An empirical assessment of the effects of globalisation on the perceived performance of operators in the banking sector in Nigeria

Owoseni, Omosolape Olakitan
Department of Business Administration, Faculty of Social and Management Sciences, Ajayi Crowther University, Oyo P.M.B. 1066 Oyo state Nigeria.

ABSTRACT
Globalization has caused dramatic changes to business practices around the world. Globalization is an interesting phenomenon since it is obvious that the world has been going through this process of change towards increasing economic, financial, social, cultural, political, market, and environmental interdependence among nations. Virtually, everyone is affected by this process because globalization brings about a borderless world. Globalization is a universal phenomenon and that firms are inevitably affected either positively or negatively. While global market opportunities are likely to enhance firm performance, global competitive threats tend to worsen it. Therefore, managers must be aware of such double-edged effects, and try to capitalize on opportunities while converting threats into opportunities. Appropriate strategies, such as developing networking relationships with other firms, must be carefully designed and implemented in order to take advantage of global market opportunities and minimize the threats from increasing competitive intensity.

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becoming prevalent in many industries such as automotive, electronics, toys and textiles. Challenges come from foreign competitors entering firms’ domestic markets, and from domestic competitors reducing their costs through global sourcing, moving production offshore or gaining economies of scale by expanding into new markets. Globalization challenges firms to become more streamlined and efficient while simultaneously extending the geographic reach of their operations.

Responding to these opportunities and challenges increasingly requires a fundamental restructuring of organizational strategy and processes (Bradley et al., 1993). Due to increased competitive pressure, companies are using new technologies to extend their products and operations into the international marketplace (Snow et al., 1996). They are also using these technologies to achieve new innovative transnational organizational forms (Boudreau et al., 1998; Sturgeon, 2002).

Although, no conclusion can yet be drawn on how these aspects of globalization effects relate to organisational performance. Hence, this study is a step to investigating the magnitude and directions of the relationships between these globalization effects and organisational performance. This will help gain a better understanding about the directions of the effects, and determine appropriate strategies to better manage these effects and help organisations stay competitive in a globalized era.

**Literature review**

The most apparent effects of globalization in literature are global market opportunities and global market threats (e.g., Fawcett, Calantone, and Smith, 1997; Fawcett and Closs, 1993; Hafsi, 2002; Jones, 2002; Molle, 2002). Global market opportunities refer to the increases in market potential, trade and investment potential and resource accessibility (Contractor and Lorange, 1988; Fawcett and Closs, 1993; Jones, 2002; Levitt, 1983; Shocker, Srivastava, and Ruekert, 1994). Global market threats refer to the increases in the number and level of competition, and the level of uncertainty (Burgers, Hill, and Kim, 1993; Fawcett and Closs, 1993; Jones, 2002; Ohmae, 1989a; Perlmutter and Heenan, 1986).

**Globalization and business**

The opportunities and threats evoked by globalization have caused firms to adapt their organizational structures and strategies accordingly (Jones, 2002; Knight, 2000). Firms that respond to these trends have been found to improve their performance (Knight, 2000). Although many scholars have often discussed these two effects of globalization, a review of related literature reveals that empirical work on such effects and business firms is still scarce (Clougherty, 2001; Eden and Lenway, 2001; Oxley and Schnietz, 2001). Therefore, this study is interested in analyzing the effects of global market opportunities and threats on the performance of operators in Nigerian banks.

One apparent demonstration of globalisation is the introduction and adoption of Information and Communication Technology (ICT). The adoption of ICTs such as the Internet makes it cheaper and easier for firms to extend their markets, manage their operations and coordinate value chains across borders (Cavusgil, 2002; Williams et al., 2001; Globerman et al., 2001). As Alan Greenspan (2001) has said, "By lowering the costs of transactions and information, technology has reduced market frictions and provided significant impetus to the process of broadening world markets”. ICT adoption fosters globalization by reducing transaction and coordination costs and creating new and expanded markets with economies of scale (Mann et al., 2000; Steinfield & Klein, 1999).

**Globalization and organisational performance**

Global market opportunities enable firms to access worldwide resources and expand into many new overseas markets; thus, enhancing firm performance (Hafsi, 2002; Jones, 2002; Levitt, 1983; Shocker, Srivastava, and Ruekert, 1994 include recent source here); while on the other hand, global market threats can be destructive to firm performance due to an increasing number of competitors and an increase in intensity of competition coupled with higher market uncertainty (Eng, 2001; Fawcett and Closs, 1993; Hafsi, 2002; Jones, 2002; Levitt, 1983; Sanchez, 1997, Thoumarungroje, 2004).

In the past two decades, the world has gone through the process of globalization, one that causes increasing economic, financial, social, cultural, political, market, and environmental interdependence among nations. Business, as well, is inevitably affected by this process of change towards more interdependence. Many forms of organizational restructuring (such as downsizing, reengineering, implementation of cooperative strategies) have been witnessed as responses to globalization (Jones, 2002).

**Globalization effects**

Since the 1980s, dramatic changes has been witnessed in the international and global marketplace. Liberalization of world trade and capital markets led by globalization has created a new and challenging competitive arena for all firms (Nolan and Zhang, 2003). With the trend towards more interdependence among nations, several changes in the business environment have emerged. There has been an emergence of global markets for goods, services, labor and financial capital (Deadoff and Stern, 2002; Hansen, 2002). Consumers’ demands around the world have converged (Fram and Ajami, 1994; Levitt, 1983; Ohmae, 1989a). Increasing trade and investment liberalization evoked by advances in transportation and communication technologies has resulted in larger volumes of international business transactions (Deadoff and Stern, 2002; Fawcett, Calantone, and Smith, 1997; Fawcett and Closs, 1993).

These trends have brought about two key effects of globalization, namely, global market opportunities and global market threats (Contractor and Lorange, 1988; Fawcett and Closs, 1993; Hitt, Keats, and DeMarie, 1998; Molle, 2002; Perlmutter and Heenan, 1986;Sanchez, 1997). It is obvious that globalization not only presents more opportunities to firms, but also higher levels of threats (D’Aveni, 1994; Eng, 2001; Jones, 2002; Oxley and Yeung, 1998; Shocker, Srivastava, and Ruekert, 1994). While opportunities can arise from globalization, competition and uncertainty are inevitable.

**Global market opportunities and organisational performance**

Global market opportunities can be defined as increases in market potential, trade and investment potential and resource accessibility resulting from globalization (Contractor and Lorange, 1988; Fawcett and Closs, 1993; Jones, 2002; Levitt, 1983; Shocker, Srivastava, and Ruekert, 1994). Developments in information technology, removal of trade and investment barriers, privatization, and deregulation of trade and investment policies have provided firms seeking international markets with tremendous opportunities (Scully and Fawcett, 1994). Such changes in the business environment enable firms to not only access new markets but also lower costs by relocating their operations and exploiting cheap resources around the world (Czuchry and Yasir, 2001). Firms can outsource their production in various locations to lower their costs (Chimerine,
Market transactions have also become more efficient due to globalization of technology (Peterson, Welch, and Liesch, 2002). These new market opportunities have eventually fostered rapid growth in various economic sectors in many regions around the world (Graham, 1996).

**Global market threats and organisational performance**

Global market threats can be further categorized into 1) global competitive threats and 2) global market uncertainty. Global competitive threats are defined as the intensified competition in global markets resulting from larger numbers of competitors in the global marketplace (D’Aveni, 1994; Hafsi, 2002). Along with higher competition, another threat posed by globalization is global market uncertainty, which refers to the increasing complexity and demand uncertainty in the market (Burgers, Hill, and Kim, 1993; Chimerine, 1997; Courtney, 2001; Oxelheim and Wihlborg, 1991).

**Global competitive threats**

Although globalization enhances a firm’s market opportunities, it also increases the amount and level of competition faced by such firms. Trade liberalization, technological developments, and convergence of governmental macroeconomic policies associated with globalization have made it easy for firms around the globe to enter different geographic markets, and thus, intensify the competitive atmosphere for firms around the world (Hafsi, 2002; Harvey and Novicevic, 2002). Globalization has dramatically changed the competitive terrain faced by firms from both developed and emerging economies (Nolan and Zhang, 2003; Scully and Fawcett, 1994). Firms operating at different levels—domestic, regional, international and global—are now competing against one another. Hence, it is obvious that globalization has brought about a new competitive landscape referred to as “hypercompetitive markets” (Hitt, Keats, and DeMarie, 1998), one that presents enormous threats to firms in every economic sector since it makes a firm’s relative competitive advantage very time-sensitive (Harvey and Novicevic, 2002).

In addition, globalization also enables consumers to gather information easier, faster, and at lower costs. Thus, they become well aware of alternative products, and are ready to switch. Given a growing number of competitors, resources are becoming increasingly scarce (Castrigiovanii, 1991; Dess and Beard, 1984; Porter, 1980). Such hypercompetitive situations coupled with scarce resources is harmful to firm performance (Beard and Dess, 1981; Singh, House, and Tucker, 1986). Firms are now faced with less pricing flexibility due to intensified competition and buyers’ resistance, which have led to a lower rate of return (Chimerine, 1997).

**Global market uncertainty**

Global market uncertainty, which refers to the increasing complexity and demand uncertainty in the market (Burgers, Hill, and Kim, 1993; Courtney, 2001; Oxelheim and Wihlborg, 1991) is another threat confronted by firms operating in the global marketplace. Firms are faced with increasing difficulties in planning and making decisions (Chimerine, 1997; Hitt, Keats, and DeMarie, 1998). Demand has become hard to forecast for various reasons. Since a growing number of firms now participate in the global marketplace, forecasting demand and/or competitors’ responses has become increasingly difficult. Moreover, technology is changing at a rapid pace and information about new products is easily accessible by consumers. This has enabled consumers to shift between producers, making demand become less predictable and uncertain (Chimerine, 1997).

Since operating in the global marketplace increases the level of uncertainty encountered by firms, their performance is affected. In addition, past studies found a negative relationship between perceived uncertainty and firm performance (Downey and Slocum, 1982; Gerloff, Muir, and Bodensteiner, 1991; Waddock and Isabella, 1989).

**Method**

**Design**

The design for the study is a survey design which measured two variables, independent variable and dependent variable. The independent variable is globalisation effects which comprise global market opportunities, global competitive threat, and global market uncertainty and the dependent variable is perceived performance of operators.

**Sample**

This study is based on a sample of 301 bankers who were selected purposively. The participants comprised 199 (66.1%) males 128 (42.5%) married.

**Research Instrument**

The study made use of questionnaire for data gathering which was divided into three sections. The first section measured demographical information of the respondents; second section measured globalisation effects which is a 24 item scale developed by Thoumarungroje (2004) with a 7-point Likert type response format ranging from strongly disagree” (1) to “Strongly Agree (7) and the third section measures firm performance which was adopted for the study. The scale is a four self-reported items which reflect the level of a manager’s satisfaction in terms of return on investment, sales goals, profit goals, and growth. These items were adopted from Grewal and Tansuhaj (2001) and was rated on a seven-point scale (1= very unsatisfactory, neutral, and 7= very satisfactory). The author reported Cronbach alpha of 0.92 for global market opportunities; 0.92 for global competitive threat; 0.81 for global market uncertainty; and 0.91 for firm performance. But for the present study, the researcher reported Cronbach reliability of 0.95, 0.91, 0.92, and 0.96 respectively.

**Statistical Analyses**

The demographic information was analysed using frequency counts and simple percentages. Also, the hypotheses for the study were analysed using regression analysis and Pearson correlation. Hypothesis 1 was tested using regression analysis and hypothesis 2 was tested using Pearson correlation.

**Results**

In the above table, 199(66.1%) of the respondent were males, and their female counterparts were 102(33.9%) respectively. The table also reveals that 173(57.5%) of the respondents were Single, while 128(42.5%) were Married. It was also revealed in the table that majority of the respondents were Young and followed by the older ones. It was also revealed in the table that majority of the respondents were B.sc/B.ed/BA holders, followed in succession by those with NCE/OND holder, MA/M.Ed holders and lastly by those with Ph.D holder.

**Hypotheses Testing**

Hypothesis one: There will be a joint effect of global market opportunities, global competitive threat, and global market uncertainty on performance of operators.

It was shown in the table above that the joint effect of global market opportunities, global competitive threat, and global market uncertainty on the performance of operators was significant (F(3,297) = 73.570; R = .653, R² = .426, Adj. R² = 0.421; P < .05).
About 43% of the variation was accounted for by the independent variables while the remaining 57% was not due to chance. The hypothesis is therefore accepted.

The result above shows the relative contribution of each of the independent variables on the dependent variable Global Market opportunities ($\beta = .291, P < .05$), Global Competitive threat ($\beta = .101, P > .05$), Global Market Uncertainty ($\beta = .333, P < .05$), respectively.

Hence, Global Market Opportunities and Global market Uncertainty were found significant while Global Competitive threat was not.

Hypothesis 2: There will be a significant relationship between global market opportunities and the performance of operators

It was shown in the table that there was a significant relationship between global market opportunities and performance of operators ($r = .586**, N= 301, P < .05$). The hypothesis is therefore accepted.

**Discussion and implications for managers**

The result of this study shows that there was a joint effect of global market opportunities, global competitive threat, and global market uncertainty on the performance of operators. This finding substantiates the argument that globalization brings about both opportunities and competition. The opportunities and threats evoked by globalization have caused firms to adapt their organizational structures and strategies accordingly (Jones, 2002; Knight, 2000). Firms that respond to these trends have been found to improve their performance (Knight, 2000).

Although globalization enhances an organisation's market opportunities, it also increases the amount and level of competition faced by such organisations. Trade liberalization, technological developments, and convergence of governmental macroeconomic policies associated with globalization have made it easy for firms around the globe to enter different geographic markets, and thus, intensify the competitive atmosphere for firms around the world (Hafsi, 2002; Harvey and Novicevic, 2002). Globalization has dramatically changed the competitive terrain faced by firms from both developed and emerging economies (Nolan and Zhang, 2003; Scully and Fawcett, 1994).

The findings of this study also confirmed that there was a significant relationship between global market opportunities and performance of operators. This confirmed previous studies in this area. According to literature (e.g. Hafsi, 2002; Jones, 2002; Levitt, 1983; Shocker, Srivastava, and Ruekert, 1994 include recent source here), global market opportunities enable firms to

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**Table 1: Distribution of respondents by demographical information**

<table>
<thead>
<tr>
<th>Sex</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>199</td>
<td>66.1</td>
</tr>
<tr>
<td>Female</td>
<td>102</td>
<td>33.9</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>173</td>
<td>57.5</td>
</tr>
<tr>
<td>Married</td>
<td>128</td>
<td>42.5</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young</td>
<td>157</td>
<td>52.2</td>
</tr>
<tr>
<td>Old</td>
<td>144</td>
<td>47.8</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Educational qualification</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCE, OND</td>
<td>12</td>
<td>4.0</td>
</tr>
<tr>
<td>B.A,B.ed, B.sc</td>
<td>279</td>
<td>92.7</td>
</tr>
<tr>
<td>MA,M.ed</td>
<td>6</td>
<td>2.0</td>
</tr>
<tr>
<td>Ph.D</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Table 2a: Summary of regression table showing the joint effect of global market opportunities, global competitive threat, and global market uncertainty on the performance of operators**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>DF</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>16096.836</td>
<td>3</td>
<td>5365.612</td>
<td>73.570</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>21660.965</td>
<td>297</td>
<td>72.933</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>33775.801</td>
<td>300</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

R = .653, $R^2 = .426$, Adj $R^2 = .421$

**Table 2b: Summary table showing the independent effects of the variables on the performance of operators**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficient</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>16.106</td>
<td>2.486</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Market opportunities</td>
<td>.401</td>
<td>.094</td>
<td>4.270</td>
<td>.000</td>
</tr>
<tr>
<td>Global Competitive threat</td>
<td>.297</td>
<td>.218</td>
<td>1.358</td>
<td>.175</td>
</tr>
<tr>
<td>Global Market Uncertainty</td>
<td>.555</td>
<td>.111</td>
<td>5.024</td>
<td>.000</td>
</tr>
</tbody>
</table>

**Table 3: Summary of correlation table showing the relationship between market opportunities and the performance of operators**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>N</th>
<th>R</th>
<th>P</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Market Opportunities</td>
<td>38.8505</td>
<td>8.1380</td>
<td>301</td>
<td>.586**</td>
<td>.000</td>
<td>Sig.</td>
</tr>
<tr>
<td>Performance of Operators</td>
<td>51.3654</td>
<td>11.2187</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
access worldwide resources and expand into many new overseas markets which enhances firm performance. Developments in information technology, removal of trade and investment barriers, privatization, and deregulation of trade and investment policies have provided firms seeking international markets with tremendous opportunities (Scully and Fawcett, 1994). Such changes in the business environment enable firms to not only access new markets but also lower costs by relocating their operations and exploiting cheap resources around the world (Czuchry and Yasin, 2001). Organisations can outsource their production in various locations to lower their costs (Chimerine, 1997). Market transactions have also become more efficient due to globalization of technology (Peterson, Welch, and Liesch, 2002). These new market opportunities have eventually fostered rapid growth in various economic sectors in many regions around the world (Graham, 1996).

Also, global market opportunities leads to increase in market potential, trade and investment potential and resource accessibility resulting from globalization (Contractor and Lorange, 1988; Fawcett and Closs, 1993; Jones, 2002; Levitt, 1983; Shocker, Srivastava, and Ruekert, 1994).

The findings from this study nonetheless have some implications for managers. This support the argument that globalization not only benefits firms in terms of increasing opportunities, but also hurts business performance due to higher competitive threats (e.g., Contractor and Lorange, 1999, D’Aveni, 1994, Jones, 2002, Shocker, Srivastava, and Ruekert, 1994). This study elaborated on the different effects that globalization has on business. This study also confirms that globalization is a universal phenomenon and that firms are inevitably affected.

Globalization can affect an organisation’s performance positively and negatively. While global market opportunities are likely to enhance performance, global competitive threats tend to worsen it. Therefore, managers must be aware of such double-edged effects, and try to capitalize on opportunities while converting threats into opportunities. Appropriate strategies, such as developing networking relationships with other organisations, must be carefully designed and implemented in order to take advantage of global market opportunities and minimize the threats from increasing competitive intensity.

In the short run, intense global competition may be deemed harmful for organisational performance. However, in the long run, such competition will provide a healthier economy that benefits the overall society. Higher competition will eventually encourage organisations to aim for continual improvements, which are good for both the organisations and society.

Conclusion

This study has advanced knowledge on globalization phenomenon by looking at the effects it has on business operations. This study has provided considerable support for literature arguing that globalization acts as a two-edged sword, one that can be beneficial and detrimental to business. Therefore, managers should be prepared to cope with such effects and try to capitalize on global market opportunities while carefully managing its inherent threats. Lastly, globalisation is key to attainment of the MDGs.

References


