

THE MODERATING ROLE OF ENVIRONMENT DYNAMISM ON THE RELATIONSHIP BETWEEN SUSTAINABILITY STRATEGY AND CORPORATE SURVIVAL OF MSMSE IN LAGOS STATE, NIGERIA

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Abstract

This study looked at the moderating effect of environmental dynamism on the relationship between sustainability strategy and corporate survival of Micro, Small and Medium Scale enterprises (MSMSEs) in Lagos State. The population studied included all the micro, small and medium scale enterprises in Lagos State, Nigeria represented by their proprietor/managerial staff. According to SMEDAN (2023), we have 3,224,324 are from Lagos State alone. Sample size of 384 was used based on the rule of thumb for sample size which suggests using a sample size of 384 for a large population that is over 20,000. The research instrument was administered through random sampling. Research instrument was validated using face and content validity. Cronbach's Alpha in SPSS version 25.0 was used to measure the instrument reliability and only items with 0.7 and above alpha values were considered. Structural Equation Modelling – AMOS Analysis was adopted to test the study hypotheses from which certain inferences were made from. The finding of the study reveals that while both environmental dynamism and sustainability strategy individually have a significant positive impact on the corporate survival of MSMEs in Lagos State, Nigeria, environmental dynamism does not significantly moderate the relationship between sustainability strategy and corporate survival. This suggests that the direct influences of environmental dynamism and sustainability strategies on corporate survival are more critical than their interactive effects. Thus, MSMSEs should focus on enhancing both their sustainability strategies and their adaptability to dynamic environments independently to improve their chances of long-term survival.

Keywords: Environmental dynamism; Sustainability; Strategy; Sustainability Strategy; Corporate Survival

INTRODUCTION

In Nigeria of today, most micro, small and medium enterprises (MSMSEs) are owned mostly by the youth and at the same time contributing almost half of the nation's gross domestic product

(GDP) but as crucial as they are it is not easy for them to survive the economic conditions of the country. Like double taxation, administrative and legislative bureaucracy, high handedness, poor infrastructure and many impediments. All these notwithstanding, our MSMSEs enterprises must survive despite all odds mainly because they are the biggest employers of labour in every nation which makes them to be the engine room of every economy.

In Sule and Onuoha (2019) relying on MSMSEs report of 2017 it was affirmed that the then Vice President, Professor ‘Yemi Osinbajo made it known that micro, small and medium scale enterprises are Nigeria’s industrialisation bedrock including development of Nigeria’s economy and an integral part of economic recovery and growth plan. Onyeizugbe *et al.* (2020) went further to submit that “micro, small and medium enterprises are very vital part of the Nigerian economy. The MSMEs sector is a main part that increases the growth of jobs and wealth creation in the country’s economic system. Micro, Small and Medium Enterprises performance act as a vital part that facilitates the strengthening and enhancement of the development of the country. The implant of the MSMEs in manufacturing, agriculture, services, and other sectors, has been accorded as the major development and contributor to the increase development in Nigeria economy.”

The relationship expected between sustainability and survival cannot be overemphasised as the organisation needs to emulate the same process that athletes use to hone their performance. When the organisation imagine itself succeeding, it is most likely to actually succeed. The bottom line is the realisation that if the organisation does not take time to build its dreams, some other organisations may likely lease the firm to build theirs.

Our micro, small and medium scale entrepreneurs, therefore, need to look inward by rechecking the available sustainability strategy for their enterprises to be able to attain corporate survival the ever-exploding situation of volatile, dynamic, ever increasing price increase and very complex business terrain in this country. This is in line with Sule and Amah (2021) that “every going concern needs to stay alive perpetually and for survival; there is a need for continued existence methodology. Every organisation should device means of surviving in a dynamic, volatile and complex business environment”. This study, therefore, intend to examine the moderating role of environmental dynamism on the relationship between sustainability strategy (SS) and corporate survival (CS) of micro, small and medium enterprises (MSMSEs) in Lagos State, Nigeria.

This study intends to unravel study objective with the research question that will translated to research hypothesis - how does environmental dynamism moderate the relationship between sustainability strategy (SS) and corporate survival (CS) of micro, small and medium scale enterprises (MSMSEs) in Lagos State, Nigeria? Again, the tentative answer is that environmental dynamism does not moderate the relationship between sustainability strategy (SS) and corporate survival (CS) of MSMSEs in Lagos State, Nigeria.

Literature Review

Conceptual Model

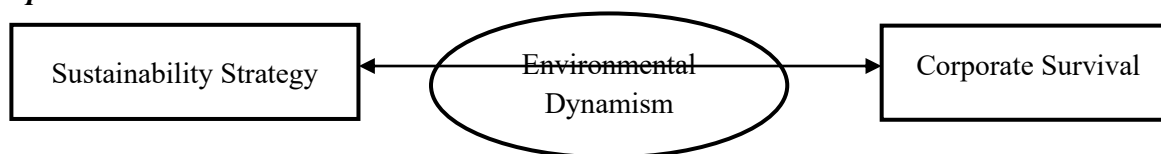


Figure 1: Conceptual review showing the moderating effect of environmental dynamism on the relationship between sustainability strategy and corporate survival.

Theoretical Framework

The underpinning theory of this study is survival theory as discussed as below:

Survival Theory

The survival-based theory assumes that organisations should be flexible when it comes to adapting to happenings and development in their competitive setting before it can actually survive. Organisation should not be too rigid to adapt to event or happenings around them and in the industry for such firm to survive. This is the predominant rule set out by this theory. It is also assumed that the best strategy in managing an organisation is the ability and competency in manoeuvring the competing demands in the business environment. Business environment is assumed to be volatile, unstable and competitive as such it requires serious manoeuvring by those in charge of managing such firm as the theory emphasised the survival of the fittest of the fittest, only. Survival based theory centres on the premise that firms need to always adapt to its competitive environment for it to survive.

Survival-based theory concept or rather *survival of the fittest* theory was brought into limelight by Herbert Spencer according to Miesing and Preble (1985) in Tengku (2010). Herdert Spencer synthesized Darwin's evolution theory and natural selection with the invisible hands of Adam Smith's in coming up with the notion of *Social Darwinism*. The theory became quite popular around late 19th century and first part of 20th century, emphasised the idea of applying natural principles where the most suitable and fittest among the competitors will not only win but survive such that we can have improved social community.

Hence, for a firm (MSMSEs) to survive the turbulence in the business environment it has to be up and doing especially, in adaptability and innovativeness. The assumption of Social Darwinism was based on the fact that it is normal behaving in hedonistic manners during competition to have the fittest enterprise that survived and prospered via adapting successfully to its immediate environment or becoming the most resourceful and cost-effective producer of all. Therefore, with this assumption, callous business competition and dishonest politics can be tolerated and acceptable.

In strategic management, the survival-based theory emphasised that for a firm to survive, strategies need to be deployed to focused on managing and operating the firm efficiently such that the firm can respond to changes in the competitive environment Khairuddin (2005) in Tengku (2010), based on the fact that it is only firms that survive the turbulent environment will be regarded as the fittest and the best to adapt and adjust to the ever demanding environment.

Concept of Sustainability Strategy

Sustainable growth encompasses a business model that creates value consistent with the long-term preservation and enhancement of economic, financial, environmental and social capital. According to the Chartered Institute of Personnel and Development (CIPD, 2012), the essence of sustainability in an organisational context is the principle of enhancing the human, societal,

environmental and economic systems within which a business operates. This introduces the concept of a four-way focus for organisations striving for sustainability. This is reflected also by Colbert and Kurucz (2007), who state that sustainability “implies a simultaneous focus on human, economic, social, and environmental performance.”

Perhaps, organisational sustainability is more related to organisational culture and organisational survival rather than specific policies and procedures? Eccles *et al* (2014) noted that organisations are developing sustainability policies, but they highlight that these policies are aimed at developing an underlying “culture of sustainability”, through policies highlighting the importance of the environmental and social as well as human and financial performance. These policies seek to develop a culture of sustainability by articulating the values and beliefs that underpin the organisation’s objectives.

Again, focusing on the concept of “shared value”, Lacy *et al.* (2010) state that firms will have to develop a broader sense of what value means to society as a whole. Kanter (2011) notes that organisations increasingly not only want to make money but also to invest in the future while being aware of the need to build people and society. Thus, it is suggested that the growth, or indeed survival, of any organisation providing goods or services is dependent on the economic and social conditions in the communities in which it operates, supporting the notion that the key aspects of corporate social responsibility are fundamental to organisational sustainability.

Concept of Corporate Survival

The concept of organisational life cycle is modelled from the pattern seen in living organisms (Bernstein, 1955 as cited in Adelaiye *et al.*, 2020). In opposite direction, organization is assessed in phases of growth and development rather than in chronological years. The phases are linked up in subtle and unpronounced manner, but it is essential noting that not every organisation displays the features of each phase as it progresses. Organisations are, fundamentally, social groups attempting to adapt and survive in their particular circumstances. Thus, formal organisations, like all other social groups, are governed by one overriding goal; survival (Scott 1987 as cited in Adelaiye *et al.*, 2020). Thus, organization strives to survive and to maintaining its equilibrium. And as Morgan (1997) as quoted in Adelaiye *et al.* (2020) says, organisations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances.

From the perspective of Lee (2006), for any organisation to survive in a competitive and vibrant business environment, depends on how effective the organisation learns to adapt itself to the environment, as well as take advantage of its human and material resources. In the same light, Huber (2011) stated that adapting to changing environments remains a serious concern for organisational leaders if they must survive. This implies that for any organisation to achieve survivability, the leaders must have adaptive capacity and must keep abreast of environmental factors affecting their organisation. This they can do, by constantly scanning the environment.

Concept of Environmental Dynamism

Dynamic environment is connected with the high unpredictability of clients and competitors as well as the high indicators of the changes of market trends and innovations in the business branch.

In such a dynamic environment, where the demand is still changing, the opportunities are getting bigger, and the results should be best in those companies which are oriented on using new changes, because they possess a good match between a strategic orientation and the environment (Azadegan *et al.*, 2013)

Environmental dynamism is also defined as the changes in the competitive environment which have an impact on the competitors' character and the way to react to the demands of clients and the situation in the business branch (Wang & Ahmed, 2004). Therefore, environmental dynamism reflects the size and unpredictability of the changes in clients' tastes, production technologies or services and the models of competition in the main companies in the industry (Drnevič & Kriauciunas, 2011). Dynamism is interpreted as unpredictability, which means the pace of changes and innovations in the industry, as well as the uncertainty or unpredictability of the actions taken by the customers.

Several research works had revealed the moderating effect of environmental dynamism on the relationship between sustainability strategy and corporate survival. Pawar and Eastman, 1997; Shamir and Howell, 1999 as quoted in Jiao *et al.*, 2011 revealed in a relevant literature indicates that environmental dynamism, typified by rapid change and a state of crisis, affects the relationship between sustainability strategy and corporate.

Sustainability strategy will increase the effectiveness of communication and planning, and will dynamically enhance the ability to respond. However, when the external environment is stable, corporate survival are relatively fixed and the increased costs of sustainability strategy will be minimal (Moorman and Miner, 1998 as cited in Jiao *et al.*, 2011). It is strongly believed that sustainability strategy has a significant and positive correlation with corporate survival. Sustainability strategy will encourage business firms to enhance corporate survival, meaning that if a business firm is always committed to the development of its strategy, then it will be significantly concerned about the macro-environment and about changes in the industry. At the same time, in the process of strategy development business firms will pay more attention to competitors and performance. In sum, such behaviour will have a significant positive effect on promoting the enhancement of corporate survival. The effects of environmental dynamism as moderating variable on the relationship between sustainability strategy and corporate survival is found to be highly positive (Trung *et al.*, 2019).

Methodology

The study will adopt a cross-sectional research design because it provides a quantitative description of trends, attitudes, or opinions of a population by studying a sample of that population. This study examined MSMSEs in the Lagos State, Nigeria. The population under study included all the micro, small and medium scale enterprises in Lagos State, Nigeria represented by their proprietor/managerial staff. The MSMSEs studied are those that are located and operating in Lagos State States of Nigeria. According to SMEDAN (2023), there are 3,224,324 MSMSEs from Lagos State alone. But based on the rule of thumb for sample size which suggests using a sample size of 384 for a large population that is over 20,000. The research instrument was administered through convenience random sampling method.

The primary data was obtained through the administration of questionnaire administered to the MSMSEs studied. The secondary data came through journal articles, textbooks and other publications as related to the study. Research instrument was validated using face and content validity. Cronbach's Alpha in SPSS version 25.0 was used to measure the instrument reliability. Also, considering the rule of thumb of Cronbach's Alpha, only the study items with 0.7 alpha values and above make up the items. Smart PLS-SEM Analysis was adopted to test the study hypotheses from which certain inferences were made from.

Hypothesis Testing and Discussion of Findings

H₀₁: Environmental dynamism does not moderate the relationship between sustainability strategy (SS) and corporate survival (CS) of MSMSEs in Lagos State, Nigeria.

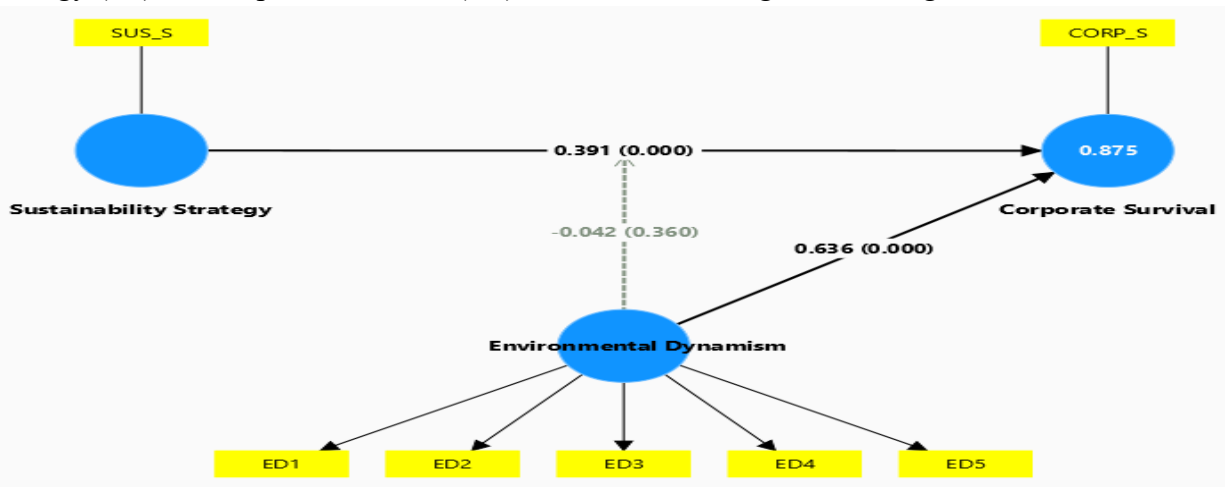


Figure 2: Smart PLS-SEM establishing the moderating effect of environmental dynamism on the relationship between sustainability strategy and corporate survival

Table 1: Total Effect Matrix for Hypothesis

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Environmental Dynamism -> Corporate Survival	0.636	0.650	0.072	8.873	0.000
Sustainability Strategy - > Corporate Survival	0.391	0.381	0.095	4.103	0.000
Environmental Dynamism x Sustainability Strategy - > Corporate Survival	-0.042	-0.049	0.046	0.915	0.360

The results in Table 1 and Figure 2 present the total effect matrix for the hypothesis examining whether environmental dynamism moderates the relationship between sustainability strategy and

corporate survival of MSMSEs in Lagos State, Nigeria. The key statistics considered include the original sample (O), sample mean (M), standard deviation (STDEV), T statistics, and P values.

Hypothesis Statement 1: Environmental dynamism does not moderate the relationship between sustainability strategy (SS) and corporate survival (CS) of MSMSEs in Lagos State, Nigeria.

Interpretation of outcome: The positive original sample value (0.636) and a significant T statistic (8.873) with a P value of 0.000 indicate a strong and significant positive relationship between environmental dynamism and corporate survival.

Sustainability Strategy -> Corporate Survival: The positive original sample value (0.391) and a significant T statistic (4.103) with a P value of 0.000 indicate a strong and significant positive relationship between sustainability strategy and corporate survival.

Environmental Dynamism x Sustainability Strategy -> Corporate Survival: The negligible original sample value (-0.042) and a low T statistic (0.915) with a non-significant P value (0.360) indicate that environmental dynamism does not significantly moderate the relationship between sustainability strategy and corporate survival. Therefore, Hypothesis 1 is accepted, that is, failed to reject H_{01} , suggesting that environmental dynamism does not significantly moderate the relationship between sustainability strategy and corporate survival of MSMSEs in Lagos State, Nigeria.

Overall, the analysis of Hypothesis 1 reveals that while both environmental dynamism and sustainability strategy individually have a significant positive impact on the corporate survival of MSMSEs in Lagos State, Nigeria, environmental dynamism does not significantly moderate the relationship between sustainability strategy and corporate survival. This suggests that the direct influences of environmental dynamism and sustainability strategies on corporate survival are more critical than their interactive effects. Thus, MSMSEs should focus on enhancing both their sustainability strategies and their adaptability to dynamic environments independently to improve their chances of long-term survival.

Conclusion

Environmental dynamism was considered as not moderating variable in the relationship between sustainability strategies and corporate survival. The findings highlight the critical role of environmental dynamism as not being able to shape the relationship between sustainability strategy and corporate survival. Theoretical framework - survival theory, provide valuable insights into how sustainability strategies can be effectively implemented to support corporate survival in the face of environmental dynamism.

Recommendations

A dynamic and changing environment strongly supports organisational survival. Management should embrace environmental dynamism by staying agile and responsive to changes if the organisation wants environmental dynamism to be able moderate the relationship between sustainability strategies and corporate survival. Practical actions include conducting regular market analysis, fostering a culture of innovation, and encouraging proactive decision-making. Implementing flexible business processes and continuously scanning the external environment can help the organisation thrive in dynamic conditions as well.

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