization's factors which have impact on productivity are mission and vision, operations, strategies, recruitment policies, structure, policies, commands and reporting, employee, motivation, culture, communication, transparency culture, etc.

Kashmir (2011:55) asserts that, organizational productivity is usually also connected with maximum output with minimum resources effectiveness. Efficiency deals with maximum output with minimum resources. Effectiveness deals with the rare to which an objective is accomplished and how it can be improved further productivity**,** though is easy to measure in industries like manufacturing but may prove to be difficult for service industries.

Productivity is use to fill as a relative measure of actual output of production, compared to the actual input of resources, measured across time or against common entities. As output increases for a level of input, or as the amount of input decreases for a constant level of output, an increase in productivity occurs. Therefore, a "productivity measure" describes how well the resources of an organization are being used to produce input.

The Internal Environment Factors that Affect the Growth and Productivity of Organization

1. Employees: Business hires employees. It is the major internal factor. It works inside the business. It can be controlled by the business. Employees differ in skills, knowledge, and morality attitude and so on. When managers and employees have difference in goals and beliefs, then conflict may arise (Akanji2005:72). The task of management is to divide the work and assign the work to the suitable employee and handle the conflict.

2. **Shareholders:** Management deals with many shareholders. Shareholders have the right of ownership, power of management and voting right. The actual management of organization is carried out by elected representative of shareholders jointly known as board of directors Timonthy (2010:38). Boards of directors have the responsible of overseeing the management of organization. It plays the major role in formation of objective, policies strategies of the organization as well as their implementation.

3. **Organization Structure:** It is located inside the organization. The arrangement of various facilities, palter of relationships among the various, department, responsible authority and communication is the organization structure (Child: 2009: 82-83). Berkowitz (1999:72-73) noted that structure is the operating manual that tells members how the organization is put together and how it works. Structure is clearly important for any organization, whatever its size.

4. **Organization Culture:** The sets of values that help the members to understand what organization stand for, how it does work, what it considers, cultural values of businesses forties of business and so on. It helps in direction of activities.

5. **Resources**: These are the people, information, facilities, infrastructure, machinery, equipment, supplies and finances at an organization's disposal people are the paramount resource of all organizations. Information, facilities, machinery, equipment, material supplies and finances are supporting, non-human resources that complement workers in their quests to accomplish the organization's mission statement. The availability of resources and the way that managers value the human and non-human resources impact on the organization's environment.

6. **Philosophy of Management:** Craig (2010: 47-48) posits that this is the manager's set of personal beliefs and values about people and work and as such, is something that the manager can control. McGregor emphasized that a manager's philosophy creates a self-fulfilling prophecy. Theory X managers treat employees almost as children who need constant direction, while theory Y managers treat employees as competent adults capable of participating in work-related decisions. These managerial philosophies then have a subsequent effect on employee behavior, leading to the self-fulfilling prophecy. As a result organization philosophies and managerial philosophies need to be in harmony. The number of co-workers involved within a problem-solving or decision-making process reflects the manager's leadership style. Empowerment, means delegating to subordinates decision-making authority, freedom, knowledge, autonomy, and skills. Fortunately, most organizations and managers are making the move toward the active participation and teamwork that empowerment entails. When guided properly, an empowered workforce may lead to heightened productivity and quality reduced costs, more innovation, improved customer service and greater commitment from the employees of the organization.

7. **Technology:** Echu (2007:520) noted that managing technology is an important element of any unit. Selection of technology, procurement, installation, operation and maintenance is important and no compromise should be made in procuring latest or advanced

technology. Various systems and sub-systems should support technology that exists in an organization. Based on the technology, an organization should formulate job structure and resultant procurement of human resource, so that they are complimentary to other. Adequate attention is also paid to service industry. For example appropriate drill procedures are installed in hospital industry to ensure that the patients record is maintained properly. On line operations of all systems relating to admission record, past treatment, drugs, availability of beds, schedule of operations maintained, so that the level of patients satisfaction is raised.

8. Processes: Timothy (2009:33) describes management of processes and its inter-dependence is very crucial to high productivity and higher job satisfaction. What is important for a manger is to ensure high morale of the workforce. To ensure this, he must identify various managerial dictums. Select appropriate subordinates to carry out a job based on aptitude, personality traits, mental build-up and attitude. He should also involve himself and lead subordinates by personal example.

9. Jobs: Job is an assignment assigned to an individual. It encompasses various tasks within it. For example, personnel manager wants to fill up twelve vacancies in production department within three months. Job will have various tasks inbuilt in it like designing of job specification, selection of media, advertising vacancies, scheduling of selection and recruiting process. Teryima (2009) explains that the various task to accomplish a particular job is a crucial or important internal environment not to overlook.

Effects of Business Internal Environment on Organizational Performance

1. The business environment and its application to work environment is an outcome of his work as director of the institute of social research, university of Michigan, USA. In his book "New Pattern of Management" about high producing supervisors who achieve the highest level of productivity at the lowest production costs with the highest level of employee motivation. In his research work, he indicates that high producing managers tend to build their successful achievement around their interlocking work groups employees whose level of co-operation is sustained through range of business incentive that extend motives and involves the ego and creativity motives. The research noted that the high producing manager utilized the tool of the classical management work-study while recognizing the aspirations of the employees by encouraging participative approaches. Okunola stressed the important of supportive relationship; management can thus achieve very high productive performance when the employees see their membership of the work group as "Supportive," that is, when the experience a sense of personal worth, importance and recognition from belonging to the work group.
2. Okunola (2012), posits that the differences between individuals and the class of needs in addition to the market strategy, which include the need for achievement, power and for affiliation. He further related the strength and/or dominance of each need in individual with high need for achievement strive on jobs projects that tax their won skills and abilities. They also set realistic goals and objective for them, such

people are usually individualistic and would want to be appraised as to how well they are. However, the greatest disadvantage for those with achievement need is that they tend to be more task-oriented and less concerned with strong power needs to dominate or gain power influence of control over people. That the motivation managers and supervisors to possess some reasonable degree of all three kinds of needs.

3. However, the dominant need, according to Okunola's findings, is the need for achievement. Nevertheless, his ideas are very important as a contribution to our understanding of business environment how best the concept of achievement need might be applied in practice at the work place, and especially when dealing with young, ambitious employees. Business environment is formed not merely on some sense of objective reality, but on its own perception of reality, business needs to properly taken care of, for profit margin to be accurate. In consonance with this theory, individuals attempt to determine the probability of a measure of expectancy of outcome. The personal outcomes are rewards that organization can provide like pay increase, promotion, bonus, allowances, level and even relationship with workmates etc, while the expected to such outcomes refers to expectancy, the measure of importance attached to such outcomes or reward is known as valence, the value of which are a result of the attractiveness and the opinion of the beneficiaries about the reward in questions.

4. In order to improve business environment therefore, managers should improve the skill and motivational level or conditions of the employee. In establishment where promotion is perceived as attractive prospect (valance) by a newly appointed staff, it allows the effective performance of works, it encourages the perception of the workers, which they have toward their job, on 'god-fatherism,' and his output is discouraged. All efforts directed towards performance do not necessarily lead to reward but it's been ascertain that reward increase the effective performance of employees. The exhibition of negative business environment understanding of course proves to the management the need to control environmental factors by the creation of certain adequate adjustment and motivational incentives. Lack of free environment problems among workers, employers and customers in the organization allow frustration and negative uncompromising behaviour which are exhibited as apathy, increased, absenteeism, planning and execution of fraudulent acts etc. They become disgruntled, pessimistic, counter-productive and develop defensive mechanisms. In effect, workers indulge in acts and practices that jeopardize and negate the attainment of organizational goals. The managers should work out the appropriate plans that would enable the workers to be highly task-oriented towards the fulfillment of the organizations ultimate goal in his bid to reach personal goals and achieve them. It is here that the worker intensifies goals-oriented action in his pursuits of both company incentives and personal goals. At the attainment of his final goals, the previously aroused tension reduces and fails completely. Thus, a continuous exhibition of the same incentive package may fail to elicit further favourable and positive behaviour from the same person. There the manager's job is more demanding as he is

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expected to know the proper solution to the situation he might be in the process of achieving the ultimate goals of the organization.

Improvement of the Internal Environment Factors

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control (Kasmi, 2006:55), providing discipline and structure. Control environment factors include integrity, ethical values and competence of the people, management's philosophy and operating style; the way management assigns authority and responsibility and organizes and develops its people, and the attention and direction provided by the board of directors.

- **Risk Assessment:** Every entity faces a variety of risks form internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different and internally consistent. Ngovenda (2007:17) noted that "Risk assessment" the identification and analysis of relevant risks to achieve the organization's objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change. Mechanisms are needed to identify and deal with the special risks associated with change.
- **Control Activities:** Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to up stream.
- **Monitoring:** internal control systems need to be monitored- a process that assesses the quality of the systems performance over time. This is accomplished through ongoing monitory activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities and other actions, personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

There is synergy and linkage among these components, forming an integrated system that reacts dynamically to changing conditions. The internal control system is intertwined with the entity's operating activities and exists for fundamental business reasons. Internal control is most effective when controls are built into the entity's infrastructure and area part of the essence of the enterprise. "Built in" controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions. Internal control can help an entity achieve its performance and profitability targets and prevent loss of resources. It can help ensure reliable financial reporting, etc.

THEORETICAL FRAMEWORK

Contingency theory

William Scott, Paul Lawrence and Jay Lorsch model of contingency theory. Contingency theory is guided by the general orienting hypothesis that organizations whose internal features best match the demands of their environments will achieve the best adaptation Scott, Lawrence and Lorsch, (2008:89). The

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more homogenous and stable the environment, the more formalized and hierarchical the form. Their view is iconological those organizations that can best adapt to the environment will survive. The main ideas underlying contingency are: (a) Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances. There is no one best way of organizing. The appropriate form depends on the environment one is dealing with. Different types of organizations are needed in different types of environments.

Contingency theory is an outgrowth of systems design. Scott adds that in contingency theory the best way to organize depends on the nature of the environment to which the organization relates. The environment has a far reaching impact on organization. The growth and profitability of an organization depends critically on the environment in which it eructs. Any environmental change has an impact on the organization in several different ways.

The Corporate Social Responsibility (CSR) Theory

Corporate Social Responsibility has many perspectives, It involves both the behavior of organizations to meet societal expectations (Carrol, 2017) and those voluntary undertakings aimed at improving the environment in which corporations operate so that they can function in a better environment which may even supersede societal expectations (Vogel, 2006). In fact Kinderman (2012) and Brammer et al (2017) believe that CSR is sharpened and grounded in voluntary behaviours of corporations intended to improve the environment of doing business. Little wonder the European Commission in Brammer *et al* (2017) looked at an institutional perspective of CSR focusing on "the determinants of whether and in what forms corporations take on social responsibilities." They define Social Responsibility as "a concept whereby companies integrate social and environmental issues in their business operations and in their interactions with their stakeholders on a voluntary basis." This voluntarism appears to explain why despite many researches indicating no or even negative link between Corporate Social performance and profits, more corporations still engage in CSR.

Matten and Moon (2008) showed that companies that engage in CSR both in Japan and Western Europe indicated high levels of success. Campbell (2007:1) revealed some of the conditions under which companies are likely to embark on CSR to include "public and private regulations, the presence of non-governmental and other independent organizations that monitor corporate behavior, institutionalized norms regarding appropriate behavior, associated behavior among corporations themselves, and organized dialogues among Corporations and their stakeholders." Researches on the relationship between CSR and the financial performance of companies have shown divergent results. While some showed CSR leading to enhanced financial performance and Gunu, 2008), others showed that it was the financial conditions of organizations that determine their Corporate Social Performance.

Empirical Review

A lot of researches have been carried out on the impact of the environment on various sectors of the Nigerian economy, but in a disaggregated manner. Each research normally takes a

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particular aspect of the environment and examines its impact on a sector of the economy.
However, the impact of Fiscal policy on manufacturing output of Nigerian companies. They showed a long term relationship between government expenditure on one hand and manufacturing output and capacity utilization on the other hand. The impact was positive and significant. Kwaghe (2011) states that, power failure increases the cost of production of small and medium scale enterprises in Abuja, Nigeria.
Adelegan (2011) posits that, infrastructural deficiency and investment in the manufacturing firms in Nigeria. Gado and Nmadu (2011) opines that, electricity as an infrastructural resource significantly determines the performance of textile companies in the North West zone of Nigeria. This research aggregates various environmental issues and assesses the impact of the aggregate on the performance of companies. The impact of the energy sector on the competitiveness of the Nigerian economy was underscored by Adenikinju (2008) while Larossi and Clarke (2011) states that, energy supply was considered as the number one challenge amongst businesses in Nigeria.

METHODOLOGY

The sampling frame used in this study consists of manufacturing industry in the South Eastern States of Nigeria which is made up of Abia, Anambra, Ebonyi, Enugu and Imo States. The manufacturing industry was selected because of their productivity which are manufacturing industry system and consumer service, which are always in demand.
A purposeful or judgmental sampling method was adopted in selecting manufacturing industry from each stratum.

PRESENTATION AND ANALYSIS OF DATA

Test of Hypotheses

Hypothesis 1

H_0: Internal business environmental growth has no significant effect on technological capabilities of manufacturing firms.
H_1: Internal business environmental growth has a significant positive effect on technological capabilities of manufacturing firms.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.917	840	840	.35469	143

Source: SPSS Version 20.
a. Predictor: (Constant): Internal business environmental growth.
b. Dependent variable: Capabilities of manufacturing firms.

Table 2: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig
1	Regression	214.952	1	214.952	1707.755	.000
	Residual	40.907	325	.126		
	Total	255.859	326			

Source: SPSS Version 20.

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a. Dependent variable: Manufacturing firms.
b. Predictor: (Constant): Internal Environment.

Table 3: Coefficients

	Model	Unstardardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. C	Beta		
1	(Constant)	.247	042		5.838	.000
	Ethical Value	.820	.020	.917	41.325	.000

Source: SPSS Version 20.
a. Dependent variable: Capabilities of manufacturing firms.

Result Summary
R = .917
R^2 = .840
F = 1707.755
T = 41.325
Dw = .143

Interpretation of the Result

A linear regression analysis conducted to examine the internal environmental factors on the growth and productivity of manufacturing firms (table 1 – 3) shows that there is strong positive relationship between internal environment and manufacturing firms. (R-coefficient = .917). The R square, the coefficient of determination shows that only 84.0% of the variation in manufacturing firms can be explained by internal environment with no autocorrelation as Durbin Watson (.143) is less than 2. With the linear regression model, the error of estimate is low with a value of about .35469. The regression sum of the square 214.952 is more than the residual sum of the square 40.907 indicating that the variation is got due to chance. The F-statistics = 1707.755 shows that the model is significant.

Decision Rule

Reject null hypothesis (H_o) if P-value < 0.05 and do not reject H_o if otherwise.

Decision

Since the P-value 000 < 0.05, we reject the null hypothesis (H_o) and then conclude that internal environmental growth has a significant positive effect on technological capabilities of manufacturing firms.

Hypothesis 2

H_o: There is no significant relationship between internal environmental factors and growth on productivity.

H_1: There is significant positive relationship between internal environmental factors and growth on productivity.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.858	.735	.735	.47211	.238

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Source: SPSS Version 20.
a. Predictor: (Constant): Growth on productivity.
b. Dependent variable: Internal environmental factors

Table 5: ANOVA

	Model	Sum of Squares	Df	Mean Square	F	Sig
1	Regression	201.415	1	201.415	903.672	.000
	Residual	72.438	325	.225		
	Total	273.853	326			

Source: SPSS Version 20.
a. Dependent variable: Internal environmental factors
b. Predictor: (Constant): Growth on productivity

Table 6: Coefficients

	Model	Unstardardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. C	Beta		
1	(Constant)	.111	.060		1.846	.066
	Ethical Value	.912	.030	.858	30.061	.000

Source: SPSS Version 20.
a. Dependent variable: Internal environmental factors
b. Predictor: (Constant): Growth on productivity.

Result Summary
R = .858
R^2 = .735
F = .903.672
T = 30.061
Dw = .238

Interpretation of the Result

A linear regression analysis conducted to ascertain the relationship between interenal environmental factors and growth on productivity (table 4 – 6) shows that there is significant positive relationship between internal environmental factors and growth on productivity. (R-coefficient = .858). The R square, the coefficient of determination shows that only 73.5% of the variation in growth on productivity can be explained by internal environmental factors with no autocorrelation as Durbin Watson (.238) is less than 2. With the linear regression model, the error of estimate is low, with a value of about .47211. The regression sum of the square 201.415 is more than the residual sum of the square 72.438 indicating that the variation is not due to chance. The F-statistics = 903.672 shows that the model is significant.

Decision Rule

Reject null hypothesis (H_0) if P-value < 0.05 and do not reject H_0 if otherwise.

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Decision

Since the P-value 000 < 0.05, we reject the null hypothesis (H_o) and then conclude that internal environmental factors has a significant positive effect on technological capabilities of manufacturing firms.

Summary of Findings

Internal environmental factors has no significant effect on technological capabilities of manufacturing firms. Internal environmental factors has a significant positive effect on technological capabilities of manufacturing firms.

Conclusion

The study investigated the effect of internal environmental factors on the growth and productivity of selected manufacturing firms in South East Nigeria.

Based on the result of the study, it was found that the internal environmental factors affect the growth and productivity of manufacturing firms. This include employees, shareholders, organisation structure, organisation culture, resources, philosophy of management, technology processes and jobs. The study concludes that internal business environmental growth and technological capabilities will transform manufacturing firms in South East Nigeria into using international best practice.

Recommendations

The following recommendations were made:

Internal business environmental factors along with technological capabilities should be strictly observed in practice.

Internal control activities should be highly observed for best practice in global manufacturing.

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