Assessing the Interaction of Technology, Innovation and Sociocultural Variables on the Performance of Small and Medium Enterprises

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Abstract

Research in this study explored the effect of innovation in the link between small and medium-sized businesses' external business environment and their overall success (SMEs). Oyo-based small and medium-sized enterprises are the focus of the study. Technology and the sociocultural milieu were used to gauge the external business environment. Owners and managers of small businesses in Oyo state, Nigeria, were surveyed. According to the study, 457 copies of questionnaire were collected from the respondent using the stratified sampling method. Only 409 copies of the completed questionnaires made it through the screening process and were used in the analysis. Smartpls2 data was analysed using structural equation modelling. The results show that the performance of SMEs is positively influenced by technological and sociocultural factors. The study concludes that managers and owners of small and medium-sized enterprises (SMEs) should ensure that they have a thorough understanding of the business environment in order to be able to perform effectively and to welcome new innovations. According to this study, customers are more likely to patronise a SME if its managers/owners focus on technology and the sociocultural environment.

Key Words: Technology environment, sociocultural environment, innovation, SMEs performance

1. Introduction

Small and medium-sized businesses (SMEs) have long been recognised as critical to economic development (SMEDAN & NBS, 2013). This industry is critical to the expansion and progress of every nation's economy (National Bureau of Statistic, 2016). There have been a number of significant economic challenges involving small and medium-sized firms across the world (SMEs). Small and medium-sized companies (SMEs) play an important role in lowering unemployment and improving local control over Nigeria's natural resource riches in the Nigerian economy (Chidoko, Makuyana, Matungamire & Bemani 2011). One-quarter of Nigeria's workforce is engaged by small and medium companies (SMEs) (SMEDAN & NBS, 2013). Small and medium-sized businesses (SMEs) account for 48 percent of Nigeria's nominal GDP (SMEDAN & NBS, 2013). A country's economic system is a good measure of how well its manufacturing sector is working by the amount of new items and processes it develops (Enterprise Baseline Survey 2012).

In order to classify small and medium-sized firms, characteristics such as revenue, assets, and investment level are considered (SMBs). Employer size is the most common foundation for divisional divisions, with different upper and lower constraints. An organisation called SMEDAN was set up to

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provide assistance to Nigeria's small and medium-sized enterprises (SMEs) (SMEs). With assets (excluding land and buildings) of at least N5 million but no more than N500 million, a small or medium-sized firm is one that employs at least 10 but no more than 199 people (SME).

Although they exist, small and medium-sized businesses (SMEs) in the nation continue to decline, according to Baloyi (2010). (Not all small and medium-sized businesses are thriving). 90% of new businesses fail before their third anniversary, according to research (Douglas, Micah & Tom 2014). Many small and medium-sized businesses (SMEs) are stuck in the "survivalist" phase because of their poor performance (Bidzakin, 2009). It is possible to summarise an organization's success in terms of a high profit and quality product, a significant market share, solid financial results, and the ability to survive at a defined period utilising the necessary plan for action. When evaluating a company's performance, demand, volume, loyalty, and investment may all be taken into account. Obiwuru et al. conducted a research in 2011 that resulted in Okwu et al. To paraphrase Wang, "performance" is defined as an organization's ability to produce successful products, its focus on outcomes, and its record of success at work (2010). A company's goals are more likely to be met if the working environment is one that encourages innovation and cooperation.

A company's long-term health and performance are dependent on corporate innovation, according to Ancona, Okhuysen and Perlow (2001). It is possible to get a long-term edge in today's changing business climate owing to this ability to innovate. It is simpler for an organization's innovation to establish a long-term competitive advantage if it is more responsive to the external environment, according to Calantone, Cavusgil, and Zhao (2002).

Managers must continually reevaluate and adjust their operational techniques in light of the ever-changing business environment, which includes global competitiveness, information technology, cultural variables, and corporate social responsibility. The "external environment" refers to the social, cultural, and technical variables outside of a company's control (Alkali & Abu, 2012; Pearce & Robinson, 2007). SMEs in Oyo State may be adversely affected by the following outside business challenges.

According to the European Union, it's full potential can only be realised if the workforce is well-trained and has access to cutting-edge technology (EU). To compete on the global stage, many

Nigerian small and medium-sized enterprises (SMEs) lack the necessary physical infrastructure and high-speed internet connections (Dzisi, John & Ofosu, 2014). Keeping track of inventory and other financial data is critical to a small business's performance, as Ibrahim and Goodwin have previously said (1986).

Entrepreneurs, in general, and entrepreneurs in particular, benefit from socio-cultural business settings because they stimulate creativity and innovation. As a consequence, the entrepreneurial inclinations of individuals and the conditions of the environment combine to produce new concepts (Shivani, Mukherjee & Sharan 2006). There are several definitions for "collective mental programming," but the most common is "the software of the mind; the collective mental programming" (Hofstede, 1998). Innovation, according to Greve (2007), aids a company's ability to adapt to a changing environment. There are three components to successful innovation: developing new processes, improving existing goods or services and delivering these services more effectively. (Albury, 2005) Commercial firms may benefit from using this innovation technique as long as the economy is stable.

SME development in Nigeria is one of the numerous challenges the country faces today, according to the World Bank Group (MSME banking study sector report 2016). According to a SMEDAN (2013) research, the majority of Nigeria's small and medium-sized companies (SMEs) are still micro firms. Only 5% of new businesses make it to the stage where they may be considered fully mature (2008). According to Omolomo, Odunayo, and Tobora, around a quarter of all Nigerian small businesses fail during the first five years of operation (2014). The external business climate of Nigeria has a vital influence in the survival and growth of Nigeria's small and medium-sized enterprises (SMEs) (SMEs). Small and medium-sized businesses require more research to better understand how innovation affects their external business environment. The outcomes of experiments assessing SME performance in the context of external business conditions have been inconsistent and conflicting so far. There haven't been any investigations on the role of innovation as a mediating element in the link between SME success and outside business circumstances (SMEs). For this reason, this study will look at how Oyo State's small and medium-sized businesses (SMEs) are influenced by the outside business environment.

2. Literature Review

2.1 Knowledge Based Theory of the Firm (KBT)

Strategic significance is based on knowledge when it comes to the company's resources (Grant, 1996). There are a number of factors that influence how successfully an organisation uses and develops knowledge, according to Kirsimarja and Aino (n.d.). According to the authors, organisations exist to generate, communicate, and transform knowledge into competitive advantage. A healthy relationship exists between people and their respective fields of expertise. Human beings are self-aware and actively engaged in their own lives. Integrating and coordinating information is essential in circumstances when no one individual can understand them, according to Kirsimarja and Aino (n.d). Knowledge may be shared and repurposed.

Organizations use the study's independent variables to gather data. In today's technological world, businesses may learn how to be innovative by embracing new technologies. That information is gathered in this context by the organisation in order to better understand the individuals it serves. According to the KBT, an organization's performance may be improved by utilising this data (Grant, 1996). Knowledge-rich organisations, according to Pöyhönen (2005), are more likely to be creative, which in turn leads to increased productivity. Being aware of what you don't know might lead to higher performance, according to Pöyhönen's research (2005). Small and medium-sized businesses' success can be explained by the fact that innovation can act as a bridge between the technological and social environments. Because both technological and sociocultural resources are used in the collection of data, they may both be termed knowledge resources.

2.2 Concept of Performance

To measure an individual's productivity, look at their performance, according to Iskandar, Ahmad, and Martua (2014). In addition to their degree of talent, knowledge, and inventiveness, this involves a person's capacity to do duties within their authority and within a certain time period. It is possible to assess a company's capacity to create high-quality goods and services, as well as its ability to control expenses and assure the safety and well-being of its employees, in terms of their performance. For businesses, greater knowledge of the factors affecting the success of small and medium-sized enterprises (SMEs) is a top concern (Rosli, 2011). Organizational performance evaluation is defined by Anastasia (2008) as evaluating four aspects: effectiveness, efficiency, customer satisfaction, and innovation in products. Apolot (2012) also considered the level of customer happiness and

profitability while assessing their business. Consequently, this study is in line with Apolot's definition (2012).

2.3 Concept of External Business Environment

A company's external environment includes everything that affects its operations from the outside. The economy, government policy, political atmosphere, social and cultural values, and technical dynamics are all influenced by a variety of elements. (2007), Alkali and Abu (2012) and Beal (2013) (2000). While this is true, as Ehlers and Lazenby (2011) point out, an organization's performance is influenced both directly and indirectly by the external environment. SMEs' performance is also affected by the macro environment and micro-environment, according to Ojeda, Julieta, and Simpson (2007). Suppliers, customers, government agencies, and competitors make up the micro environment, while socio-cultural, political, technological, demographic, and economic factors shape the macro environment. Since Oyo state's commercial performance is heavily influenced by socio-cultural and technical elements, these variables are taken into account while assessing the external business environment.

2.4 Technology Environment

Small company owners face several obstacles when it comes to utilising modern technology, which has a detrimental influence on their ability to innovate and remain competitive (Kayanula & Quartey, 2000). To put it another way, it's a collection of tools, procedures, knowledge, and resources that a corporation uses to set up work patterns and information structures. It's crucial to remember that the methods and instruments aren't the primary goal or conclusion to be pursued. The application of new technology can increase speed, quality, and efficiency.

2.5 Socio cultural Environment

When people's social and cultural systems come together, they form the Socio-Cultural Business Environment, which encircles entrepreneurs (Azim, 2008). Human-created intangibles that have an impact on human behaviour and way of life are part of the socio-cultural business environment (Akpor-Robaro, 2012). People acquire their shared characteristics and behavioural patterns as a result of socialisation. Included here are factors such as one's upbringing, training, and religious beliefs. Identifying the socio-cultural context in which a company operates is critical (Yeboah 2014).

2.6 Concept of Innovation

The notion of innovation was defined in a variety of ways by different authors. It is a new concept, product or process which is seen as new by an individual, a group of individuals/firms, a sector of industry or the community as a whole, such as innovation (Rogers, 1995). Innovation might take the shape of a new product or service, new production technology, new operational procedures, or new business management strategies (Liao, Fei & Liu, 2008). In addition, innovation develops new products and services that provide value to the market (Jacobs & Snijder, 2008). As a result of Schumpeter's (1928) study, he defined innovation as the instability of capitalism and noted that innovation is a source of capitalism's progress.

2.7 Empirical Review

Entrepreneurial orientation and firm success were researched by Bojan and Zoran (2014), who looked at the impact of the external environment on the relationship. An important goal of the study was to investigate the relationship between entrepreneurial orientation and small company performance and the moderating effects of the surrounding environment. Entrepreneurial orientation was evaluated using the following variables: innovativeness, proactivity, risk-taking, autonomy, and competitive aggressiveness. There is a positive association between entrepreneurial orientation and both financial and non-financial firm success, according to the findings of the research In order for small and medium-sized businesses to prosper, they must develop a corporate culture and management style that supports inventive, proactive, and risk-taking behaviour. This study also found a link between a company's external environment and its entrepreneurial approach. This study found no link between a person's sense of purpose and the state of the external world. According to Vincent and Ifeanyi (2015), socio-cultural factors in Nigeria have a substantial impact on entrepreneurial growth in the African nation. Nigerian entrepreneurial success is examined in terms of socio-cultural elements that have a major impact. Cultural values such as marriage and age grade have a positive effect on entrepreneurship, whereas cultural values such as traditional title taking have a negative effect. Traditional values that have been regarded to be contradictory to entrepreneurship should be reconsidered in order for entrepreneurialism to gain greater respect, according to the findings of this study Mai and Phuong (2013) performed a qualitative study of food enterprises in Ho Chi Minh City, Vietnam, to examine the impact of the external environment, technology and innovation skills, and leadership development on the performance of the food industry. The study investigates the current hurdles in transferring technology and innovating in Ho Chi Minh City, Vietnam, food processing

firms. Eight in-depth interviews with CEOs and R&D managers from food processing industries were done as part of a thorough qualitative research project, and the results revealed seven major themes emerging from the data. According to the study's participants, strong leadership and organisational capability are important to long-term success when it comes to technology transfer and innovation. Technology transfer initiatives might be challenging to implement, according to the study's participants. As a result, we have developed a conceptual model for the food processing industry's innovation and technology transfer processes. The effectiveness of technology transfer and innovation, as well as the overall performance of the organisation, can be affected by any one of these three elements. In Nigeria, Olatunji (2015) evaluated the impact of ICT on small and medium-sized businesses' productivity. The results show that ICT has a favourable effect on the productivity of Nigerian small and medium-sized businesses (SME). There were 80 people that participated in the survey that was used to acquire the information. Many people in the small and medium business sector feel that incorporating information and communication technology (ICT) into their operations would enhance efficiency and productivity, which in turn will boost their bottom line. According to a recent study, small and medium-sized firms may gain from the use of ICT in a number of ways. In the study, modern technology, practical technological and entrepreneurial courses aimed at training entrepreneurs were suggested.

2.8   Model for the Study

Independent Variable   *Dependent Variable*

Mediating Variable
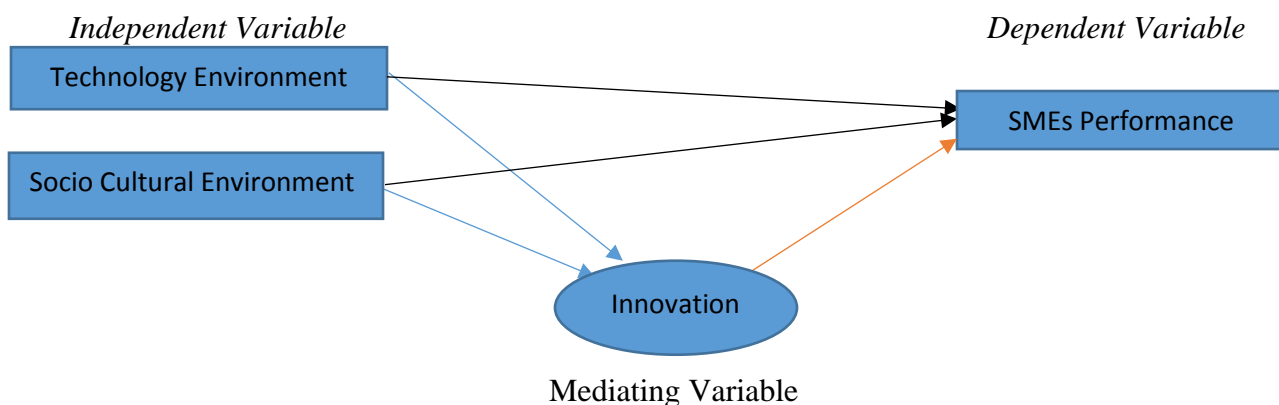
Based on review of literature and theoretical framework that link the independent variable to the mediating variable and the dependent variable. The study therefore hypothesize the variable as:

H_1 Technology environment has significant effect on performance of SMEs in Oyo State.

H_2 Socio cultural environment has significant effect on performance of SMEs in Oyo State.

H₃ Innovation mediate the relationship between technology environment and performance of SMEs in Oyo State.

H₄ Innovation mediate the relationship between socio cultural environment and performance of SMEs in Oyo State.

3. Methodology

Using a cross-sectional approach, this study collects data. It was chosen because it is a practical strategy for gathering relevant data about the present condition of affairs (William, Brown & Onsman, 2010). There are 7,987 small and medium-sized enterprises (SMEs) in Oyo State that are registered with SMEDAN and the National Bureau of Statistics (NBS) in 2013. Oyo's small and medium-sized enterprises (SMEs) are the focus of this research. The reason they're chosen is that they're well-versed in the inner workings of their own business.

Yamane's method, referenced in Israel, was used to establish the study's sample size (2013). There were 381 participants in the research. However, the required sample size was increased by 30 percent as recommended by Israel to account for response bias and incorrect questionnaire completing by certain respondents (2013). As a result of the 30% increase, an additional 114 respondents were included in the sample, bringing the total to 495 questionnaires distributed across the state.

Respondents filled out self-administered questionnaires to get the information. Oyo Central, Oyo North, and Oyo South were each given a copy of the questionnaire to distribute to their respective senatorial districts. Businesses from all three senatorial districts participated in the research.

In this study, questionnaires were adopted from several writers. Three items from Hughes and Mogan's (2007) innovation questionnaire were adapted for the technology environment questionnaire and six items from Felicia, Olusoji, Oluwakemi & Mofope (2013) for the sociocultural environment questionnaire. With eleven items, we modified Apolot (2012)'s performance questionnaire.

Partially Least Square (SmartPLS3) was used to analyse the data, and the measurement model and structural model were each evaluated in two stages. In accordance with Urbach and Ahlemann's recommendations (2010). In order to estimate the exterior and inner models, this research examined key criteria and procedures. A model's external validity may be judged by looking at its four main

characteristics: unidimensionality, dependability, convergence, and discriminant validity. The suggested research framework's Goodness-of-Fit and research hypotheses were evaluated in the second step. There are three metrics used to evaluate the model's outer model: the coefficient of determination (R-Square) and the path coefficient (f2).

4. Result

To ascertain the measurement model, the reliability and validity of the instruments were assessed using the measurement model of PLS-SEM path modelling. Table 1 represents the reliability and validity of constructs of this study.

Table 1: *Construct Reliability and Validity (n=409)*

Construct	Items	Loadings	AVE	CR
Performance	PRF1	0.80	0.55	0.88
	PRF2	0.81		
	PRF3	0.70		
	PRF4	0.71		
	PRF5	0.76		
	PRF6	0.66		
Sociocultural Environment	SCT1	0.75	0.57	0.80
	SCT5	0.75		
	SCT6	0.76		
Technology Environment	TGY1	0.83	0.56	0.79
	TGY2	0.80		
	TGY5	0.59		
Innovation	INV1	0.76	0.76	0.91
	INV2	0.92		
	INV3	0.93		

NOTE: PRF7, PRF8, PRF9, PRF10, PRF11, SCT2, SCT3, SCT4, TGY3 and TGY4 were deleted because of insufficient loadings. AVE stands for Average Variance Extracted while CR represents Composite Reliability.

Composite reliability was used to assess the constructs' reliability, while average variance extracted (AVE), as indicated by Garson, was used to assess the convergent validity of such constructs (2016). Each reflective concept must have an internal reliability coefficient of at least 0.7 (Lee & Chen, 2013), while an AVE coefficient of at least 0.50 is required to establish convergent validity (Lee and Chen, 2013). (Garson, 2016). Loadings should not be lower than 0.5 (Hair, Black, Babin & Anderson, 2014). From the data in Table 1, it is presumed that all constructs have fulfilled the minimal threshold for item loadings and hence have attained convergent validity as well as reliability. On the other hand, the square root of each latent variable's AVE should be larger than its correlations with any other concept in order to determine the latent variables' discriminative validity. The square root of the AVE must be

larger than the correlation with other latent variables in order to accomplish the discriminant validity of each of the study reflective components (Garson, 2016). The data were then submitted to a fornell-larcker criteria discriminant validity test. Table 2 shows the results.

Table 2: *Discriminant Validity using Fornell-larcker criterion (n=409)*

		1	2	3	4
1	Innovation	**0.87**			
2	Performance	0.56	**0.74**		
3	Sociocultural environment	0.57	0.33	**0.75**	
4	Technology environment	0.27	0.21	0.14	**0.75**

The bolded diagonal values correspond to the square root of the AVE of the reflective constructs.

Table 2, represent the result of discriminant validity. The number that are bolded represent the square root of AVE of each latent variable. The square roots of the AVE of each construct are higher than their correlations with other latent construct. Going by the fornell-larcker criterion, the data exhibited discriminant validity.

4.1 Structural Model Analysis

Before testing for the mediating effect of innovation on the relationship between technology and SMEs performance and between sociocultural and SMEs performance, it is important to determine the direct effect technology and sociocultural has on SMEs performance. This will help test H_1 and H_2. Thus, table 3 is presented.

Table 3: *Direct Path Coefficient*

Hypotheses	Beta	Standard Error	T Stat	P Value	Decision
H_1: TGY-PRF	0.31	0.04	7.90***	0.00	Supported
H_2: SCT-PRF	0.17	0.04	3.81***	0.00	Supported
R Square	14%				

*** $p < 0.01$; **$p < 0.05$; *$p<0.1$ TGY represent Technology Environment; SCT represent Sociocultural Environment; PRF represent Performance.

There are direct correlations between exogenous and endogenous variables in Table 3 based on our hypotheses. Table 3 shows that, at a P value of .01, the technological environment has a significant positive impact on the performance of firms, as can be seen. As a result of this research, the hypothesis H1 has been empirically proven. According to the results of an empirical study, a firm's performance is positively influenced by its sociocultural environment when the P value is less than or equal to .01. As a result, H2 is also backed.

For the coefficient of determination on the other hand, 14% variance in the performance of SMEs operating in Oyo State is explained by the combine effects of technology and sociocultural environment. The coefficient of this study is termed as being moderate Chin (1998).

Table 4: *Effect Size for Direct Relationships*

Construct	f^2	Effect Size
Technology Environment	0.03	Small
Sociocultural Environment	0.11	Small

f2 was used to estimate the extent of the exogenous factors' impact on the study's internal variables. Technology and the sociocultural context have a significant impact on performance, according to Table 4. Based on Chin's (1998) criteria for determining impact size, technology and sociocultural environments have a minimal effect on the performance of SMEs.

The study utilised the Stone-Geisser's Q^2 value to assess the predictive relevance of the exogenous variables.

Table 5: *Predictive Relevance of Exogenous Variables*

Construct	SSO	SSE	$Q^2 = 1-SSE/SSO$
Performance	2454.000000	2281.114068	0.07

On Table 5, Q^2 is greater than zero, which shows the predictive relevance of the direct path model. The model has small degree of predictive relevance on performance (Cohen, 1988). Full structural model was tested next.
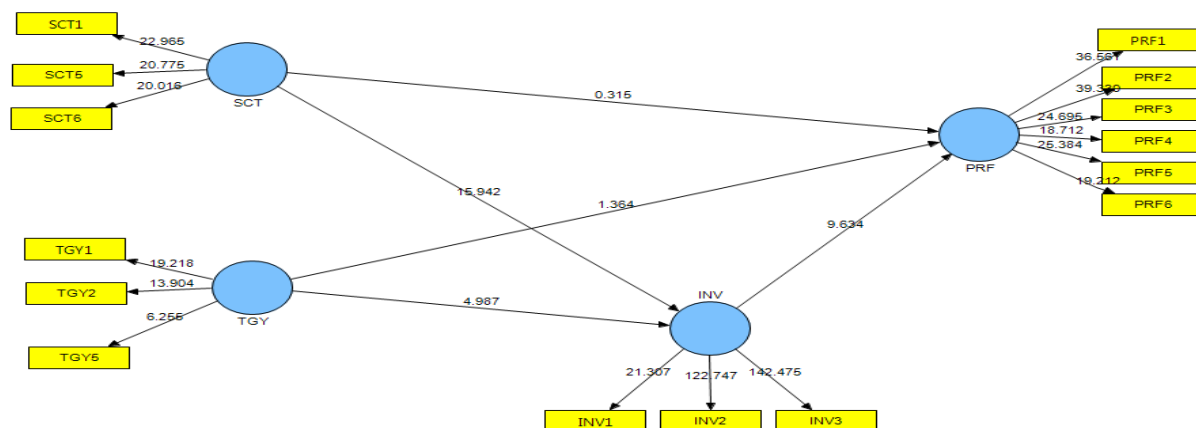

Figure 1: *Full Structural Model*

Table 6: *Structural Model for Indirect Effects*

Path *a*	Beta	Path *b*	Beta	Indirect Effects (a*b)
TGY -> INV	0.20	INV -> PRF	0.53	0.11
SCT -> INV	0.55	INV -> PRF	0.53	0.29

Indirect effects can be used to identify mediation effects (Hair et al., 2014). a*b/SE is the formula for calculating the T value (Hair et al., 2014). Technology, sociocultural, and performance links are mediated by innovation, according to the study's T value. Table 7 shows the results of a test to determine if associations serving as mediators were significant. To illustrate how technology and performance are intertwined, look no further than Table 7, which shows that innovation is the mediating factor. Consequently, the hypothesis that innovation mediates the association between technological environment and SME performance in Oyo state is validated.

Table 7: *Structural Model: Test of Significance for Mediating Relationships*

Hypotheses	Relationship	Beta	SE	T Statistics	P Value	Decision
H_3	TGY->INV->PRF	0.11	0.04	2.75**	0.01	Supported
H_4	SCT->INV->PRF	0.29	0.03	9.67***	0.00	Supported

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

The results of Table 7 (0.29, $p<0.01$) support the hypothesis that innovation mediates the connection between sociocultural environment and SME performance in Oyo state. In this investigation, all four of the hypotheses were proven to be correct. Table 8 summarises the results of the test of hypotheses.

Table 8: *Summary of the Test of Hypotheses*

Hypotheses	Relationship	Beta	T Statistics	P. Value	Decision
H_1	TGY -> PRF	0.31	7.90***	0.00	Supported
H_2	SCT -> PRF	0.17	3.81***	0.00	Supported
H_3	TGY->INV-> PRF	0.11	2.75**	0.01	Supported
H_4	SCT->INV->PRF	0.29	9.67***	0.00	Supported

31 percent of the variance in SME performance may be attributed to the technological, social, and innovative environments, according to Table 9. Research in management sciences generally considers any R-squared value over 10% to be suitable. In contrast, 37% of the diversity in innovation may be attributed to the technological and social context.

Table 9: *R-Squared for Mediating Relationships*

Construct	R-Squared
Performance	0.31
Innovation	0.37

The effect size of each path in the full structural equation model was analysed on Table 10 using f^2. All effect size on Table 10 is with the inclusion of innovation as an intervening variable in the model of this study. It can be seen on Table 10 that technology environment has no effect on firm performance, but has small effect on innovation. Sociocultural environment has no effect on performance, but has large effect on innovation.

Table 10: *Effect Size of Exogenous and Endogenous Variables*

Construct	f^2(PRF)	Effect Size	f^2(INV)	Effect Size
Technology Environment	0.00	None	0.06	Small
Sociocultural Environment	0.00	None	0.48	Large
Innovation	0.25	Medium	NA	NA

NA represent Not Applicable

Finally, innovation has a moderate impact on a company's profitability. Construct cross-validated redundancy was utilised to forecast the inner model's significance. Q2 value of 0.16 on Table 11 indicates that technology, sociocultural environment, and innovation have a medium degree of predictive importance to performance. According to the Q2 value for innovation, which has a value of 0.27, the combination of technology and sociocultural context is highly predictive.

Table 11: *Construct Cross-validated Redundancy*

Construct	SSO	SSE	Q^2 (=1-SSE/SSO)
Performance	2454.000000	2071.429029	0.16
Innovation	1227.000000	889.608615	0.27

In the research model, it is critical to evaluate the size of innovation's mediating influence. Variance accounted for (VAF) was employed in this study to determine the extent of the mediating influence of innovation on the connections in this investigation. Direct and indirect impacts are subtracted from each other to arrive at the VAF (Hair et al., 2014). Therefore, it is only vital to evaluate via VAF how much of a mediating impact innovation has on how technical environment and sociocultural environment affect business performance. Innovation has been demonstrated to considerably mediate this link. According to Hair's et al. (2014) criteria, innovation serves as a partly mediating factor in the interaction between technology, the sociocultural environment, and business performance.

Table 12: *Magnitude of Mediating Effect*

Relationship	Indirect	Direct	Total	VAF	Mediation
TGY->INV->PRF	0.11	0.31	0.42	26%	Partial
SCT->INV->PRF	0.29	0.17	0.46	63%	Partial

5. Discussion, Conclusion and Recommendation

Unlike previous research, this one does not focus just on the direct link between the independent variable and the dependent variable, but instead examines innovation. There is no need to add innovation as a mediator in the links between technology, sociocultural, and SMEs's performance, even if academics have argued for it. Consequently, this study empirically evaluated the function of innovation in mediating the links between technical environment, sociocultural environment and SMEs' performance in Oyo state, Nigeria."

Based on empirical evidence, this study shows that SMEs' performance is directly influenced by their technological and social environments. According to the findings, innovation serves as a mediator between the technological environment, the sociocultural environment, and the performance of small and medium-sized businesses.

The owners and managers of small and medium-sized enterprises (SMEs) should guarantee that they are knowledgeable about the business climate in order to be successful. In addition, business owners and managers should strive to always embrace and teach their personnel on new ideas that will improve the efficiency of the organisation. In order to attract more customers, business owners and managers need have a thorough understanding of the technological and social context in which they operate.

6. Direction for Further Study

Only small and medium-sized enterprises (SMEs) in Oyo state were included in the study. However, small businesses may vary from state to state. The findings might be more broadly generalised if this study could be replicated. Research on the interplay between innovation and other aspects of the external business environment should be done in the future.

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