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Globalisationand Business Performanceinthe Nigerian Business Environment: Correlation Analysis

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ABSTRACT: *Globalisation is a very vital phenomenon as it associates itself with the sharing of resources, knowledge and skills, culture and so much more across different geographical boundaries. Globalisation has led to trade openness which according to theory has helped in the growth of different businesses across different geographical boundaries. Nigeriadepends on oil as its main source of revenue, although the country is seeking other alternatives sources of revenue like taxes and is not left out of globalisation. This study aims to find out the effect that globalisation has on the Nigerian business environment. We seek to know how globalisation has aided the growth of the Nigerian business environment. It also seeks to know the problems indigenous businesses face due to globalisation.The study will employ the use of correlation techniques to know how globalisation and business performance are interrelated. The relevant literatures were reviewed and discussed within the context of this study. The data for the study which are FDI (Foreign Direct Investment) and GDP (Gross Domestic Product) which weresourced from the World bank bulletin. Findings from this research was harnessed and reported for policy implementation*.

KEYWORDS: *Globalisation,Nigerian,Business,Environment, Geographical boundaries*

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I. INTRODUCTION

Globalisation has been defined in different ways by different authors. Mattová (2003) was of the opinion that "Globalization is intensification of global relations that connects distant localities in such ways that local events are formed by events that happen many kilometers away and vice versa".This definition shows us that globalisation has ledto an increase in the way different countries relate across different boundaries and the events that happen within those countries are caused by what is occurring in other countries.

In the opinion of Appelbaum and Robinson (2005) globalisation is altering how we have traditionally gone about studying the social world and human culture". The authors were trying to show us that globalisation is a shift from the conventional way of studying the way humans interact and live. With globalisation there is a shift from cultural practices that is culture from other countries are accepted and practised in a particular country or countries. Globalisation has led to a departure from a particular way of thinking as different individuals from different countries now interact with each other and there will be exchange of ideas and information.

Rakesh J. (2009) was of the opinion that "Globalisation is the closer integration of the countries and peoples of the world, brought about by the enormous reduction in the costs of transportation and communication and the breaking down of artificial barriers to the flow of goods and services, capital, knowledge and (to a lesser extent) people across the borders".This definition allows us to know that globalisation has to do with the coming together of countries and individuals within the various countries as a result of lower cost of transportation and communication and the breaking down of barriers to entry which restrict the flow of goods and services, capital, knowledge and individuals from one country to another. Globalisation has indeed made the world a centre stage in which individuals and countries can freely play in.

Eze & Nkwede (2012) also defined globalisation as "the intensification of economic, political, social, and cultural relations across borders.Globalisation has resulted in an increase in the way countries relate economically. socially, politically and culturally.Countriestrade labour and skills across their borders. Globalisation has indeed made the world a global stage as most countries relate more in all aspects as opposed to the past. The economic and political issues arising in the 20th century has led to the birth of institutions such as the International Monetary Fund, World bank, United Nations and World Trade Organisation which has further made the world a global village.

We can see from the various definitions of globalisation that it is indeed a very important phenomenon and it affects the lives of different individuals from different countries has it can lead to an increase in the standard of living of those individuals and it can also lead to the increase in the welfare of the individuals as a result of the expansion of their income. However, globalisation also has a negative side as individuals from developed countries misuse individuals from developing countries. Examples of such happenings in Africa is in the Lunda Norte province of Angola where children are misused in mines and are subjected to sex slavery. Other industries that Angolans are exploited are in the fishing,construction,domestic service.Multinationals sack Nigerian workers indiscriminately as reported by the International Labour Organisation in 2017 in the 106th session of her conferencewhen the body had its conference in Geneva,Switzerland.Zambians are exploited in Chinese-owned minesas seen in the report "Labour Abuses in Zambia's Chinese State-Owned Copper Mines".Other disadvantages are Uneven Wealth Distribution, Monopoly, Loss of culture.

II. STATEMENT OF PROBLEM

The Nigerian Business environment is a peculiar environment with problems such as inadequate social amenities, Lack of sufficient credit facilities, corruption and bad business policies. According to the Executive Chairman, Xcellon Capital Advisors Limited, Chamberlain S. Peterside as reported by Financial Nigeria "The year 2016 went down as one of the toughest and most challenging years for most Nigerians. The challenges experienced by most citizens and business operators in the country in 2016 may not be quickly forgotten. Their effects may even linger for the foreseeable future. This is due to the far-reaching implications of some underlying factors in the macro environment such as the devaluation of the naira, high inflation, amongst others". With the information we have gotten we realize that Nigerian business environment is a tough environment.

With the advent of globalisation there has been a rapid increase in the rate of trade and flow of resources such as labor, knowledge and capital, technology between Nigeria and other countries but also with the positive side comes the negative side of globalisation. Among the negative sides of globalisation is the competition between Multinationals and Infant companies which can lead to the death of infant companies. The policies set by the government does not efficiently help the business environment to grow.

III. OBJECTIVES OF THE STUDY

The main objective of the study is to know the effect of globalisation on the Nigerian business environment.
1 To examine the relationship between globalisation and business performance in Nigeria.
2 To examine the problems that indigenous companies face as a result of globalisation
3 To examine the positive and negative effect of globalisation on the Nigerian business environment.

IV. RESEARCH QUESTIONS

The study seeks to answer the following questions
1 What is the relationship between globalisation and business performance in Nigeria?
2 What are the problems indigenous companies face as a result of globalisation?
3 What are the positive and negative effects of globalisation on the Nigerian Business Environment?

V. RESEARCH HYPOTHESES

From the research objectives we have formulated the following hypotheses
H1: There is a relationship between globalisation and business performance in Nigeria
H0: There is no relationship between globalisation and business performance in Nigeria

VI. REVIEW OF RELATED LITERATURE

CONCEPT *OF GLOBALISATION*

Globalisation has been described by different researchers. Wade (1996) referred globalisation as the growing integration of economies and societies around the world. Globalization of the economy includes the growing of internationalization of trade, capital investment, finance, business and the technology of production. Globalisation was defined as the multidimensional process of unprecedented rapid and revolutionary growth in the extensiveness and intensity of interconnections on a truly global scale". (UNDP: National Human Development Report,2000/2001). Globalization at a broad level is an increase in the impact on human activities of forces that span national boundaries. These activities can be economic, social, cultural, political, technological, or even biological, as in the case of disease. Additionally, all of these realms can interact (Stiglitz, 2006).

DRIVERS OF GLOBALISATION

In the opinion of Larne (2015), drivers refer to "the global forces that have fuelled the process of globalization". The following factors have accelerated globalisation:

(1) Worldwide reduction of barriers to trade and investment:Government of the world have sought to reduce the barriers to trade and investment,which has driven globalisation.In the 1920s and the 1930s nations were removing barriers to international trade and Foreign Direct Investment in the form of both tariff and non-tariff barriers. Now it is easier for nations to trade with other nations due to reduction of barriers to trade and investment, this has made the world a global village.

(2) Industrialization, economic development and modernization:Due to Industrialization emerging markets in Asia,Latin,America and Eastern Europe from being low value commodity adding producers who depend on low cost of labor to highly competitive producers and exporters of valuable products such as electronic, computers and aircraft.

(3) Advances in Technology: Due to advances in technology in the area of communication,information,manufacturing and transportation there has been an acceleration of globalisation.The cost of doing business internationally has been reduced, the smaller firms are able to go internationally,spread of new products and technologies. After World War II the world have seen advances in technology in different areas such as information processing, communication, transportation technology, introduction of internet and World Wide Web. Since individuals and businesses are able to communicate with each other than before it easier for the different parties to trade, thereby making the process of globalisation easier.

- Microprocessors and telecommunication: Due to the microchip large amount of information is processed by individuals and firms. Also, along with this development is the development of satellite, optical fibre and wireless technologies resulting in revolution of communication. Due to this information can flow from one organisation to another and one country to another.
- The internet and the World Wide Web: The growth of the internet has made the world a global village as it is easier for businesses and individuals to communicate with each other through the use of internet. In 1990 there was less than 1 million users of the internet. The numbers of users went up to 50 million in 1995 and 665 million in 2002.There was an estimation that there will be 1.2 billion users by 2005.Transactions are conducted on the internet such as business to business and business to consumer.
- Transportation technology: Since World War II there has been major changes in transportation technology such as the development of commercial jet, super-freighters, containerization which makes it easier to tranship from one mode of transport to another. The business of transport has changed due to containerization. Before containerization moving goods from one transport to another is time consuming and labour-intensive. Due to the popularity of containerization in the 1970s and 1980s has lead to the growth of the world's container fleet which has led to the growth of international trade and the improvement of transportation technology.

(4) The Emergence of Global Institutions: Globalisation has led to the rise of global institutions such as IMF,World Bank,United Nations.These global institutions help to manage,regulate and monitor the global marketplace and establish the treaties to govern the global business system. The World Trade Organisation and General Agreement on Trade and Tariff specialise in the area of International Trade. The World Bank and the IMF specialise in the area of international finance. The United Nations is has the duty to maintain world peace through the use of security and cooperation among countries.

(5) Increasing Competition: In the last decades there have been changes in the world economy such as the breakdown of the communist system and the liberalization of countries in Asia and Latin America. Communist States that were closed to the world are now uncomfortable due to the transition path which is occurring as a result of globalisation. There are four countries from the developing world that are seen as future global leaders, they are brazil, Russia, India and China. These countries have great potential to do much business and investment and there has been emergence of Multinationals from these countries.

VII. THEORETICAL FRAMEWORK

Globalization has its deep roots in history and although in mostit being a new happening, historians identify that, in some significant respects, it is not new. Economic historians trace modern era of globalization to approximately to the period from 1870 to 1914, a period often considered to be the birth of the modern world economy. The first modern stage of globalization was followed by two additional stages, one from the late 1940s to the mid-1970s and another from the mid-1970s to the present (Friedman, 2005). Globalization has caused a shift in the natures and qualities of various economic dimensions of many nations of the world particularly the third world countries learning from their encounters with past colonial masters. It has brought about a change in their trade pattern, which is the method of exchange of goods and services among countries. Globalization has influenced countries finances which involves the exchange of assets or financial instruments among countries. The aids granted, that are usually given in the form of transfer of loans and grants among countries, as well as technical assistance for capacity building. This also applies in the temporal or permanent system of migration of its citizens, due to reasons of education, employment and hostile political environments. Furthermore, is the transfer of skills and knowledgethis is regarded as the most important benefit of globalization.

World **System Theory**

World System Theory developed out of an attempt to explain the failure of certain states to develop. Looking at Latin America, their economies could not compete, global capitalism forced certain countries into under-development. Under this theory Trade is asymmetrical and poor countries are dependent on rich states. International organisations do not influence the fundamental position of core and periphery because most NGOs and IGOs are created by core countries. The idea that governments and international institutions can make the system 'fair' is an illusion (because they always reflect interests of capitalists)

VIII. THE NIGERIAN BUSINESS ENVIRONMENT AND PERFORMANCE IN PERSPECTIVE

Modern business organizations operatewithin a dynamic business space given the trend of globalization, transforming technological advancements and several other factors. Business organizations exist, co-exist, compete and cooperate in a dynamic and interrelated environment that is characterized by complexity, volatility and continuous competition. This implies that just like organisms, business organizations have to adapt to the dynamic environment in which they exist (Morgan, 1996). Multinationals have to contend with certain basic issues when making entry into and maintaining relevance in any host country. The Nigerian context can reasonably be described as an unfolding one, as the policies underpinning many key sectors are still evolving. It has also been labelled in different forums with regards to matters of; policy inconsistency, lack of transparency and accountability in relation to execution of specific political, social, financial and economic fundamentals. In these circumstances, multinationals usually bear the unenviable burden of making strategic business decisions on the basis of faulty assumptions which could impact negatively in the foreseeable future. In light of the peculiarities associated with the Nigerian business terrain; it is needful to expound specific issues that multinational organizations should prioritize in terms of the consequences it portends.

However, a host of these multinationals have the financial muscles to cope with the Nigerian business environment, and in turn almost and if not completely knock-off local competition either through volume of trade, quality marketing strategies and promos, pricing, legislation, etc. This in turn, posed a serious and herculean challenge for local business organizations who financial strength is mostly weak. The business environment is affected greatly by the following factors:

a. Political disposition
b. Legal and regulatory climate
c. Infrastructural dimension
d. Insecurity
e. Poor human capital development, etc

IX. PROBLEMS INDIGENOUS FIRMS FACES AS A RESULT OF GLOBALIZATION

While it is true that globalization creates opportunities for SMEs to be effectively involved in global markets, it also poses numerous challenges and problems. Globalization which refers to a fundamental shift in world economy in which nations are moving toward an interdependent global economic system (Hill, 2009). Globalization has resulted in markets in which previously historically separate markets have become one huge global marketplace as a result of reductions in trade barriers and advances in information and transportation technologies. As a result, small firms can now participate in international trade right from inception. Another facet of globalization is globalization of production. Companies can locate production facilities in countries where labour and other production inputs are cheaper. The end result is that globalization presents new threats for small companies in Nigeria in the form of increased competition from foreign entrants. Locally manufactured goods now compete with cheaper good quality products from emerging economies, such as China, India, and Brazil. The problems faced include:

Inadequate Assistance from Government
Unfavourable Loan Conditions for Businesses
Poor Physical Infrastructure
Limitations to International Expansion

Other problems include:

1. Environmental pollution and degradation
2. Insecurity
3. The roles of international financial institution
4. Technological imbalance

5. Brain drain, etc

X. METHODOLOGICAL FRAMEWORK AND SOURCES OF DATA

This paper employs annual data for the period 2001:1 to 2016:15 sourced from the World Bank database on Nigeria. The variables are Foreign Direct Investment (FDI)), and Gross Domestic Product (GDP). Both foreign direct investment and gross domestic product were computed from their actual series as the annualized standard deviation of thepercentage change in the daily price.

Drawing from the works of Jin (2008), the paper adopted a correlation analysis technique to get new insights into relationships that exist foreign direct investment (FDI) used to connote globalization and gross domestic product (GDP). The correlation model was adopted and abstracted and constructed as stated in Jin (2008).

In order to avoid voluminous analysis, a model specification was prescribed and a tabular representation of correlation results was computed and represented in a correlated graph to show the relationship between the two variables in perspective and the impact of the independent variable (FDI) on the dependent variable (GDP). Thus, the model equation is specified as follows:

$$G = f(F)$$

Which could otherwise be stated as:

$$G = \alpha_0 + \alpha_1 F + \mu$$

Where G denotes Gross Domestic product; F denotes Foreign Direct Investment while α_0 connotes the constant variable and α_1 the co-efficient and slope of the independent variable.

Table 1: Correlation Result

	G	F
G	1.000000	-0.73636
F	-0.73636	1.000000

Source: E-view Result

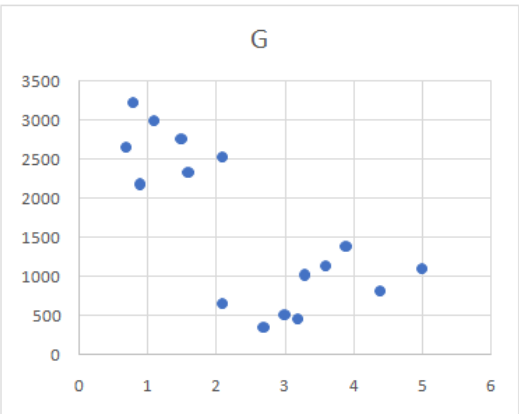
Interpretation of Result

The table above is the computed result gotten from E-view using correlations. It is important to note that correlation analysis is a method of statistical evaluation used to study the strength of a relationship between two, numerically measured, continuous variables (e.g. height and weight). This particular type of analysis is useful when a researcher wants to establish if there are possible connections between variables. It is often misunderstood that correlation analysis determines cause and effect; however, this is not the case because other variables that are not present in the research may have impacted on the results. If correlation is found between two variables it means that when there is a systematic change in one variable, there is also a systematic change in the other; the variables alter together over a certain period of time. If there is correlation found, depending upon the numerical values measured, this can be either positive ornegative. The relationship is measured on a scale of -1 to +1. From our result, we have a scale of approximately -0.7 to 1. This means the relationship between the two variables in question is highly negative.

XI. DISCUSSION OF RESULT

Presented below are some graphical representations of the correlated relationship between the two variables under study viz: (FDI and GDP).

A.



B.

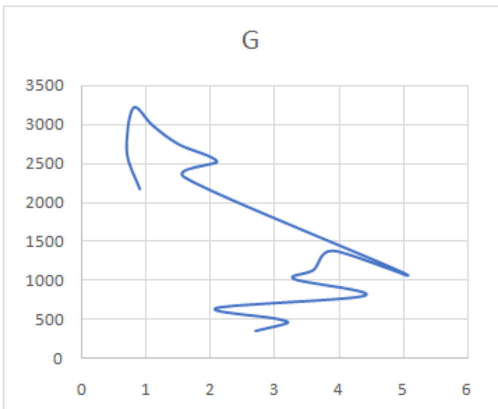


Fig. 1: Scattered Diagram and line graph of FDI and GDP in Nigeria between 2001 and 2016

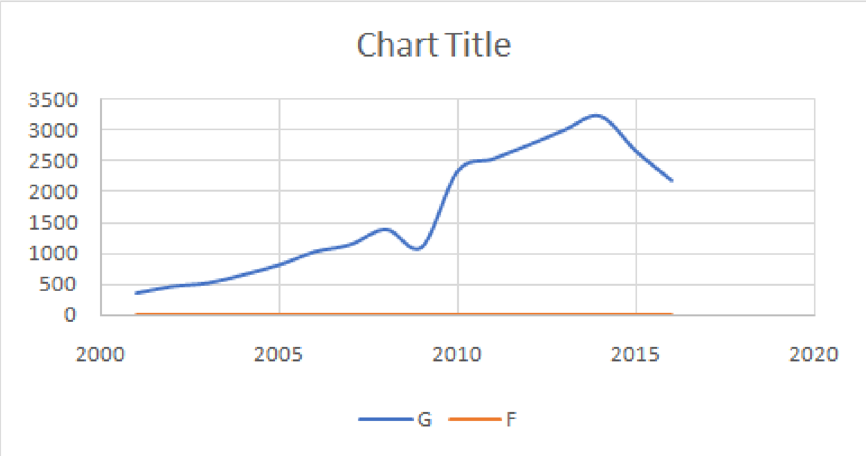


Fig 2: Trend analysis of FDI and GDP in Nigeria between 2001 and 2016

The figures above show the relationship between FDI and GDP. It graphically confirms the correlation result that there is negative relationship between FDI and GDP. Thus, whenever there is increase in FDI it results to a fall in the national GDP. It is important to remember that FDI was used to represent the globalization and GDP the Nigeria business performance. It thus implies that globalization has had a negative effect on the business performance in Nigeria. It follows from our analysis that an increased effect of globalization in Nigeria would reduce the performance business index in the country.

XII. CONCLUSION AND RECOMMENDATION

In this paper, we have set out to examine the relationship between globalization and business performance in Nigeria. This analysis was motivated by the fact that the Nigerian economy depends heavily on crude oil and volatility in its prices has and the business environment accounts for less positive impact on the nation's GDP. The study reveals that there has been significant negative effect of globalization on the country's economic as a result of poor business performance in the country.

Globalization is a development that should not be taken likely because it exposes a closed economy to the world at large. In considering the concept of globalization, it is pertinent to analyze aspects of globalization and how it impacts on performance of business organizations in Nigeria. This study has empirically considered the impacts of globalization on business. The result showed that globalization has impacted greatly negatively on the business performance.

Therefore, it should be borne in mind that for great performance to be achieved by business organizations, globalization should be considered as an aspect to look into. It is recommended in the study that despite the negative impact of globalization on business performance Nigeria should not relent in their interaction with their foreign counterpart in doing business in order to increase their foreign earnings. However, the country's business and foreign policy should be to promote local business and local content to help increase foreign exchange and improve the balance of payment. Finally, we also propose that government through the Central Bank of Nigeria should formulate macroeconomic policies that will make the domestic businesses to compete favorably with their foreign counterparts and the policies should be sound to favor economic globalization in the form of legislated foreign privateinvestment, provide interest-free loanable funds to promote SMEs, improved human capital development and entrepreneurship and a better policy that will revalue our Naira against other foreign currencies.

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