**American Interdisciplinary Journal of Business and Economics**
ISSN: 2837-1909| Impact Factor : 6.71
Volume. 11, Number 1; January-March, 2024;
Published By: Scientific and Academic Development Institute (SADI)
8933 Willis Ave Los Angeles, California
https://sadijournals.org/index.php/AIJBE| editorial@sadijournals.org

# EFFECT OF INTERNAL ENVIRONMENTAL FACTORS ON GROWTH OF PHARMACEUTICAL COMPANIES IN SOUTH EAST NIGERIA

**Chime, Eric Chibueze[1], Okechukwu, Elizabeth Uzoamaka[2] and Nwekwo, Ngozi Mabel, Ph.D.[3]**
[1&2]Department of Business Administration, Faculty of Management Sciences, Enugu State University of Science & Technology
[3]Accountancy Department, Faculty of Business Administration
University of Nigeria, Enugu Campus
DOI: https://doi.org/10.5281/zenodo.10822333

**Abstract:** The study examined the effect of internal environmental factors on growth of pharmaceutical companies in South East Nigeria. Specifically, the study examined the effect of financial capability on profit growth of pharmaceutical companies in South East Nigeria; the effect of marketing capability on sales growth of pharmaceutical companies in South East Nigeria; the effect of managerial capability on employment growth of pharmaceutical companies in South East Nigeria. The study employed survey research design. The population of the study was all 270 management and senior staff of 10 pharmaceutical companies in Enugu and Anambra States. Since the population was not large, the whole population completed a structured questionnaire. Data were analyzed with Pearson Product Moment Correlation Coefficient (rs) with the aid of statistical package for social sciences (SPSS 20.0). The result showed that financial capability has a positive significant correlation with profit growth of pharmaceutical companies in South East Nigeria (correlation coefficient of .770); marketing capability has a positive significant correlation with sales growth of pharmaceutical companies in South East Nigeria (correlation coefficient of .828), managerial capability has a positive significant relationship with employment growth of pharmaceutical companies in South East Nigeria (correlation coefficient of .768). The study concluded that internal environmental factors have effect on growth of pharmaceutical companies in South East Nigeria. It was recommended that pharmaceutical companies in South East Nigeria should source for finance in order to implement strong financial strategies.

**Keywords:** Internal, Environmental factors, Growth, Pharmaceutical companies

## Introduction

### 1.1 Background of the Study

The modern business manager operates in more dynamic and turbulent environment. The change in the environment has been rapid and unpredictable. Economic variables have been complex both in form and impact on the practice of business in Nigeria. Consumers and clients have been showing complex behaviours both in local and international markets. The most dramatic change has been that exhibited by competitive pressures. Competitors have been applying one strategy or the other to adapt to the dynamic and unpredictable nature of the business environment (Adagba, & Shakpande, 2017).

The dynamic environment in which a business operates provides opportunities for it to grow develop and create value and wealth. It also poses some threats to the business. The primary concern is how the business affects people and natural environment as it produces and sells products necessary to satisfy customers, stakeholders and other constituents. By building key stakeholder relationships among government agencies, consumer entities, environmental groups and other constituents, a business can anticipate and manage issues and concerns that might otherwise have gone undetected until they had grown into major problems.

The most significant component in setting a company's direction and differentiating itself from competitors is the internal environment (Simon, Joshua & Mildren, 2014). This macro environment has a variety of qualities that a corporation can use to respond to the constantly changing external environment effectively. The internal environment of a corporation, in contrast to the external environment, is mostly controlled by management. Tangible business resources, people, management, competencies, production, marketing, and strategic decisions are all traditional components of any firm's effective and efficient functioning (Simon, Joshua & Mildren, 2014). Abera (2012) finds out the eight most important challenges which appear to affect the overall performance of MSEs include the following: inadequate finance, lack of working premises, advertising and marketing problems, inadequate infrastructures, negative management practices, and technological, entrepreneurial, and politico-legal problems which includes bureaucratic bottleneck system. The findings similarly point out that there exists linear and superb massive ranging from tremendous to the strong relationship located between independent variables and dependent variable (Islami, Mulolli, & Mustafa, 2018). The study found that internal business factors have a larger positive impact on a firm's performance than industry factors. And in a study by Ibrahim and Harrison (2019), the results show that external factors, in particular, competitors' marketing mix elements, have a greater influence on a company's business performance than internal (marketing and non-marketing) strategy variables.

**1.2 Statement of the Problem**

Enterprises are subsumed in the environment with which they interact. The environment poses opportunities and challenges which may impact positively or negatively on business operations and performance. In fact, organizations and their environment are in mutually inter-dependent interaction with one another. An organization exists in the world of resources, opportunities, and limits. It can survive and thrive only when the environment desires its output of goods and services and is prepared to approve and endorse its activities. The available literature gives mixed results when it comes to the impact of internal business environment features on firm success. This study is therefore examined the effect of internal environmental factors on growth of pharmaceutical companies in South East Nigeria.

**1.3 Objectives of the Study**

The objective of the study was to examine the effect of internal environmental factors on growth of pharmaceutical companies in South East Nigeria. Specific objectives include:

1. To examine the effect of financial capability on profit growth of pharmaceutical companies in South East Nigeria

2. To examine the effect of marketing capability on sales growth of pharmaceutical companies in South East Nigeria

3. To examine the effect of managerial capability on employment growth of pharmaceutical companies in South East Nigeria

**1.4 Research Questions**

From the objectives, the following research questions were derived:

1. What is the effect of financial capability on profit growth of pharmaceutical companies in South East Nigeria?
2. What is the effect of marketing capability on sales growth of pharmaceutical companies in South East Nigeria?
3. What is the effect of managerial capability on employment growth of pharmaceutical companies in South East Nigeria?

**1.5 Statement of Hypotheses**

From the objectives and research questions, the following hypotheses were postulated:

1. There is no significant effect of financial capability on profit growth of pharmaceutical companies in South East Nigeria
2. There is no significant effect of marketing capability on sales growth of pharmaceutical companies in South East Nigeria
3. There is no significant the effect of managerial capability on employment growth of pharmaceutical companies in South East Nigeria

**1.6 Scope of the Study**

The study examined the effect of internal environmental factors on growth of pharmaceutical companies in South East Nigeria. The study concentrated on examining the effect of three environmental factors namely financial, marketing and managerial capabilities on three proxies of business growth namely profit, sales and employment growth.

**Review of Related Literature**

**1.1 Conceptual Review**

**1.1.1 Internal Environmental Factors**

Abolaji and Oni (2015) stated that the internal environment of an organization consists of factors related to the firm that influences its ability to achieve the stated objectives, and develop as well as implement feasible plans, which consequently contribute to its performance. The internal environment can also be described as internally controlled forces operating within the organization itself that has a direct impact on organizational performance. This includes financial resources, information and knowledge, corporate capabilities, incentives, organizational demographics such as the size of inter-institutional relationship, corporate objectives, and employee skills (Freeman and Reid, 2006 in Abolaji and Oni, 2015). Meanwhile, the research results of Bouazza et al. (2015) indicated that entrepreneurial characteristics, low managerial skills, lack of marketing skills, and low technological capacity are the major environmental factors affecting the growth of SMEs in Algeria.

Wheelen and Hunger (2001) divided the internal environment into three important categories:

1) structures – the way in which a company is organized in terms of communication, authority, and workflow;
2) cultures – the pattern of beliefs, expectations, and values shared with the members of an organization in which organizational norms specifically conjure up and define the acceptable behaviors of the members of top managers to operational employees; and
3) resources – the assets in the form of raw materials for production process of goods/services contained in the organization of the company.

In another side, David (2009) divided the internal forces into six important categories, consisting of the functions of management, marketing, financial/accounting, production and operation, research and development, and management information system. If the various things in the internal environment are done well, it will be very potential that the success of a strategy can be achieved as desired by the company (Pearce and Robinson, 2014).

According to Adagba & Shakpande (2017) a firm's internal analysis involve examination and appraisal of such factors as its management, marketing and finance, operational/production and human resource. Ghani, Nayan, Izaddin, Ghazali, and Shafie, (2010) identify strength variables or factors of the business entity to include:

Experienced and skillful work force: This enhances rational decisions and fulfillment of project requirement (Abdul and Abdul, 1999). Feasible Objectives: The business should have achievable strong short and long term objectives, and strategic managers could analyze the performance of any projects undertaken and at the same time plan for potential future development projects

Strong Financial Sources: These facilitate further expansion of the business, allow the business to invest in more modern and sophisticated product concepts to satisfy customers' needs, satisfy the firm's constituents and abide by the government policy

Effective and Efficient Management and Administration System: This ensures smooth operation.

Good Image and Reputation: This attracts potential investors and confers competitive and market position advantages on the firm

Currency of Techniques, Technology and Processes: The use of current technique, technology and processes confers competitive advantage of unequal measure on the firm in its procurement projects, design, concept and quality of inputs and products.

Timely Information: This enables a firm to explore a competitive opportunity relative to its competitors in the industry. A good example is Zenith Bank's Initial Public Offer in 2004 shortly before the Central Bank of Nigeria's N25 billion bank recapitalization policy.

Weakness variables or factors of the firm include:

Under Capacity Utilization: This results to suboptimal allocation of firm's scarce resources, competitive disadvantage and unattained organizational objectives. Inadequate Experience and Technical Skills: This leads to low quality of strategy, concept, design, processes and products.

Inadequate Financial Resource and inefficiency in financial management: This results to loss of opportunities and increases susceptibility to threats

Inadequate know-how on evolution and application of current technology: This leads to inappropriate strategies, designs and processes and culminates to inability to explore opportunities

Inability to attract Skilled and Professional Indigenous Workers: This leaves the firm with the alternative of parading low profile work force with its attendance competitive disadvantage.

According to Hubeis and Najib (2014), the internal environment refers to the environmental organizations that exist in a normal firm and have immediate consequences. It's a collection of resources, talents, and skills that will be used to develop a market position based on the company's own assumptions. As a result, the internal environment analysis includes a study of the company's resources, expertise, and competency (Rita &Miswar, 2018). A small business's success or failure is not solely determined by the external business environment. It also depends on the internal critical and strategic components of the organization, such as financial, marketing, and management capabilities (Aishatu, Tende, & Toriola, 2022).

**Financial Capability**

Financial capability is the set of attitudes, knowledge, skills, and self-efficacy required to make and implement money management decisions that are best suited to one's individual circumstances, all while operating in an enabling environment that includes, but is not limited to, appropriate financial services (Morgan, Hui, & Kimberly, 2017). Financial capability implies that financial education and inclusion are merely means to an end. The goal is to improve one's financial situation. Providing consumers with new information about money management and financial services isn't enough. People should get financial education in a way that encourages them to improve their habits. Access to formal and semi-formal financial systems is also insufficient, if not downright dangerous. What is required is the building of an enabling environment that assists poor and excluded people in making sound financial decisions and taking the appropriate actions (Martina, Hana, & Jiří., 2015).
Financial competency is defined as "a loosely connected set of strategic financial objectives, criteria, and standards that drive such planning," according to Svatoova (2017). According to Aishatu et al, 2012), financial strategy consists of two parts: efficiently producing funds needed by the corporation and regulating how those funds are used within the organization, including the decision to distribute or reinvest any additional returns. In order to achieve successful financial management in all areas, the major purpose of implementing a financial strategy in a company is to find a balance between controlling mechanisms, high business performance, and lower financial alternative costs (Jesús, Martha, & Miguel, 2015). They went on to say that financial strategy is a type of functional strategy that incorporates a company's whole business plan, is created through time, and is strongly linked to investment activities. Financial capacity, according to Murtala and Mohammed Noor (2016) and Svatoova (2017), is concerned with financial management, raising capital for the firm, and reinvesting profits.

**Marketing Skills**

The ability of a firm to promote her products and services is one of the most important factors of the survival and success of the organisation. According to Van Scheers (2011) a lack of marketing abilities hurts small business success. Pandya (2012) contrasts the marketing constraints of a small business to other constrained resources including financial and human resources. Marketing expertise Marketing capabilities are defined in general marketing literature as a company's capacity to use available resources to execute marketing operations in ways that result in desired marketing outcomes (Morgan, Constantine, & Douglas, 2012). In developing a durable competitive advantage and improved firm performance, marketing competencies are unique and non-replaceable (Morgan, et al., 2017). Marketing skills have also been shown to boost international business success by increasing the quantity and longevity of recognized positioning advantages (Tan & Sousa 2015).

**Managerial Capacities**

Several studies have identified the senior management team's managerial abilities as critical to small business success. Management capacities, according to Olawale and Garwe (2010), are sets of knowledge, skills, and competences that can help small businesses become more efficient. Management abilities, according to Singh, Garg, and Deshmukh, are essential for SMEs to survive and prosper (2008). According to Aylin, Garango, Cocca, and Bitichi (2013), management skills are a critical component of SMEs' growth, and a lack of management skills is a barrier to growth and one of the causes of failure. According to Pasanen, the growth patterns of small businesses are linked to their managerial abilities (2007). One of the most important difficulties that SMEs face, according to Bhide (1996), is a lack of core competence and a well-trained senior management team.

Managerial skills, according to Horng et al. (2011), are a specialized subset of competencies that demonstrate the intent to achieve specified goals. According to Hogg (2009), management competences aid in the display of abilities and talents, resulting in efficient performance in a certain occupational domain. Managerial competency models are built around the managerial competencies required for average and exceptional results. Observed behavior is used to evaluate these performance-based talents (Chong 2011).

According to Krajcovicova et al., managerial abilities are becoming more relevant in a variety of businesses (2016). Businesses want to keep pushing their employees to reach new heights of performance. The distinction between mediocre and great managers can be made using competencies. Having excellent or above-average individuals is perhaps a firm's greatest strength, which can be achieved by weeding out typical personnel and providing them with ongoing education and personality development. Putting a competency approach into practice, despite the plethora of theoretical knowledge and concepts, is a difficult task. At first appearance, it appears to be a shift in strategy aimed at boosting overall performance. As a result of these realities, each employee's behavior is required to alter (Krajcovicova, et al., 2016).

**1.1.2 Business Growth**

Growth is increase in size or quality improvement, resulting from development in which the interacting internal changes series will increase size (Funk, 2022). It will be accompanied by changes in the characteristics of the growing object. The assets, net profits, and sales will increase. Cost reduction is crucial if the firm's industry proliferates and the competitors are involved in the wards of prices with attempts of increasing market shares. Firms not gaining the needed economy of the large productions will face significant losses unless they find and fill small and profitable niches if special features of products or services offset the high prices.

**The Business Growth Indicators**

Indicators of growth in your business are simply the metrics used to determine how well your business is performing. Understanding the relevant growth indicators of your business helps you as the owner and manager to fully recognize the dynamics of your business. It also helps you determine if the performance of your business meets your expectations.

The indicators fall under four major groups, capacity, business outcomes, qualitative indicators, and business outputs (Funk, 2022).

The outcome indicators include the profit, which is the difference between the costs and revenues. The profit any company makes is the function of the revenues it generates and its efficiency level. If the profits increase, it will show that the efficiency and the sales have increased. Therefore, it is possible to see the company's growth through an increase in efficiency and sales.

Output indicators are the sales of the products. The level of production is a reasonable business size indicator as it the business capacity and the potential the business have for making a profit. The value of the produced goods is not available to people outside. Thus, the value of sales is used to indicate growth. When the produced business products increase, it shows that a business is growing.

The capacity indicators reflect the business's potential of producing outcomes and outputs. They will include the invested capital, workforce size, assets value, and production capacity. Managers will realize the growth of their business through observing an increase in the production capacity and assets, not forgetting the invested capital and increase in employees' number.

The qualitative indicators include the management practices, formalization degree, and the structure of the business. When the business structure is expanded, allowing decentralization, and when the practices of management increase and are more complicated, the formalization degree will increase, meaning there is growth in the business.

Safiruyu (2012) noted that there are qualitative and quantitative growth indicators of businesses. Both are necessary and should be considered to ensure the sustainable growth of your business.

**Qualitative growth indicators** are indicators that cannot be quantified, i.e., these are the type of growth indicators that are not measured in numbers. Customer satisfaction, customer loyalty, good business reputation, good customers' reviews, etc. are some of the key qualitative growth indicators of businesses. These metrics are very crucial as they help measure how well the business is doing and the business' growth potential. Positive, honest reviews from your customers help recognize how well your business is doing. The level of loyalty maintained by your customers towards your business as well as the satisfaction your customers derive from your products/services are important metrics for your business' growth.

**Quantitative growth indicators** are measured in numbers. The quantitative business growth indicators are the most concentrated on due to their popularity. Sales growth, cost of production, gross profit growth rate, customer retention rate, inventory level, labour turnover rate, improving cash flow, operational performance and productivity, assets efficiency rate, etc. These variables are some of the key quantitative business growth indicators. Rapid sales growth rate, falling or declining cost of production, increasing gross profit margin, high customer retention rate are indicators of a growing business.

Other researchers have proposed the sales growth, employment growth, income growth, and market share growth as the most important measurement of small enterprises performance (Ontorael, & Suhadak, 2017). This is also based on an argument stating that growth is a more appropriate and accessible indicator than financial performance indicators. It is appropriate to view financial performance and growth as different aspects of performance, in which each has important and unique information. Together, financial growth and performance provide a wider description of the company's actual performance rather than using individual measurements.

The sales growth (and/or market share) is one of those conventional indicators that most directly indicates the ability of a business entity to maintain/reduce/increase the level of their market competitiveness, and at the same time it is considered to be the result and the measure of entrepreneurial orientation (Dragnić, 2014)

### 1.2 Theoretical Framework

The resource-based view (RBV) hypothesis was used to evaluate the impact of internal business environmental components on the performance of small and medium firms in Adamawa State. According to the theory, the key to improving a company's performance is to look at its internal aspects (Barney, 2001). The existence of an organization's resources, which are appreciated, valuable, and difficult to copy and substitute by competitors, explains performance discrepancies (Barney, 2001). It's a good idea to establish a resource before going on to the small company resource requirements. A company's resources are its tangible and intangible assets (Galbreath, 2005). Financial resources, physical resources (plant, equipment, machine, etc.), people resources, and technological resources are tangible assets, whereas knowledge, skills, reputation, and capabilities are intangible assets. Businesses typically strive to gain and maintain permanent or semi-permanent control of resources that will offer them a competitive advantage over their rivals. Because they may have differing degrees of control over various sorts of resources, businesses will be diverse in terms of the products or services they supply.

Human resources, management policies, and skills are among the organizational assets that organizations utilize to develop and implement strategies or new innovations. The firm will profit from highly trained human resources and good alignment between the capabilities represented in the firm and those required by the firm's strategic needs (Crook, Todd, Combs, Woehr, &Ketchen, 2011). As a result, a company's internal growth and success are the most important sources of growth and success. To put it another way, companies with greater resources and capabilities will establish the foundation for acquiring and maintaining a competitive edge. The RBV hypothesis is especially important in the context of small businesses because it implies that a company's long-term existence is dependent on its distinctive services. The organization's main talents are fostered over time to create this identity. Small businesses are sometimes impeded by a scarcity of resources, causing them to operate under significant financial and personnel constraints (Phillipson, Bennett, Lowe, & Raley 2004; Zucchella &Siano, 2014). Furthermore, a shortage of resources can cause small businesses to focus on short-term rather than long-term goals, limiting their ability to develop and capitalize on environmental opportunities. As a result, the RBV technique is helpful since it allows the success of a small business to be quantified in terms of internal resources and skills.

**1.3 Empirical Review**

Aishatu, Tende, & Toriola, (2022) examined effect of Internal Business Environment on the Performance of Small and Medium Enterprises (SME's) In Adamawa State. The study looked at the impact of the internal business environment (as evaluated by financial competence, marketing competency, and management competency) on the success of SMEs in Adamawa State, Nigeria. The total population of the study was 1,776 people (Adamawa State Chamber of Commerce and Industry, Adamawa State, 2019), with a sample size of 239 people chosen using Yamane's (1967) method and convenience sampling strategy. Data collected using questionnaire was analyzed via descriptive statistics, as well as correlation analysis and multiple regression technique. According to the study, financial aptitude, marketing ability, and managerial ability all have a positive and significant impact on the development of SMEs in Adamawa State. As a result, the study advises SMEs (entrepreneurs) and corporate leaders to re-vitalize their companies' financial capacity through smart financial planning.

Engidaw (2021) explored internal business factors and their impact on firm performance: small business perspective in Ethiopia. The study employed a descriptive and explanatory research design and used a quantitative research approach. The study is conducted on Amhara region, North Wollo zone, Lalibela city administration micro- and small-scale enterprise operators, and in this study, the dependent variable is the performance of SMEs while independent variables are managerial factors, workplace factors, and entrepreneurial factors. To achieve the objectives of the study, 199 sample micro and small enterprises are selected from the 395 target populations. It used an explanatory design with stratified and simple random sampling techniques. The study employed descriptive and inferential statistical data analysis methods. The finding shows that the independent variables managerial factors and workplace-related factors have a positive and significant effect on small business performance in the study area. Also, there is an insignificant relationship between entrepreneurial factors and the dependent variable.

Wahab, Ismail, & Muhayiddin (2019) examined the Effect of Internal Environmental Factors on Operational Excellence of Manufacturing Industry: A Pilot Study. The objective of this paper is to measure the reliability and validity of internal environmental factors and its construct. A pilot study was conducted among 30 SMEs company in Terengganu which represented by the managerial level who are closely linked to the manufacturing operations.

This study adopted a survey method by using simple random sampling method for the data collection. The reliability and validity of the instrument were examined through content validity, face validity and reliability based on expert assessment and the data was analyzed using the statistical software SPSS version 22. The result shows that the survey instrument is reliable and valid. Therefore, this study expected will help the Malaysian SMEs manufacturing sector in determining the effect of internal environmental factors on operational excellence. Ontorael, & Suhadak (2017) analyzed of the Influence of External and Internal Environmental Factors on Business Performance: A Study on Micro Small and Medium Enterprises (MSMES) of Food and Beverage. This study aimed to analyze and explain the influence of external environmental factors on internal environmental factors, along with the influence of external and internal environmental factors on business performance. This research was an explanatory research, using the questionnaire as the primary data and appointing the owners/managers of the enterprises as the object of the research. The total sample of this research was 108 respondents of MSMEs in the sector of food and beverage that were registered in the Office of Cooperatives, SMEs, Industries, and Trades of Batu City. The data analysis of this research indicated that external environmental factors had a positive and significant influence on internal environmental factors. Similarly, external and internal environmental factors also had a positive and significant influence on business performance.

## Methodology

### 3.1 Research Design

The research design for this study is a survey research design. This design requires the use of questionnaire as instrument of data collection. Collecting information through a tactfully designed survey research can be much more effective and productive with large population and sample.

### 3.2 Study Area

The South East (often written as South-East) is the one of the six geopolitical zones of Nigeria representing both a geographic and political region of the country's inland southeast. It comprises five states – Abia, Anambra, Ebonyi, Enugu, and Imo.

The zone is bounded by the River Niger on the west, the riverine Niger Delta on the south, the flat North Central to the north, and the Cross River on the east. It is divided between the Cross–Niger transition forests ecoregions in the south and the Guinean forest–savanna mosaic in the drier north. Culturally, the vast majority of the zone falls within Igboland–the indigenous cultural homeland of the Igbo people, a group which makes up the largest ethnic percentage of the south-eastern population.

### 3.3 Sources of Data

Two sources of data are identified for this study. The primary source was the questionnaire**,** while the secondary sources include documents, archives, statistics, research paper depositories, personal diaries/journals, etc.

#### 3.3.1 Primary Sources

The primary source of data was 270 management and top senior staff of the 10 pharmaceutical companies who responded to the questionnaire. They were expected to generate sufficient data for finding answers to the research questions and testing the hypotheses.

#### 3.3.2 Secondary Sources

This source provides information for the literature reviews completed in this work. The journal articles, theses, and other cognate publications by scholars on this research subject formed the secondary sources of data for this study.

### 3.4 Population of the Study

The study population was all management and senior staff of pharmaceutical companies in the South-East Nigeria. Since it was difficult to study all the states, two states with the highest number of pharmaceutical companies were studied namely Anambra (16) companies and Enugu (15) companies. Also, since all the 31 companies were difficult study, 5 companies were selected from each state. The total number of management and senior staff in the ten companies was 270

Their details was shown in table 3.1

### 3.5 Sample Size Determination

Since the population is small, we adopted a complete enumeration of the population by surveying the entire population

### 3.6 Instrument of the Study

The instrument of study is a simple structured questionnaire, which was organized in a manner that addresses the key issues in the study objectives and research questions. The document is comprehensive and is made easy to understand by the respondents. The method of questioning used is the semantic differential type such as: Strongly Agree, Agree, Undecided, Disagree and Strongly Disagree.

### 3.7 Validity of the Research Instrument.

The instrument is validated at two stages; first, the document is subjected to a small group of respondents called (pilot group) for completion, and propositions that were not clear to the respondents were dropped from the final document. Second, the instrument is submitted to the research expert for vetting. This stage also caused more questions to be dropped from the draft. The final document was considered good for the respondents and good to capture the purpose and objectives of the study.

### 3.8 Reliability of the Instrument

The study adopted the Cronbach Alpha approach to test the reliability of the study instrument. This approach yielded an index of 0.82 which implies that the instrument was reliable to the tune of 82%. This showed that the questionnaire is reliable.

### 3.9 Method of Data Analysis

Pearson Product Moment Correlation Coefficient (rs) was used to analyze the hypotheses with the aid of statistical package for social sciences (SPSS 20.0)

## Data Presentation and Analysis

### 4.1 Questionnaire Response Rate

Questionnaire was distributed to 270 respondents, out of which 240 returned, representing a response rate of 83%. The response rate table is given below.

**Table 4.1: Questionnaire Response Rate**

| Respondents | Distributed | Returned | % Returned | Not Returned | % Not Returned |
|---|---|---|---|---|---|
| | 270 | 240 | 88 | 30 | 12 |

Source: Field Survey, 2023

## 4.2 Data Analyses

**4.2.1: The effect of financial capability on profit growth of pharmaceutical companies in South East Nigeria**

Table 4.2 Effect of financial capability on profit growth

| Options | Responses | % |
|---|---|---|
| Strongly Agree | 90 | 38 |
| Agree | 110 | 46 |
| Undecided | 10 | 4 |
| Disagree | 20 | 8 |
| Strongly Disagree | 10 | 4 |
| Total | 240 | 100 |

*Source:* Field Survey 2023

Table 4.2 showed that 90 respondents (38%) strongly agreed that financial capability has effect on profit growth of pharmaceutical companies in South East Nigeria, 110 (46%) agreed; 10 (4%) were undecided; 20 (8%) disagreed; while 10 (4%) strongly disagreed. Since more than 50 percent agreed, it showed that financial capability has effect on profit growth of pharmaceutical companies in South East Nigeria.

**4.2.2: The** effect of marketing capability on sales growth of pharmaceutical companies in South East Nigeria

Table 4.3 effect of marketing capability on sales growth

| Options | Responses | % |
|---|---|---|
| Strongly Agree | 100 | 42 |
| Agree | 90 | 38 |
| Undecided | 20 | 8 |
| Disagree | 20 | 8 |
| Strongly Disagree | 10 | 4 |
| Total | 240 | 100 |

*Source:* Field Survey 2023

Table 4.3 showed that 100 respondents (42%) strongly agreed that marketing capability has effect on sales growth of pharmaceutical companies in South East Nigeria, 90 (38%) agreed; 20 (8%) were undecided; 20 (8%) disagreed; while 10 (4%) strongly disagreed. Since more than 50 percent agreed, it showed that that marketing capability has effect on sales growth of pharmaceutical companies in South East Nigeria

**4.2.3: The** effect of managerial capability on employment growth of pharmaceutical companies in South East Nigeria

Table 4.4 effect of managerial capability on employment growth

| Options | Responses | % |
|---|---|---|
| Strongly Agree | 80 | 32 |
| Agree | 90 | 38 |
| Undecided | 20 | 8 |
| Disagree | 20 | 8 |
| Strongly Disagree | 30 | 12 |
| Total | 240 | 100 |

Source: *Field Survey 2023*

Table 4.4 showed that 80 respondents (32%) strongly agreed that managerial capability has effect on employment growth of pharmaceutical companies in South East Nigeria, 90 (38%) agreed; 20 (8%) were undecided; 20 (8%)

disagreed; while 30 (12%) strongly disagreed. Since more than 50 percent agreed, it showed that managerial capability has effect on employment growth of pharmaceutical companies in South East Nigeria

### 4.3 Hypotheses Testing

**4.3.1 Ho1:** There is no significant effect of financial capability on profit growth of pharmaceutical companies in South East Nigeria

Table 4.5 Correlation between financial capability and profit growth

| | | **financial capability** | **profit growth** |
|---|---|---|---|
| financial capability | Pearson Cor | 1 | .770** |
| | Sig (2-tailed | 214 | .000 |
| | N | 240 | 240 |
| profit growth | Pearson Cor | .770** | 1 |
| | Sig (2-tailed | .000 | |
| | N | 240 | 240 |

**** Correlation is significant at the 0.05 level (2-tailed).**

**Decision Rule:** Reject the null hypothesis if correlation coefficient is significantly different from zero, but accept the null hypothesis if correlation coefficient is not significantly different from zero (it is close to zero).

Table 4.5 above shows the result of bivariate analysis between financial capability and profit growth. From the table, financial capability has a positive significant correlation with profit growth with a high correlation coefficient of .770 and a p-value of .000. Thus, the null hypothesis is hereby rejected and alternate hypothesis accepted.

**4.3.2 Ho2:** There is no significant effect of marketing capability on sales growth of pharmaceutical companies in South East Nigeria

Table 4.6: Correlation between marketing capability and sales growth

| | | **marketing capability** | **sales growth** |
|---|---|---|---|
| marketing capability | Pearson Cor | 1 | .828** |
| | Sig (2-tailed | 214 | .000 |
| | N | 240 | 240 |
| sales growth | Pearson Cor | .828** | 1 |
| | Sig (2-tailed | .000 | |
| | N | 240 | 240 |

**** Correlation is significant at the 0.05 level (2-tailed).**

**Decision Rule:** Reject the null hypothesis if correlation coefficient is significantly different from zero, but accept the null hypothesis if correlation coefficient is not significantly different from zero (it is close to zero).

Table 4.6 above shows the result of bivariate analysis between training and sales growth. From the table, marketing capability has a positive significant correlation with sales growth with a high correlation coefficient of .828 and a p-value of .000. Thus, the null hypothesis is hereby rejected, and alternate hypothesis accepted.

**4.3.3 Ho3:** There is no significant the effect of managerial capability on employment growth of pharmaceutical companies in South East Nigeria

Table 4.7: Correlation between effect of managerial capability and employment growth

| | | **managerial capability** | **employment growth** |
|---|---|---|---|
| managerial capability | Pearson Cor | 1 | .768** |
| | Sig (2-tailed | 214 | .000 |
| | N | 240 | 240 |
| employment growth | Pearson Cor | .768** | 1 |
| | Sig (2-tailed | .000 | |
| | N | 240 | 240 |

**** Correlation is significant at the 0.05 level (2-tailed).**

**Decision Rule:** Reject the null hypothesis if correlation coefficient is significantly different from zero, but accept the null hypothesis if correlation coefficient is not significantly different from zero (it is close to zero).

Table 4.7 above shows the result of bivariate analysis between managerial capability and employment growth. From the table, managerial capability has a positive significant relationship with employment growth with a high correlation coefficient of .768 and a p-value of .000. Thus, the null hypothesis is hereby rejected, and alternate hypothesis accepted.

**5.1 Summary of Findings**

From the analyses, the following findings were made:

i. Financial capability has a positive significant correlation with profit growth of pharmaceutical companies in South East Nigeria (correlation coefficient of .770)

ii. Marketing capability has a positive significant correlation with sales growth of pharmaceutical companies in South East Nigeria (correlation coefficient of .828)

iii. Managerial capability has a positive significant relationship with employment growth of pharmaceutical companies in South East Nigeria (correlation coefficient of .768)

**5.2 Conclusion**

The study examined the effect of internal environmental factors on growth of pharmaceutical companies in South East Nigeria. The study found a positive effect of internal environmental factors like financial capability, marketing capability and Marketing capability on indicators of business growth such as profit growth, sales growth and employment growth. The study therefore concluded that internal environmental factors have effect on growth of pharmaceutical companies in South East Nigeria.

**5.3 Recommendations**

From the findings and conclusion, the following recommendations were made:

1. In order to re-establish their enterprises' financial competence; pharmaceutical companies in South East Nigeria should source for finance in order to implement strong financial strategies.
2. Pharmaceutical companies in South East Nigeria should always adopt a strong marketing plan since it will enable them to meet the needs and wants of the targeted consumers.
3. Pharmaceutical companies in South East Nigeria should always ensure that the right people are employed to run the companies

**References**

Abdul, R. A. A., & Abdul, A. H. (1999). Pengurusan Projek: Perspektif Industri pembinaan Pulau Pinang. Penerbit USM.

Abera, A. (2012). Factors affecting the performance of micro and small enterprises in Arada and Lideta Sub-Cities. Addis Ababa University. Retrieved from http://etd.aau.edu.et/handle/123456789/13199.

Abolaji, O., & Oni, I. (2015). The Effect of Internal Environment on the Performance of Small and Medium Scale Enterprise in Kano Metropolis. International Journal of Management and Commerce Innovations, 3, 45–56.

Adagba, D. T., & Shakpande, C. (2017). Effect of Environmental Factors on Business Performance. Nigerian Journal of Management Sciences, 6(1), 17–23.

Aishatu, A. U., Tende, S., & Toriola, K. A. (2022). Effect of Internal Business Environment on the Performance of Small and Medium Enterprises (SME's) In Adamawa State. Journal of Tianjin University Science and Technology, 55(2), 422–437.

Banda, G. (2020). Effects of Environmental Factors on the Performance of a Company: A Case Study of Patents and Company Registration Agency'- (PACRA). Master's Dissertation, Cavendish University.

Barney, J. B. (2001). Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view. Journal of Management, 27(6), 643–650.

Bouazza, A. B., Ardjouman, D., & Abada, O. (2015). Establishing the Factors Affecting the Growth of Small and Medium-sized Enterprises in Algeria. American International Journal, 4(2), 75–82.

Crook, T. R., Todd, S. Y., Combs, J. G., Woehr, D. J., & Ketchen Jr, D. J. (2011). Does human capital matter? A meta-analysis of the relationship between human capital and firm performance. Journal of Applied Psychology, 96(3), 443–456.

Dangana, A. A., Ishaka, M. S., Bello, A., Muhammad, A., & Dangana, A. A. (2017). Effects of environmental factors on the performance of small and medium enterprises (SMEs) in Abuja, Nigeria. IJMSR, 5(1), 79–98.

David, F. R. (2009). Manajemen Strategis: Konsep (Edisi ke-12). Terjemahan oleh Dono Sunardi. Salemba Empat.

Dragnić, D. (2014). Impact of internal and external factors on the performance of fast-growing small and medium businesses. Management, 19(1), 119–159.

Engidaw, A. E. (2021). Exploring internal business factors and their impact on firm performance: Small business perspective in Ethiopia. Journal of Innovation and Entrepreneurship, 10(25), 1–17.

Funk, P. (2022). Business Growth. Retrieved from https://www.researchgate.net/publication/363255945_Business_Growth/link/6313.

Galbreath, J. (2005). Which resources matter the most to firm success? An exploratory study of resource-based theory. Technovation, 25(9), 979–987.

Ghani, K. D. A., Nayan, S., Izaddin, S. A., Ghazali, S. M., & Shafie, L. A. (2010). Critical Internal and External Factors that affect Firms Strategic Planning. International Research Journal of Finance and Economics, 8, 25–32.

Hubeis, & Najib. (2014). Strategic management in the development of the competitiveness of an organization. Elex Media Komputindo.

Ibrahim, E. B., & Harrison, T. (2019). The impact of internal, external, and competitor factors on marketing strategy performance. Journal of Strategic Marketing, 28(7), 639–658.

Islami, X., Mulolli, E., & Mustafa, N. (2018). The effect of industrial and internal factors on the firm’s performance. Journal of Social Sciences and Entrepreneurship, 14, 154–166.

Jesús, S., V., F., Martha, G., A., & Miguel, A., O., T. (2015). Financial strategies, the professional development of employers and performance of SME's (AGUASCALIENTES case). Procedia - Social and Behavioral Sciences, 174, 768–775.

Khadijat, M. R., Mohammad, N. M., & Suhana, M. A. (2017). The impact of internal factors on small business success: A case of small enterprises under the FELDA scheme. Asian Academy of Management Journal, 22(1), 27–55.

Martina, K., Hana, U., & Jiří, F. (2015). Identification of managerial competencies in knowledge-based organizations. Journal of Competitiveness, 4(1), 129–142.

Morgan, N., Hui, F., & Kimberly, A., W. (2017). Marketing capabilities in international marketing. Journal of International Marketing, 26(1), 61–95.

Morgan, N., Constantine, S. K., & Douglas W., V. (2012). Export marketing strategy implementation, export marketing capabilities, and export venture performance. Journal of the Academy of Marketing Science, 40(2), 271–289.

Murtala, A. I., & Mohammed Noor, M. S. (2016). Mediating role of access to finance on the relationship between strategic orientation attributes and SMEs performance in Nigeria. International Journal of Business and Society, 17(3), 473–496.

Ontorael, R., & Suhadak, M. M. K. (2017). Analysis of the Influence of External and Internal Environmental Factors on Business Performance: A Study on Micro Small and Medium Enterprises (MSMES) of Food and Beverage. RJOAS, 6(66), 47–56.

Pearce, J. A., & Robinson, R. B. (2014). Strategic Management. Penerbit Salemba Empat. McGraw Hill.

Phillipson, J., Bennett, K., Lowe, P., & Raley, M. (2004). Adaptive responses and asset strategies: The experience of rural micro-firms and foot and mouth disease. Journal of Rural Studies, 20, 227–243.

Rita, S., & Miswar, B. W. (2018). The effects of internal and external environment on SMEs empowerment-based environmental management. In Proceedings of the 7th international conference on multidisciplinary research (ICMR 2018