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Theoretical, Conceptual and Empirical Perspectives on the External Environmental Factors Affecting the Survival of the Wood Industry In Okobaba Ebute-Metta Local Government Area of Lagos Nigeria

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ABSTRACT

The problems confronting the wood industry are rooted in political, economical and environmental dimensions including government policy on relocation, multiple taxation, electricity outages, transport bottlenecks, corruption, acute shortages of infrastructure such as good roads, portable water, and power supply, among many others. Using the wood industry in Okobaba Ebute-Metta Local Government Area of Lagos, Nigeria, this paper explores theoretical, conceptual and empirical contents of the challenge and put the problem of the impact of external factors on the survival of these lines of businesses in perspective

Keywords: Wood Industry, Okobaba, Ebute Metta, Lagos, Nigeria, Survival, Business

1. INTRODUCTION

External environmental factors are those influences, circumstances or situations that a business cannot control that affect the business decisions that the business owner and stakeholders make. External analysis means examining the industry environment of a company, including factors such as competitive structure, competitive position, dynamics, and history. On a macro scale, external analysis includes macroeconomic, global, political, social, demographic, and technological analysis.

The primary purpose of external analysis is to determine the opportunities and threats in an industry or any segment that will drive profitability, growth, and volatility. There are a large number of external environmental factors which can have a direct impact on the ability of a business to achieve its strategic objectives. These external environmental factors can shape a business's opportunities and pose potential threats. Environmental analysis is a strategic tool. It is a process to identify all the external and internal elements, which can affect the organization's performance and profitability. The analysis entails assessing the level of threat or opportunity the factors might present. These evaluations are later translated into the decision-making process.

The analysis helps align strategies with the organization's environment.. The idea is, if the project is better placed than its competitors, it would be able to respond to changes more effectively. The term has been widely used and the earliest reference can date back to a book by Aguilar in 1967 who discussed ETPS (Economic, Technical, Political, and Social) in his book *Scanning the Business Environment*. After this publication, came the work of Brown who modified the theory and named it STEP (Strategic Trend Evaluation Process). This was further modified and became known as the STEPE analysis (Social, Economic, Political, and Ecological factors). Post 1980, the word PESTLE originated along with its variations like PEST, STEEPLE (includes Ethical factors), PESTLIED (includes Demographic and International factors), STEEPLED (includes Demographic and Education factors), etc.

PESTLE analysis, which is sometimes referred to as PEST analysis is a concept in marketing principles. Moreover, this concept is used as a tool by companies all over world to track the environment they're operating in or are planning to launch a new project/product/service etc. A PESTLE analysis is a method for reviewing the macro environment (external forces that impact a company's ability to plan). PESTLE analysis is very important in ensuring that an organization considers its environment before beginning the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning. The organization's marketing environment consists of: 1.) The internal environment e.g. staff (or internal customers), office technology, wages and finance, etc. 2). The micro-environment such as our external customers, agents and distributors, suppliers as well as competitors etc., and 3) The macro-environment, that is, Political (and legal) forces, Economic forces, Socio-cultural forces, Technological forces, Legal and Environmental forces. These are known as PESTLE factors.

These forces, although out of the company's control, may have an impact on the success of any future plans. By considering them, a company can change direction, build contingencies, identify new opportunities or do nothing at all. Hence, these factors are an important part in the strategic decision making. Managers have used a combination of the factors to suit their needs including: PEST, STEP, ETPS. There are certain questions that one needs to ask while conducting this external environmental analysis, which gives them an idea of what things to keep in mind. They are:
1. What is the political situation of the country and how can it affect the industry?
2. What are the prevalent economic factors and how can it affect profitability?
3. What are the environmental concerns for the industry?

All the aspects of this technique are crucial for any industry a business might be in. More than just understanding the market, this framework represents one of the vertebras of the backbone of strategic management that not only defines what a company should do, but also accounts for an organization's goals and the strategies stringed to them. It may be so, that the importance of each of the factors may vary depending on the kind of industry, but it is imperative to any strategy a company wants to develop that they conduct the external environmental analysis as it forms a much more comprehensive version of the SWOT analysis.

This paper aims at reviewing available research literatures and relevant authoritative works on external environmental factors and business survival of the wood industry in Ebute-Metta Local Government Area of Lagos, Nigeria. The review was done under the following sub-headings:
- Theoretical framework
- Conceptual framework
- Empirical framework
- Gap in Literature

2. THEORETICAL FRAMEWORK

In this study four main models or approaches were adopted to describe performance of the wood industry and these include: Resource-Based View (RBV), Sink and Tuttle Model, Balanced Scorecard (BSC) and Logical Framework Analysis (LFA). RBV regards the firm as a bundle of resources and suggests that their attributes significantly affect the firm's competitive advantage; and by implication performance (Barney, 1991; Penrose, 1959; Peteraf, 1993; Wernerfelt, 1984).

The RBV looks at internal resources as a source of competitive advantage and aims to explain why firms in the same industry differ in performance. The basis of this competitive advantage lies primarily in the application of the bundle of valuable resources at the disposal of the firm (Barney, 1991). Accordingly, the firm has to identify the key potential resources which should fulfill the criteria of being valuable, rare, inimitable and non-substitutable by the firms' competitors. Penrose (1959) posits that the manner in which organizational resources are deployed can be a source of competitive advantage. The RBV makes the proposition that resources contribute to a firm's competitive position if they are exploited in such a manner that their potentially valuable services are made available to the firm (Helfat & Peteraf, 2003; Barney, 1991; Penrose, 1959). Thus, researchers believe that a firm's resources are closely linked to its size and have been found to influence firms' performance (Boateng & Glaister, 2002).

According to Sink and Tuttle (1989), the term performance is basically a function of seven criteria. They are 1) effectiveness, 2) efficiency, 3) quality,4) productivity, 5) quality of work, 6) innovation, and 7) profitability. The model describes organizational performance as a complex interrelationship between these seven criteria. Sink and Tuttle link organizational improvement initiatives to organizational vision. That is, the organization must first define a vision and strategy, and link the measures to the vision. The process is continuous, and is applicable to all levels of the organization. Further, the process treats the organization as a system, where inputs and outputs are linked through an organizational transformation process. Kaplan and Norton's (1996) Balanced Score card is a strategic planning and management system that is used

extensively in business and industry, government and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

It proposes performance measurement to include both financial and non-financial measures such as customer satisfaction and retention, internal aspects of the organization, innovation and learning of an organization. Logical Framework Analysis (LFA) is a management tool for effective planning and implementation of developmental projects. It provides clear, concise and systematic information about a project through a framework. We know about various components of a project such as goal, objectives, activities, results and indicators. The LFA helps in connecting all these components in one framework, presenting the tight relationship between them, leading to the achievement of the expected outcomes. It is the most widely used logical approach in the non-profit sector and a problem solving approach which takes into account the views of all stakeholders and also agrees on the criteria for project success and lists the major assumptions. It highlights project activities, outputs or results, purpose and goals as the key areas of evaluation in projects (Rolstada, 1998). Key performance indicators for profit oriented organizations include efficiency, effectiveness, impact, influence and financial leverage (Silverman, 2008). These indicators were adopted to assess the business survival of the wood industry.

Logical framework models also referred to as program matrices also aids in the monitoring and evaluation of projects. They are created to show how measurable impact (desired objectives and outcomes/goal) will be achieved and how achievement will be verified (McLaughlin & Jordan, 2010). Typically, logic models show the logical relationships between the resources, activities, outputs and outcomes of a program, which in turn lead to impact. While there are many ways in which logic models can be presented, the underlying purpose of constructing a logic model is to assess the "if-then" (causal) relationships between the elements of the program; if the resources are available for a program, then the activities can be implemented, if the activities are implemented successfully then certain outputs and outcomes can be expected.

2.1 Environmental Analysis

The business literature covering the subject of environmental analysis is vast. The business survival and environment in general is analyzed from the internal and external perspectives. Internal environment refers to the part of the organizational environment that the organization has complete control of. That would be the case of the human resources function, accounting, marketing, and the rest of the business functions of an organization. The external environment is comprised of the factors from the outside world on which the organization has little or no control. The external environment consists of the macro and micro environments, on which scanning is done hence the concentration of this research. These two environments will be discussed in detail in the next sub-sections.

This section will concentrate on the environment in general, attempting to understand its key concepts, show their importance, and cover the main elements. Bryson (2004) in his 'strategic cycle model', grouped the external environment into 3 groups. First comes the 'Forces and trends', under which he covers the PESTLE (Political, Economic, Social, Technology, Educational, Physical and Legal. Secondly key resource controllers, which consists of customers, payers, members and regulators. And lastly he covers the competitive forces and collaborative forces.

The relationships and linkages between organizations and their environment have been long existent. The environment affects the organizations and vice versa in a continuum manner as research shows (Liu 1998).

A change in environment elements such as technology, legislation or competition may have an impact on a firm's capability and resources. Similarly, a firm may affect the environment by distributing scarce resources, controlling network relations and adjusting its expectations in the market place.

In the strategy process, the business environment plays the following roles according to Liu:
    a) It defines the inputs a firm needs (i.e., labor, capital, raw materials, energy and others)
    b) It defines output markets-demands
    c) It provides information helpful for the strategy process
    d) It provides opportunities for organizational learning and innovation

The environment is seen to provide the resources required for the production of goods and services like raw materials, labor, capital, energy and information and these in turn are distributed to the environment. The external environment of an organization can be divided into three levels: competitors and industry are the first two levels, commonly referred to as the micro environment, and the macro-environment is considered as the third level. In the following section, the macro and micro environments will be discussed.

Micro environment

Micro environment is involved with the forces closer to the organisation and therefore affects the organisation and the vice versa. The micro environment consists of a relation between the organisation and the industry in which it operates. The micro environment of the wood industry comprises the sawmill workers, wood sellers and processors as well as buyers, furniture makers and retail out lets for finished furniture works.

Porter's five forces model comes into play in order to understand competition and profitability within an industry. An industry according to Porter is a group of businesses whose products are close substitutes. In his model, Porter identifies four structural variables influencing competition and profitability. Profit within an industry is determined by the rate of horizontal competition comprised of substitutes, threats from suppliers, competition from new entrants, competition from rivals, and vertical competition which is, the bargaining power of suppliers and buyers (Barney & Hesterly 2008). In order to best assess the relevance of Porter's five forces models, we must first establish what competitive advantage is, who the customers are and what the product/service being supplied is.

Competitive advantage enhancement is the underlying aim of the strategic process of an organization. Competitive advantage happens when an organization, and in this case the wood industry generates more economic value over its rivals for a sustained period of time (Barney & Hesterly 2008; Mahon, 2002). Economic value is the difference between the perceived benefits an institution provides to its customers in form of service, and the total cost of production for the service in question. Thus competitive advantage is the difference between the economic-value an organization creates over and above the economic value its rivals are able to create. In the case of the wood industry, the economic value would be the benefits of wood in furniture, buildings, bridges and source of energy.

The ability of a firm in the wood industry to effectively sustain production of finished wood products as in furniture making compared to others to achieve a competitive advantage.

Regarding to performance, a firm tries to outperform its competitors by staying profitable for a sustained period of time. Thus, sustained superior performance will lead to sustained profitability and hence competitive advantage (Forsman 2004). When an organization is able to create barriers for rivals trying to imitate, then it can be considered to be competitive. In this case, competitive barriers are maintained for longer periods of time.

In this respect, the Resource Based View (RBV) of competitive advantage can be perceived to focus on the external environment. This view has taken various shapes in trying to answer the issue of competitive advantage. It serves as an alternative view to the Porter's five forces theory of competition (Grant 2001). Consequently, it serves to shift the focus of generating competitive advantage from the industry into the organization's skills set, capabilities and other resources. In order to create barriers in the market place, an organization should put its unique resources, skills and capabilities to work together in order make it difficult to imitate. In view of that, an organization creating barriers is not only focusing on its resources to enhance competitive advantage, but also on the external factors of the firm to find competitive advantage (Forsman, 2004). Thus, both the industry focus and the RBV focus are important in creating competitive advantage. Porter's model was well adopted in business literature in the years that followed its launch. However, Porter's approach has faced fierce criticism since its launch.

The argument stands that cost leadership and differentiation are not entirely independent of each other. In fact, they can be implemented simultaneously (Hill 1988). Thus, adopting a resource based strategy is more likely to build competitive advantage in the wood industry as compared to a cost-leadership strategy. Porter's conceptualization has also been rendered as over simplified and lacking methodologies on how to implement the proposed strategies (Mintzberg 2005). While micro environment examines the forces close to the organization, and therefore affect it directly, the macro environment is the broader environment of a business that encompasses larger entities like political, trends, technology, social, economic, educational and legislation, this will be seen on the next sub section.

Macro environment

The macro environment is said to be the general part of an organization's environment. It consists of elements like political, social, economic, technological, environmental, and legal. These broad elements affect the industry (Hoskinsson et al. 2005) and all organizations within it. Since this analysis is on the wood industry, the environmental factors would be factors outside the wood industry influencing it's operations such as the government policies, customers, competitors, suppliers, financial institutions and community members. The macro environment is beyond an organization's control (Johnson, Scholes & Whittington, 2005). The macro environment analysis is seen to be the stage at which opportunities and threats are identified (Bryson 2004). In fact, Bryson refers to threats as challenges, which are supposedly a more empowering word in contemporary organizations, hence SWOT.

2.2 Business Survival

Business survival is defined as the percentage of new firms that continue to operate when they reach a given age. The survival of businesses reflects their productivity, innovation and resourcefulness, as well as their adaptability to changing market conditions. One way to answer the question of how long businesses are likely to survive is to determine the probability of survival based on predictable factors. Geographic location, type of industry, size and age are some useful factors in predicting how long a business stays active.

Other, unforeseen, factors can also affect the survival of a business, including general economic conditions, as well as market influences such as the number and size of competitors and new entrants (SME Research & Statistics, 2013).

Specific business indicators can be analyzed to determine whether a business is a good candidate for surviving another generation. Some business are better suited for a transition strategy than others. It's usually helpful to test the business against a variety of different indicators. Obviously, if a review of the relevant business indicators suggests bleak prospects after the exit of the parents, a sellout may be the best alternative. Investment Bank (2016) offered the following indicators for the survival of a business and they include:

i. **Business strategy based or relationship with clients.** The strength of some businesses is primarily attributable to keep personal relationships that have been developed over many years. The relationships may be with suppliers, customers, key employees or all three. These relationships give the business its advantage and make it possible for the business to succeed. In contrast, there are other businesses that are strategically based. They've identified and filled the market niche that is not dependent or tied to personal relationships

ii. **Institutionalization:** A central challenge for many businesses is to begin the process of institutionalization. In this context, an institutionalized business is one that is bigger than any one individual. Its operations and growth do not primarily depend on the person that started it all. It has developed systems, personnel, management structures and expertise to allow it to function like an institution. The contrast is the business that is operationally dependent on one person. That individual is the key to everything that happens. Without that person's daily presence, that business lacks direction and suffers; the system, support personnel, and expertise are not present. An institutionalized business has a much better chance of being successfully transitioned than a business that is primarily dependent on its leader.

iii. **Margin Tolerance:** This indicator relates to price and margin flexibility. The question is whether the business can survive and prosper if it is faced with some serious price competition.

iv. **Asset Base:** The asset base of the business may be an indicator of whether the business can successfully survive another generation. Some businesses have a unique substantial asset base that cannot be readily duplicated. The assets have been developed over a long period of time. The key asset may be a unique custom manufacturing capacity that gives the business a competitive advantage in the market place. In some cases, there may be valuable patents, trade names, or intellectual property rights that protect the business. When such an asset exists, the business has a better chance of surviving a transition.

v. **Other Barriers to Entry:** What are the barriers to getting into the business? Some businesses have very substantial barriers that make it difficult for a competitor, a new entry into the market. The barriers may be tied to customer relations, brand strength,

government regulation, product technologies, historical market positions, intellectual property rights or financial commitments. If the barriers to entry are high, the chances of successfully transitioning the business go up. If the barriers to entry are low and others can easily access the same market, the prospect of the business succeeding a second generation is reduced.

Attard (2016) reported that for a business to survive, certain elements must be present and they include, selling on the internet, contacting former customers, calling former prospects, Selling additional products and services to existing customer, and teaming up with other vendors for joint sales.
Small business owners that have been pulled into the job, rather than pushed, have higher chances of being successful, In order words, a positive motivation at the starting affects performance positively, whereas individuals who consider self-employment as their last resort will not be successful (Van Pragg & Kramer, 2001). Highly educated business founders perform better (Schiller & Crewson, 1997).

2.3 The PESTEL framework
The PESTEL framework is an important tool for understanding how the business environment changes. There are various versions of the same framework. While Grant (2001) provides the PEST model leaving out environmental and legal factors, Barney and Hesterly (2008) adds international events to the PESTEL model. However, the framework, in analyzing the environment is only a start of the environmental analysis process, hence the concentration of this thesis. The elements in the PESTEL model affect each other and also affect the other environments of an organization. It's therefore important to understand the interaction between environments and elements (Johnson et al. 2005). PESTEL framework is commonly presented as a list of the factors to study, and does not provide a tool on how to analyze the factors presented in the list.

PESTLE stands for - Political, Economic, Sociological, Technological, Legal, Environmental. The term PESTLE has been used regularly in the last decade or so and its true history is difficult to establish. Various other similar acronyms have been used including ETPS, STEP, PEST, and STEEPLE (where the extra E stands for Ethical). PESTLE analysis is in effect an audit of an organisation's environmental influences with the purpose of using this information to guide strategic decision-making. The assumption is that if the organisation is able to audit its current environment and assess potential changes, it will be better placed than its competitors to respond to changes. To help make decisions and to plan for future events, organisations need to understand the wider 'meso-economic' and 'macro-economic' environments in which they operate. The meso-economic environment is the one in which we operate and have limited influence or impact, the macro-environment includes all factors that influence an organisation but are out of its direct control (Chartered Institute of Personnel and Development, 2016).

Political factors refer to government attitudes to employments, consumer protection, the environment, taxation, trade restrictions, and societal reforms as well as the burden of bureaucracy and the level of corruption. Economic factors include assessing potential changes to an economy's inflation rate, taxes, interest rates, exchange rates, trading regulations, and excise duties. Official economic indicators often highlight areas where more detailed information is required. Social factors that need to be considered are those that have impact on the business survival.

These include age distribution, population growth rate, employment statistics, education and career trends, religious beliefs, as well as cultural and social conventions (Free-management-ebook, 2013).

Technological factors represent the pace of change in technology and often, changes that impact the business surviaval come from unexpected sources. Automation and use of outsourcing to control costs are some of the technological benefits which can tremendously alter the business landscape. Legal factors are the current and pending legislations that may affect the business in areas such as employment, competition, health and safety. The legal factors must also consider the impact of the national laws as well as those originating from other countries that could affect the business life. Environmental factors include infrastructure, cyclical weather, and disposal of materials, energy availability and cost, and the ecological consequences of production process (Free-management-e-book, 2013).

There are certain questions that one needs to ask while conducting this analysis, which give them an idea of what things to keep in mind. They are:
   a) What is the level of political stability of the country and how can it affect the industry?
   b) What are the prevalent economic factors?
   c) How does the culture of the people affect the market and what are its determinants?
   d) What technological innovations are likely to pop up and affect the market structure?
   e) Are there any current legislations that regulate the industry or can there be any change in the legislations for the industry?
   f) What are the environmental concerns for the industry as regards pollution and waste management?

All the aspects of this technique are crucial for any industry a business might be in. More than just understanding the market, this framework represents one of the vertebras of the backbone of strategic management that not only defines what a company should do, but also accounts for an organization's goals and the strategies stringed to them. It may be so, that the importance of each of the factors may be different to different kinds of industry, but it is imperative to any strategy a company wants to develop that they conduct the PESTLE analysis as it forms a much more comprehensive version of the SWOT analysis. (http://pestleanalysis.com 2016)

A number of checklists have been developed as ways of cataloguing the vast number of possible issues that might affect an industry. The PEST which is a variant of PESTLE is one of them and it categorizes environmental influences as political, economic, social, and technological forces. Sometimes two additional factors, environmental and legal, will be added to make a PESTEL (Political, Economic, Social, Technological, Environmental, and Legal) analysis, but these themes can easily be subsumed in the others. The analysis examines the impact of each of these factors (and their interplay with each other) on the business. The results can then be used to take advantage of opportunities and to make contingency plans for threats when preparing business and strategic plans (Byars, 1991 & Cooper, 2000).

Kotler (1998) claimed that PEST analysis is a useful strategic tool for understanding market growth or decline, business position, potential and direction for operations. The headings of PEST are a framework for reviewing a situation, and can in addition to SWOT (Strengths, Weaknesses, Opportunities, and Threats) and Porter's Five Forces models, be applied by companies to review a strategic directions, including marketing proposition.

The use of PEST analysis can be effective for business and strategic planning, marketing planning, business and product development and research reports. PESTLE also ensures that company's performance is aligned positively with the powerful forces of change that are affecting business environment (Porter, 1985). PESTLE is useful when a company decides to enter its business operations into new markets and new countries.

The use of PESTLE, in this case, helps to break free of unconscious assumptions, and help to effectively adapt to the realities of the new environment. PESTLE is used before SWOT—not generally vice-versa—PESTLE definitely helps to identify SWOT factors. There is overlap between PESTLE and SWOT, in that similar factors would appear in each, that is, PESTLE and SWOT are certainly two different perspectives. PESTLE assesses a market, including competitors, from the standpoint of a particular proposition or a business while SWOT is an assessment of a business or a proposition. Strategic planning is not a precise science—no tool is mandatory—it is a PESTLE becomes more useful and relevant, not only for larger and more complex the business or proposition, but even for a very small local businesses, a PEST analysis can still throw up one or two very significant issues that might otherwise be missed.

The four quadrants in PEST vary in significance depending on the type of business, e.g., social factors are more obviously relevant to consumer businesses, whereas political factors are more relevant to a global munitions supplier or aerosol propellant manufacturer (Byars, 1991). Economic conditions affect how easy or how difficult it is to be successful and profitable at any time, because they affect capital availability, cost, and demand (Thompson, 2002). According to Thompson (2002), government spending can increase the money supply and make capital markets more buoyant. The expectations of shareholders with regard to company performance, their willingness to provide more equity funding or their willingness to sell their shares will also be affected. The labour market reflects the availability of particular skills at national and regional levels; this is affected by training, which is influenced by government and other regional agencies. Labor costs will be influenced by inflation and by general trends in other industry, and by the role and power of trade unions.

The socio-cultural environment encapsulates demand and tastes, which vary with fashion, disposable income, and general changes that can again provide both opportunities and threats for particular companies (Thompson, 2002; Pearce & Robinson, 2005). Technology is widely recognized by various literature on strategic management (Capron & Glazer, 1987; Johnson & Scholes, 1993; Jan, 2002), as part of the organization and the industry part of the model as it is used for the creation of competitive advantage. However, technology external to the industry can also be captured and used, and this again can be influenced by government support and encouragement.

3. CONCEPTUAL FRAMEWORK

3.1. Impact of Political factors on Business Survival of the wood Industry
These factors determine the extent to which a government may influence the economy or a certain industry. For example a government may impose a new tax or duty due to which entire revenue generating structures of organizations might change. Political factors include tax policies, Fiscal policy, trade tariffs etc. that a government may levy around the fiscal year and it may affect the business survival (economic environment) to a great extent (Hussain, 2013).

Political factors may also include goods and services which the government wants to provide or be provided (merit goods) and those that the government does not want to be provided (demerit goods). Furthermore, governments have great influence on the health, education, and infrastructure of a nation. Political factors relate to the pressures and opportunities brought by political institutions and to what degree the government policies impact the business.
- Government policy on relocation of the industry
- Government term and change
- Government tariffs
- Funding, grants and initiatives
- Lobbying and pressure groups
- Wars, terrorism and conflicts
- Elections and political trends
- Internal political issues
- Inter-country relationships
- Local commissioning processes
- Corruption
- Bureaucracy

Every project has both internal politics and external politics. The internal politics like team jealousies, cohesive projects, and personal interests occur in all projects and must be considered and managed by stakeholders. The external politics refer to those which the stakeholders do not control. These events include all political events like employment laws, tax policies, trade restrictions, trade reforms, environmental regulations, political stability, tariffs, etc.

3.2. Impact of Economic factors on the Profitability of the Wood Industry
These factors are determinants of an economy's performance that directly impacts a company and have resonating long term effects in its profitability. For example a rise in the inflation rate of any economy would affect the cost of production and the way companies' price their products and services. Adding to that, it would affect the purchasing power of a consumer and change demand/supply models for that economy. Economic factors include inflation rate, interest rates, foreign exchange rates, economic growth patterns etc. It also accounts for the FDI (foreign direct investment) depending on certain specific industry who're undergoing this analysis. Interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands (Hussain, 2013). Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

Economic factors relates to economic policies, economic structures and to what degree the economy impacts the profitability of the business.
- Local economy
- Taxation
- Inflation
- Interest rates
- Economic trends
- Seasonality issues
- Industry growth
- Import/export ratios
- International trade

- International exchange rates

This factor takes into consideration all events that affect the internal and external economic environment. The internal or micro-economic events relate to the project viability and internal soundness of the project. Financial models and accounting techniques need to be used during the evaluation phase to ensue the viability. The external or macro-economic events include interstate taxes, embargoes, interest rates, economic growth, recession, inflation rate, exchange rate, minimum wage, wage rates, unemployment, cost of living, working hours, credit availability, financing availability, etc.

3.3. Impact of Environmental Factors on the Business Survival of the Wood Industry

These factors include all those that influence or are determined by the surrounding environment. This aspect of the external environment is crucial for certain industry particularly for example tourism, farming, agriculture etc (Hussain, 2013). Factors of a business environmental analysis include but are not limited to climate, weather, geographical location, global changes in climate, environmental offsets, pollution and waste etc. Furthermore, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones. Environmental factors relate to the ecological and environmental aspects that will affect the demand for a company's products and how that business operates.

- Environmental regulations
- Ecological regulations
- Industrial waste disposal
- Sustainability
- Impact of environmental pollution
- Afforestation and Deforestation

This factor takes into consideration ecological and environmental aspects that could be either economic or social in nature. These include temperature, monsoons, natural calamities, access by rail, air, and road, ground conditions, ground contamination, nearby water sources, and so forth.

4. OVERVIEW OF THE OKOBABA WOOD INDUSTRY

The Okobaba wood Industry dominated by small-scale and privately owned establishments. The Okobaba wood industry is situated at Ebute-Metta around the Lagos lagoon, Lagos State of Nigeria, near to the Third Mainland Bridge that unites the Mainland to the Lagos Island. Following overwhelming signs of the Lagos state government commitment in relocating the Okobaba wood industry to a new site in Ikorodu, there is palpable fear that has engulfed a community of more than 30,000 Saw-millers at Okobaba.

The Okobaba wood industry sources it's wood from the different woods in and around Lagos and are transported by rafting through the Lagos tidal pond to the saw mill for preparation to sawn into wood, plywood and so forth. Monstrous measure of sawdust are created as an after effect of the sawmill exercises and to lessen the pile of this sawdust, the mill operators resort to consistent blazing which causes awesome situations effect on the occupants inside its region.

These incorporate contamination in the environment from sawdust, air pollution from the thick overwhelming smoke from blazing of the sawdust, the foul scent from logs of wood submerged in the tidal pond anticipating transforming and wood shaving that finds some way or another to the adjacent water body. The Okobaba wood industry is a major employer of semi-skilled/unskilled labour and a facilitator of socio-economic development around Ebute-Metta.

Today, Okobaba wood industry in Ebute-Metta, the location of the first pit sawing in the Country, also has the largest concentration of sawmills, numbering about 200 (Olabode, 1995; Olorunisola, 1998).This accounts for 93.32% of the total number of wood based industries in Nigeria (Fuwape, 2001), fraught with the problem of low recovery rates. Recovery rates vary with local practices as well as species (FAO, 1990). The local timber resources upon which Okobaba wood industry and other sawmills depend for survival have not been managed in a sustainable manner.

Thus, Nigeria has suffered much deforestation like the rest of Africa and the tropical world particularly in the 1980s (Areola, 2001). As a result, the population of merchantable timbers in these forests has continued to decline. To be able to cope with the imminent difficulties in satisfying the ever-growing demand for lumber in the country, appropriate sawmilling practices which encourage high conversion efficiency and minimal waste generation, will be required. During conversion of logs, it has been estimated that the bark constitute about 12% of the residue while slabs, edgings and trimmings amount to about 34 %,saw dust is estimated to be about 12% of the log input. Further processing might take place resulting in another 8% waste (of log input) in the form of saw dust, and trim end (2%) and plainer shavings (6%) (Koopmans & Koppejan, 1997).

The lumber recovery factor in most sawmills varies between 45 and 55% (Alviar, 1983; Fuwape, 1989). Badejo and Giwa (1985), gave an estimate of wood residue generated by Nigerian sawmills to be 1.72 million m3 for the year 1981 which rose to 3.87 million m3 by 1993 by Badejo, (2001) estimate. The natural forests, mainly rain-forests, which constitute just about 10 per cent of Nigeria's total land area, are the sources of about 80 per cent of the timber needs of the Country (Ajakaiye, 2001; Akinsanmi and Akindele, 2002). The wood-based industries depend on the natural forests for the bulk of their wood raw materials. Akinsanmi and Akindele (2002) opine that although large areas of plantations exist, the natural forests are greater attraction to timber contractors due to their wide variety of species and sizes. Nevertheless, in recent times plantation forests have been churning out considerable volumes of timber to reduce the pressures on the natural forests to supply wood needs (Abayomi, 2001). This is also evident by the extensive exploitation of teak plantations in the south western parts of the country for various wood products.

4.1 Impact of the Relocation of the Okobaba Wood Industry
The Lagos State Government has assured Saw-millers in Okobaba, Ebute-Metta that it will hasten the process of their relocation to the "Timber-Ville" in Agbowa following the recent fire outbreak. In November 2019, representatives of the Lagos Mainland Saw-millers Association paid a courtesy visit to the Commissioner for Physical Planning and Urban Development, Dr. Idris Salako. He explained that the planned relocation of the Okobaba sawmill emanated from the desire of the Lagos State Government to create an ultra-modern sawmill industrial complex at an alternative location.

He attributed the government's drive to the desire for a sustainable physical environment, reiterating that the proposed relocation site in Agbowa will have a link connecting Ikorodu-Itoikin Road, among others. Dr Salako conveyed the Lagos State Government's sympathy to the Saw-millers and others who lost their valuables in the fire outbreak at Okobaba, assuring that the proposed permanent site will be conducive to transact their business. The Commissioner expressed satisfaction with the excitement and willingness shown by the Saw-millers to move to Agbowa 'Timber Ville', calling for their continuous cooperation for steady progress of the project. The Chairman of the Lagos Mainland Saw-millers Association, Alhaji Onikeku, also commended the Lagos State Government for showing concern for their cause and urged the government to expedite action on the planned relocation of members of his association to Agbowa. He affirmed that members are delighted and in support of the proposed movement, pledging cooperation of the association to ensure unhindered movement of their sawmilling activities to Agbowa.

The major goal of the relocation was to support the Saw-millers to reduce pollution and health problems arising from sawdust combustion, through local capacity-building to utilize sawdust for economic benefits involving the mechanical conversion of the waste sawdust into economically useful briquettes. This will reduce greenhouse gas emissions, while enhancing the quality of life and public health in the host communities.

5. FOREST RESOURCES AVAILABILITY AND EXPLOITATION IN NIGERIA

The present public forest estate which was acquired between 1900 and 1970 embraces 100,000 km or 11% of the total land of the country. Only about 26% of this is in the high forest area. It is estimated that an additional 90,000km2 of high forest is available outside the forest reserves. The forest resources have served as an engine of growth and propelled economic activities in Nigeria as far back as 1792 when pit sawing operation commenced, followed by the establishment of a power sawmill in the Delta area in 1902 (Aribisala, 1993). These developments led to a substantial increase in wood exploitation for utilization in domestic industry and for export. Wood export peaked in 1950's with log and sawn wood and subsequently, veneer and plywood. This trend was maintained and sustained in the 1960's and early 1970's. However, by mid 1970's, the toll of intensive exploitation has started showing and volume of wood export which peaked at 700,000m3 in 1964, decreased steadily to 290,000m3 in 1970 (Aribisala, 1993).

Among the factors that led to the reduction in forest resources availability is intensive exploitation of the resources. As far back as 1899, the perspective planning for economic development was to exploit forest resources (Adeyoju, 1975). The export revenue from forestry grows at 4.1%, 8.0% and 28.8% between 1950-60, 1960-70 and 1970-80 respectively (Aribisala, 1993). The period witnessed the development of a virile forest products industry made up of well structured saw mills, wood panel industry, furniture industry, match factories and pulp and paper industry. The development of the forestry sector is characterized by mechanically processing of timber into sawn wood, veneer and plywood. This promoted the vast growth of the economy by making positive contribution to raw materials production and supply for construction, furniture and packaging.
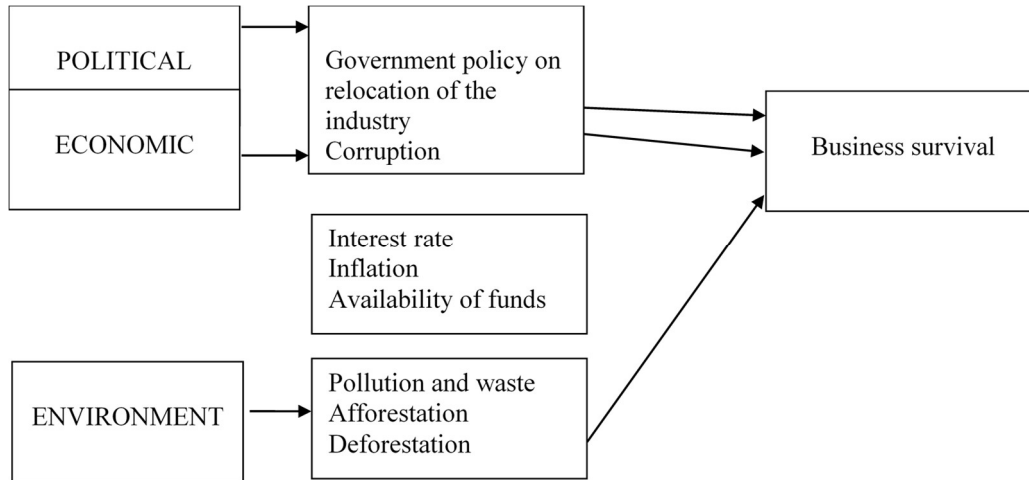
5.1 Impact of Forest over- Exploitation on Wood Industry

More recently however, there have been changes in the structure of the forestry sector. The forest resource survey, 1996-1998, revealed that the forest cover has decreased by 20% over the preceding 18 years. According to Adeyoju (2001), the total forest estate which stood at 10% of the country's land area in 1996 is now less than 6%.Also estimated is that about 26,000 ha of forest land are destroyed annually in the rainforest zone during the conversion of natural forests to plantation forests and other forms of land use.

These occurrences have significant impact on the operations of the forest industry leading to a decline in the contribution of the industry to national industrial development. Studies by RMRDC (2009) indicated that the total volume of usable wood down to 30cm cutting diameter in the forest reserves is 239,775,500cm3. This is not significantly different from 437,507,205.9m3 reported by Akindele *et al* (2001). Various studies (RMRDC, 2003; Aribisala, 1993, & Oriola, 2009) have reported a decline in the performance of the forest industry in Nigeria. Thus, there is the need for constant assessment of forest industry in Nigeria in order to promote initiation of policies that will lead to rejuvenation of the sector. This study provides one of such attempts.

6. RESEARCH CONCEPTUAL MODEL

Every organization has an external environment. The external environment is quite important because it is the environment in which a company operates. External environmental analysis is a useful tool for understanding the "big picture" of the environment in which industry is operating, and environmental understanding will bring the advantage of the opportunities and guide to minimize the threats. Figure 1 below shows the conceptual framework formulated from related literature reviews, shows the relationship between the dependent and the independent variables. The independent variables are the Political, Economic, and Environmental factors and their dimensions. For instance, the dimensions of political factor are government policy on relocation of the industry and corruption. The dependent variable is business survival of the wood industry. The conceptual model in figure 1 highlights a uni-directional relationship between the external environmental variables and the business survival of the wood industry. A positive or negative change in any of the external environmental variables or its combinations can lead to a positive or negative shift in the survival of the wood industry, thereby leading to a growth on retrogression in the survival of the wood sector.

Fig 1: Proposed Conceptual Model to Guide further Research - Interrelationship between dependent and independent variables
Source: The Researcher (2021):

2.4 Empirical Framework

The empirical evidence on the external environmental factors and the business survival is limited but highly convincing when viewed across different sectors and countries. Abdullah and Shamster (2011) conducted an investigation into the analysis of the Wood sector of Bangladesh using the framework of PEST in order to bring to light the current state of the sector its progress and its problems. Abdullah and Shamster employed the use of the qualitative research as it aims to get a deeper understanding of the Wood industry and the effect of several macroeconomic factors on this industry. The criterion for selecting the sample was the Multi stage and convenience sampling techniques.

Through multistage sampling, the researchers reached a sample size of 37 from which convenience sampling technique was used to reach the final sample size of 20. The authors found that tax policy and tariffs affect the business climate in the pharmaceutical industry. Regardless of profit or loss, loss, all companies are required to pay BDT 5,000 as a minimum tax. The new tax on profits increases the burden, too high and unsuitable for business. When compared to the neighboring countries, it is approximately 10% higher. Of the 20 listed companies in Wood product sector, 18 trades under A-category—an area for good performing companies that pay dividend at a rate of 10% and above. Bangladesh has had an inflation of 5.4% during the last fiscal year (2009-2010). Price Inflation greatly affected time value of money (TVM). It is a major component of interest rates which are at the heart of all TVM calculations (Abdullah & Shamster, 2011).

Peng and Nunes (2007) carries out an investigation on the impact of PEST analysis as a tool for refining and focusing contexts for information systems research with particular attention on the Chinese companies. The authors report that as a result of the national economic reform, China experienced remarkable economic growth at an annual rate of over 9% during the last two decades. By the end of 2005, China's GDP had risen to US$2.229 trillions. According to the global GDP ranking provided by the World Bank in 2005, China is now ranked the fourth-largest economy in the world behind the US, Japan and Germany.

Political intervention from the Chinese government intended to establish a self-reliant industry and built an airtight wall between the domestic economy and the world economy by direct controls on imports and foreign investments and other foreign trade policies.

The centrally planned economy enabled China to achieve continuous economic growth for a few decades. The country's GNP grown at an annual rate of nearly 9 percent. The uniqueness in Chinese culture also shaped the ways people conduct organisational and business activities and influences the implementation and the use of ERP in particular. The technological impact on China's economy shows that the country has now built up a modern information network which covers more than 2000 cities of the country and links to all major international networks in the world. As a result of this rapid information the number of netizens in China has risen from 0.62 million in 1997 to 111 million by the end of 2005.

Valentin, Laura & Delia (2013) conducts and investigates into PEST multifactor analysis for human resources development projects' implementation in public universities. Hypotheses testing and validation performed using quantitative methods of gathering information, a questionnaire-based survey, considered appropriate in the context of the research's objective. The questionnaire is developed with the intention to offer the possibility of appreciating the impact of preselected variables from the external environment, as perceived by the subjects. The questionnaire contains a set of 18 items, grouped according to the five types of factors from the external environment. For each item a 5 step scale was attributed, from major negative impact (1) to major positive impact (5). The process of information collection was performed during two months by distributing questionnaires to a number of 210 employees of 3 public universities from the Western Region of Romania, representatives in terms of academic and research results that developed such projects since 2007. The sample selection process involved personnel that was part of a HRD implementation process from a decision-making point of view (management functions) or from an administrative one (administrative functions). The results show that the most significant factors with a negative impact were political and economic ones while technological and cultural factors were perceived as factors with a positive influence.

7. CONCLUDING REMARKS

To the best of our knowledge, only a limited number of studies have been done in the past on the impact of external environmental factors on the business survival of the wood industry in Okobaba Ebute-Metta LGA, Lagos State. This study is conducted to fill this gap. This study therefore becomes noteworthy in filling this observed gap by testing empirically the role of external environmental factors on the business survival of the wood industry in Okobaba Ebute-Metta LGA, Lagos State and the usefulness of scientific knowledge for developing a successful business practice, which is indeed the ultimate goal and purpose of this research.

Our future research will pursue this focus.

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