

AN EMPIRICAL INVESTIGATION ON THE EFFECT OF GLOBALIZATION ON PERFORMANCE OF MANUFACTURING INDUSTRIES IN NIGERIA

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Abstract

This study investigates the effect of globalization on performance of manufacturing industries in Nigeria. Specifically, the study aims to pursue the following objectives: to determine the extent at which trade liberalization affects creativity and innovation, and to ascertain the effect of quality goods and services on customers' satisfaction. The study had a population size of 1,792 from the selected manufacturing firms, out of which a sample size of 327 was drawn using Taro Yamene's formula at 5% error of tolerance and 95% level of confidence. Instruments used for data collection were primarily questionnaires and interview. The total numbers of 327 copies of questionnaires were distributed while 282 copies were returned and 45 copies were not returned. Survey research design was adopted for the study. Two hypotheses were tested using Pearson Product Moment Correlation Coefficient and Simple Linear Regression tools. The findings indicate that trade liberalization significantly affects creativity and innovation to a larger extent ($r = 0.919$; $F = 1517.851$; $t = 38.960$; $p < 0.05$) and that quality goods and services significantly and positively affect customer satisfaction ($r = 0.789$; $F = 461.801$; $t = 21.490$; $p < 0.05$). The study concludes that globalization increases market potential, trade and investment potential and resource accessibility of firms. The study recommends that government should formulate and enforce laws and regulations that restrict the importation of substandard goods and at the same time support and encourage infant industries to improve on quality of their products.

Keywords: Globalization, Performance, accessibility, innovation, Breweries

INTRODUCTION

Egware (2009) traced the history of globalization back to the post-World War II phenomenon. Globalization is viewed as a resumption of a trend observed in the world economy in the 19th century. The process observed before 1914 could hardly be called “globalization” since most regions of the world did not participate and because the speed of transmission and communication was much less feasible than it is today, in organizing markets, or to operate firms at the global level.

Globalization is a concept that encapsulates the growth of connections between people on a planetary scale; it involves the reduction of barriers to trans-world contacts. It involves the widening and deepening of international flows of trade, finance and information in a single, integrated global market. Put differently, globalization is described as the transformation of the world into a global village, as borders disappear, distances shrink and time shortens (Solita, 2000). It finds expression in the increased movement of goods and services across boundaries viz, trade and investment, and often of people via migration. It is driven by the actions of individual economic actors – firms, banks, people – usually in the pursuit of profit and often spurred by the pressures of competition (Agnihotri, 2003). Globalization is the increased integration of world economies through trade and capital flows, facilitated by the phenomenal growth in information technology and the opening up of closed economies and societies (Ezike, 2009).

Shenkar and Luo (2004) refer to globalization as “the growing economic interdependencies of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, as well as through the rapid and widespread diffusion of technology and information.” Globalization involves economic integration; the transfer of policies across borders; the transmission of knowledge; cultural stability; the reproduction, relations, and discourses of power; it is a global process, a concept, a revolution and an establishment of the global market free from sociopolitical control. The unique characteristics of globalization often includes increased capital mobility, decline in costs of transportation, computing and communications. Globalization suggests that greater openness yields unambiguously better manufacturing firm’s performance in terms of the higher level of output and income. This is because removal of trade barriers expands the feasible set of consumption possibilities by providing a more efficient technology to transform domestic resource into good and services (Martin, 2002).

Ninsin (2000) observes that Globalization is about an increasingly interconnected and interdependent world, international trade, investment, finance that has been growing faster than national incomes. It involves technologies that have transformed people’s ability to communicate in ways that would have been unimaginable a few years ago. Furthermore, it offers new opportunities for workers in all countries to develop their potentials and support their families through jobs created by greater economic integration.

Globalization according to Akinbayo (2003) is the process of shifting autonomous economies into the global market. This invariably involves an efficient and dynamic financial sector that is necessary for the facilitation of intermediation and exchange of goods and services. The world is fast becoming a global village, a metaphor that is often invoked to depict global interdependence and the increasing interaction among the integration of economic activities of human societies around the world (Ajayi, 2001).

Statement of Problem

Globalization is the process that allows free flow of people, ideas, services, technologies, investments, information, capital and culture which has the capability to integrate national economies and societies across the globe. Globalization is expected to boost the standard of living of people in participating countries, encourage transfer of sophisticated technology from the developed economies to the developing economies, boost idea generation, guide fair competition, expand trade, and encourage diffusion of techniques among others.

However, what some countries like ours seem to experience is that Globalization cause certain negative impacts, like loss of policy autonomy by developing countries arising from economic liberalization policies, multi-nationals causing social injustice, unfair work conditions, lack of concern for environment, mismanagement of natural resources and ecological damage and the marginalization of developing countries by the developed ones, especially less developed countries who are unable to meaningfully participate in globalization due to weakness and debt.

Consequently, if these trends are not checked it could lead to exploitation of developing countries, cultural homogenization, adverse effects on local economies and the environments, and technologies in developing economies could be stolen due to multinationals building products overseas. Thus, this study is carried out to examine the effect of globalization on the performance of selected manufacturing firms in south–south, Nigeria.

Objectives of the study

- i. To determine the extent at which trade liberalization affects creativity and innovation.
- ii. To ascertain the effect of quality goods and service on customer satisfaction.

Research Questions

The following questions were formulated to serve as guide to the researcher:

- i. To what extent does trade liberalization affect creativity and innovation?
- ii. What is the effect of quality goods and service on customer satisfaction?

Research Hypotheses

The hypotheses formulated below will guide the study:

- i. Trade liberalization significantly affects creativity and innovation to a larger extent.
- ii. Quality goods and service significantly affect customer satisfaction.

Review of related Literature

Conceptual framework

Held and McGrew (2003) expand on this, that globalization denotes the expanding scale, growing magnitude, speeding up and deepening impact of interregional flows and patterns of social interactions. It refers to a shift of transformation in the scale of human social organization that links distant communities and expands the reach of power relations across the world's major regions and continents. Globalization today different from everything that preceded it, is the interconnectedness of political, economic, cultural, educational and technological agenda, complemented by the intensity of its omnipresence all over the world as measured by the speed with which its diverse components can affect people's lives. To Abdi et al. (2006, p. 20) Globalization refers to the process of increasing social and cultural interconnectedness, political interdependence, and economic, financial and market integrations that are driven by advances in communication and transportation technologies, and trade liberalization (Molle, 2002; Orozco, 2002).

Globalization and firm performance

Since the effects that global market opportunities and threats have on firm performance are almost unexplored, the two impacts included in this thesis are designed to study the relationships between the two effects of globalization on firms' performance and their international marketing cooperation and performance. On the one hand, it is suggested that global market opportunities enable firms to access worldwide resources and expand into many new overseas markets; thus, enhancing firm performance (Hafsi, 2002; Jones, 2002; Shocker, Srivastava & Ruekert, 1994). 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 & Closs, 1997; Hafsi, 2002; Jones, 2002).

Theoretical Framework

Dependency theory

In the 1970s, dependency theory was propounded as a structural - globalist view with particular reference to Latin America which also generally applies to all less developed countries (Michael, 1998:102). This theory suggests that the world system has been planned in such a way that core countries are made influential and wealthy while periphery countries remain impoverished, feeble and reliant on the core for security, investment and insight (Stevenson, 1994:309). The main focus of dependency theory was to explain the gap between the rich and the poor nations of the world. The theory holds the view that the rich nations are rich because the poor nations are poor. It creates a worldview which suggests that the wealthy nations of the world need a peripheral group of poorer states in order to remain wealthy.

Many of those who started as dependency theorists have come to be identified with world-system theory. Andre Grunder Frank is one of those who identified with a world-system perspective (Shannon, 1996:15). Dougherty and Pfaltzgraff (1997:241) similarly held that the view of the dependency theorists suggests that the relationship which exists between the Northern core and the Southern periphery is 'far from being a relationship of mutual-interest cooperation'. It means 'both the subordination of the latter to the former and the exploitation of the latter by the former'. In support of this, Frank's version of dependency affirms that an unfair relationship exists between developed capitalist nations and the periphery (Shannon, 1996:16).

Empirical Review

Aluko, Akinola and Sola (2004) conducted a study on the impact of globalization on the Nigerian manufacturing sector with focus on selected textile firms from Lagos; Asaba and Kano. The data were collected using both qualitative and quantitative methodologies. The former was collected through interviews while the latter were collected via structured questionnaire and documents. In all, 630 respondents were used for the study. The respondents were selected using multiple sampling techniques – comprising of (i) stratified random sampling (ii) quota sampling, and (iii) systematic sampling techniques. The data were analyzed using parametric and non-parametric statistics. The main finding of the study is that globalization had strong adverse effects on capacity utilization in the manufacturing sector. And that the problems associated with globalization and liberalization of trade hindered economic growth and sustainable development. The study concluded on the note that Nigeria needs to have a second thought on globalization and her membership of the WTO agreement if she does not intend to do away with the manufacturing sector of the economy.

Agu, Nnaemeka and Nneka (2016) conducted a study on impact of globalization on Nigeria manufacturing sector. Specifically, the study aimed to pursue the following objectives: to evaluate the impact of trade liberalization on the consumption of Nigeria made products, to determine the impact of technology on product quality in the Nigeria manufacturing industry, to ascertain the effect of globalization on employee job relations in the Nigeria manufacturing industry. The study had a population size of 640, out of which a sample size of 246 was realized using Taro Yamane Formula at 5% error to tolerance and 95% level of confidence. The instrument used for data collection was primarily questionnaire and interview. The total numbers of 246 copies of the questionnaire were distributed while 230 copies were returned. The descriptive research design was adopted for the study. Three hypotheses were tested using linear regression statistical tool. The findings indicate that trade liberalization has significant negative impact on the consumption of Nigeria made products ($r = 0.893 > r = 0.544$; $T_c = 29.976 > t = 4.321$; $p < .05$). Technology has a positive impact on product quality in the Nigeria manufacturing industry ($r = 0.718 > r = 0.544$; $t_c = 5.591 > t = 4.321$; $p < .05$). Globalization has significant positive effect on employee job relations in the manufacturing industry ($r = 0.909 > r = 0.544$; $t_c = 33.223 > t = 4.321$; $p < .05$). The study concluded that globalization is a sword of double edge that promotes and demote economic activities of any developing nation. The study recommends that government should reposition its policies in

order to monitor the activities of these agents of globalization as it affects our manufacturing sector.

Rasaki, Hakeem, and Emmanuel (2013) conducted a study on globalization and economic growth in Nigeria. The study adopts descriptive statistics, regression analysis and correlation analysis on the macro economic variables. The objectives of the study were to: describe the trend of macroeconomic variable; examine the impact of globalization on economic growth of Nigeria; to determine the relationship between foreign direct investment, inflation and exchange rate; relationship between trade openness and exchange rate, inflation and dummy (structural change) variable; estimates the factors contributing significantly to the economic growth in Nigeria and to proffer policy recommendation on how globalization can further enhance the economic development of Nigeria. The result shows that interest rate has been fluctuating with respect to the years under review, the result further revealed that, inflation is a significant variable contributing to economic growth (proxy by RGDP), inflation and exchange rate shows a negative relationship but significant at 5 percent level of probability and inflation is the only significant variable having positive relationship with the foreign direct investment in the model. Based on research findings, the study concluded that inflation plays a significant factor if the economy is to enhance economic growth in the world economy. The study therefore recommended that fiscal and monetary policies should be given priority to with a view to enhancing economic growth through globalization.

Methodology

The study was carried out primarily through the survey method and interview of members of the selected manufacturing firms: Nigeria Breweries Plc and Coca Cola Plc. Secondary data were obtained through books, journals, and internet. The study had a population of 1,792 consisting of Nigerian Breweries (1,010) and Coca Cola Plc (782). A sample size of 327 was obtained through the use of Taro Yamani sample size determination formula and this method is suitable for this because our population is known. 327 copies of the questionnaire were distributed, 282 (86%) of the questionnaire distributed were returned while 45 (14%) of the questionnaire distributed were not returned / mutilated. The questionnaire was designed in 5likert scale format. The researcher conducted a pre-test on the questionnaire to ensure the validity of the instrument. The reliability test was done using test-retest method with the help of spearman ranking correlation coefficient. The result gave a reliability coefficient of 0.65, indicating a high degree of internal consistency. Data collected were presented in frequency tables. Simple linear regression statistical tool was used to test the hypotheses.

Data Analysis and Discussion

The data obtained from the field were presented and analyzed with descriptive statistics to provide answers for the research questions while the corresponding hypotheses were tested with simple linear regression at 0.05 alpha levels.

Table 1: The Extent at which Trade Liberalization Affects Creativity and Innovation.

| Questionnaire Items | SA | A | U | D | SD | Total |
|--|-----|-----|---|---|----|-------|
| Trade liberalization foster threat companies which encourage creativity and innovation | 192 | 80 | 2 | 5 | 3 | 282 |
| Trade liberalization encourage companies embark on invention of new products | 200 | 75 | 4 | 1 | 2 | 282 |
| Total | 392 | 155 | 6 | 6 | 5 | 564 |

Source: Fieldwork, 2019

According to Table 1, based on aggregate response, 392 (70%) indicated strongly agree, 80 (14%) indicated agree, 6 (1%) were indifference, 6 (1%) disagree while 5 (7%) indicated strongly disagree with statement. This implies that trade liberalization significantly affects creativity and innovation to a larger extent.

Table 1a Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .919 ^a | .844 | .844 | .23663 | .308 |

a. Predictors: (Constant), Trade Liberalization

b. Dependent Variable: Creativity and Innovation

Table 1b ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|----------|-------------------|
| 1 | Regression | 84.989 | 1 | 84.989 | 1517.851 | .000 ^b |
| | Residual | 15.678 | 280 | .056 | | |
| | Total | 100.667 | 281 | | | |

a. Dependent Variable: Creativity and Innovation

b. Predictors: (Constant), Trade Liberalization

Table 1c Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|----------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .252 | .031 | | 8.103 | .000 |
| | Trade Liberalization | .768 | .020 | .919 | 38.960 | .000 |

a. Dependent Variable: Creativity and Innovation

R = 0.919
 R² = 0.844
 F = 1517.851
 T = 38.960
 DW = 0.308

Interpretation:

The regression sum of squares (84.989) is greater than the residual sum of squares (15.678), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.919, indicates that there is positive relationship between trade liberation and creativity and innovation. R square, the coefficient of determination, shows that 84.4% of the variation in creativity /innovation is explained by the model. With the linear regression model, the error of estimate is low, with a value of about .23663. The Durbin Watson statistics of 0.303, which is not more than 2, indicates there is no autocorrelation. The trade liberation coefficient of 0.919 indicates a positive significance between trade liberation and creativity/innovation, which is statistically significant (with t = 38.960). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus, trade liberalization significantly affects creativity and innovation to a larger extent.

Table 2: The effect of quality goods and service on customer satisfaction

| Questionnaire items | SA | A | U | D | SD | Total |
|--|------------|------------|----------|----------|----------|------------|
| Companies retain their customers through provision of quality goods and services | 214 | 64 | 1 | 1 | 2 | 282 |
| Customers repurchase a product if they observes that the product possess the quality | 222 | 51 | 3 | 4 | 2 | 282 |
| Total | 436 | 115 | 4 | 5 | 4 | 564 |

Source: Fieldwork, 2019

According to Table 2, based on aggregate response, 436(77%) indicated strongly agree, 115 (20%) indicated agree, 4 (1%) were indifference about the assertion, 5 (1%) disagree with statement while 4 (1%) indicated strongly disagree. This implies that quality goods and service significantly affect customer satisfaction

Table 2a Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .789 ^a | .623 | .621 | .34551 | .298 |

a. Predictors: (Constant), Quality goods/services

b. Dependent Variable: Customer satisfaction

Table 2b ANOVA^a

| | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|----------------|-----|-------------|---------|-------------------|
| 1 Regression | 55.128 | 1 | 55.128 | 461.801 | .000 ^b |
| Residual | 33.425 | 280 | .119 | | |
| Total | 88.553 | 281 | | | |

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Quality goods/services

Table 2c Coefficients^a

| Odel | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|------------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | .401 | .044 | | 9.151 | .000 |
| Quality goods/services | .636 | .030 | .789 | 21.490 | .000 |

a. Dependent Variable: Customer satisfaction

R = 0.789

R² = 0.623

F = 461.801

T = 21.490

DW = 0.298

Interpretation:

The regression sum of squares (55.128) is greater than the residual sum of squares (33.425), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance. R, the correlation coefficient which has a value of 0.789, indicates that there is positive relationship between quality goods/services and customer satisfaction. R square, the coefficient of determination, shows that 62.3% of the variation in customer satisfaction is explained by the model.

With the linear regression model, the error of estimate is low, with a value of about .34551. The Durbin Watson statistics of 0.298, which is not more than 2, indicates there is no autocorrelation. The quality goods/services coefficient of 0.789 indicates a positive significance between quality goods/services and customer satisfaction, which is statistically significant (with t = 21.490). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus, quality goods and service significantly and positively affect customer satisfaction.

Summary of Findings, Conclusion and Recommendations

Summary of findings

The findings at the end of this study include the followings:

- i. Trade liberalization significantly affects creativity and innovation to a larger extent ($r = 0.919$; $F = 1517.851$; $t = 38.960$; $p < 0.05$).
- ii. Quality goods and service significantly and positively affect customer satisfaction ($r = 0.789$; $F = 461.801$; $t = 21.490$; $p < 0.05$).

Conclusion

The study concluded that globalization comes with enormous challenges such as liberalization of markets, intense competition, decline of domestic job opportunities and revenues, economic volatility of the integrated markets, cyclical crises, and non-tariff barriers to trade, spread of pandemics, and new security issues. Globalization increases market potential, trade and investment potential and resource accessibility of firms. It has become easier for firms to outsource their production to different locations to gain benefits from location advantage since less trade and investment barriers are present in today's global marketplace.

Recommendations

Based on the findings of this study and the conclusions drawn therefrom, the following recommendations were made:

- i. Governments should formulate and enforce laws and regulations that restrict the importation of goods that are of substandard quality and at same time encourage infant industries to improve in quality.
- ii. Organizations should incorporate programs that will serve as platform for training employees to acquire skills and knowledge that can assist them to compete favorably with international standard.

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