International Journal of Research in Engineering, Science and Management
Volume-2, Issue-1, January-2019
www.ijresm.com | ISSN (Online): 2581-5792

The Effects of Globalization on Performance of Global Firms in Financial Sectors Operating in Kenya

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***Abstract*: Financial performance is a skewed gauge of how a firm uses its assets from its core business to generate revenue. Performance is the outcome of all the company operations and strategies. There is several ways to assess the performance of banks and remain competitive in the era of globalization and competition. The objective of this research was to examine the effects of globalization on performance of global firms in financial sectors operating in Kenya. The study focused on the data collected from respondents working in global firms that have presence in Kenya in the financial sector. The findings provide valuable information to both new entrants into the country and those that are already in Kenya. From the findings, most global firms in financial sector operating in Kenya have been in the country for over 50 years. Globalization has helped firms increase market share in areas that have no presence. The globalization strategies also help firms improve profitability by increasing other revenue sources.**

***Keywords*: Globalization, financial sectors and performance.**

1. Introduction

Global firms are basically companies with multinational branches and headquarters in many of the countries they operate (Simplice et al., 2018). Of importance to such an endeavor were evaluated to determine the economic impact of the particular global firms to Kenya. On the other hand, the stimulants of globalization and how they affect the level of performance of the individual multinational firms were under scrutiny. A sectoral approach to the many global firms in the Kenyan economy clearly displays the following industries: beverages, manufacturing, processing, information and communication technology, and finance. These firms have contributed significantly to Kenyan economy. This includes providing employment to the people of Kenya, earn foreign exchange to Kenyan economy hence contribute to gross domestic products and National income. This improves the standard of living and lowers the cost of living to the people of Kenya. They help Kenya to achieve vision 2030 to middle income economy, reconstruction of infrastructures such as standard gauge railway, roads for easy movements of goods and services from Kenya to other regions within and outside the country (Motelle and Biekpe, 2015). Due to the above factors import and export strategies have been developing over time.

A. *Statement of the problem*

A number of studies advance reasons as to why globalization (presence of foreign banks) influences bank's financial Performance (Motelle and Biekpe, 2015; Batuo, 2015; Asongu and Nwachukwu, 2015). The umbrella phenomenon of globalization is anchored on a number of early studies such as: Motelle and Biekpe's globalization and financial growth investigated the outcome of economic globalization on economic increase, particularly for the developing world. International business and globalization have been discussed as mutually exclusive phenomena (Motelle and Biekpe, 2015). However, global firms have only been attributed to taking advantage of globalization for the profit motive (Dunning 2014). This has in turn overshadowed the general performance of these entities. Consequently, there has consistently been a disconnect between productivity and profitability of multinational businesses. This study aimed at examining the impact of globalization on performance of global firms in financial sector operating in Kenya.

B. *Study objective*

1. To examine the effect of globalization on the performance of global firms in the financial services sector in Kenya.

C. *Hypothesis*

H1 Globalization has a positive effect on the performance of global firms in the financial services sector in Kenya.

D. *Effects of globalization on performance*

Many foundations for organizations to be successful have been provided by globalization. It has provided global market opportunities to enable firms to access resources globally and expand out into new overseas markets, increasing performance (Payne and Nassar, 2015). However, according to Asongu and Rangan (2015), it is also challenging for organizations, especially those operating in developing countries, to perform efficiently. International market threats can be disastrous to an entity performance due to multiplication of rivals and rise in intensity of rivalry and higher market unpredictability (Payne and Nassar, 2015).

1) Development of market strategies

Firms giving more attention to alignment of marketing and HR are able to get greater successes in their strategy implementation. Specifically, marketing managers should foster relationships with HR colleagues by emphasizing: joint reward systems and written communication. Implementers of these are; Top management, middle level management, and lower level management and support teams. Asongu (2015). Effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process (Koskei et al., 2016). Quality is the skills, attitudes, capabilities, experiences and other physiognomies of people needed (Asongu, 2015). On the other hand, Batuo and Asongu (2015) argues that an organization must first convince its workforce about the benefits of organizational goal before looking for clients. Asongu (2014) indicates that customer based brand equity consisted of two dimensions, brand knowledge and brand image. This study looked at how market development strategies adopted by global firms operating in Kenya and how it impacted their profitability and market share. He also considers brand awareness, brand associations, perceived quality, and brand loyalty to be the most important dimensions of consumer based perspectives.

2) Diversification strategies

Diversification is defined as a collection of single entities under one umbrella company. According to Asongu (2014), three tests must be passed in order for diversification to be considered a success. This success means to add shareholder value. These tests require that the industry to be entered should be attractive to constantly provide a good return on the venture. Secondly, the entry fee should be affordable to avoid to erudition of the potential for profitability and third, the new entity must give potential for the whole business to do better. Diversification necessitates ways of growth which take away the entity from its current markets and products simultaneously (Asongu and Nwachukwu, 2016). The main strategic worry of a manager revolves around how to protect and build its market position, perhaps becomes the market leader contrary to just being a leader. Azzimonti et al. (2014) recommends that a firm can achieve a competitive edge if has expertise and capital that can move into new enterprise lines and markets. Diversification policy is a high risk strategy though it has been accepted by major media houses in Kenya. According to Asongu and Nwachukwu (2016), the main aim in diversification is for managers to avoid repeating previous mistakes through quality strategic survey of diversification solutions. The research looked at how globalization has affected global firms' performance.

3) Product development strategies

Several classification systems for consumer's products have been suggested. One basic distinction is based on whether or not the buyer perceived a need for the item. Thus, an unsought product is one for which the consumer does not yet recognize a need. This classification is based on consumer buying behavior (Asongu and Nwachukwu, 2016). Product innovation such of insurance offer the most tangible way of generating income. Product development requires changes in organization. Organization may need to change its structure, behavior and underlying processes. Process innovation has sometimes been referred to as an alternative to product innovation, especially if it facilitates production so that the product could be produced at lower cost. Innovations in process facilitate the production of new products through increase in flexibility or range of adaptation (Price and Elu, 2014). On the other hand, production of a new product may require changes in the existing processes. For example, new machine procured supports the production of a new product. Various terms have been used to classify and relate product growth (Asongu and Nwachukwu, 2015). Growth of old products involves modernizing and enhancing existing commodities, and new product development, which require considerable degree of transformation challenge.

4) Strategic alliance strategies

According to Asongu and Nwachukwu (2015), strategic alliances are synergies between firms whereby resources, ability and core expertise are merged to pursue a united goal. They allege that economies of scale oriented foreign and domestic firms may form strategic alliances with partners who have complementary resources, capabilities and core competencies. The motives of organizations choosing growth by strategic alliances are many and varied (Koskei et al., 2016). According to Asongu and Nwachukwu (2015), alliances help both foreign and domestic firms obtain new technology rapidly and reduce the investment necessary to develop and introduce new products. This perspective is validated by Marklund et al. (2009), who said that firms enter into strategic alliances in order for them to hasten the evolution of promising up to date technology or products. Domestic and foreign firms are driven by the desire to unify the workforce and expertise required to develop desirable knowledge and capabilities. These firms may want a managerial limit to growth and as such opt for an alliance (Koskei et al., 2016).

E. Conceptual framework

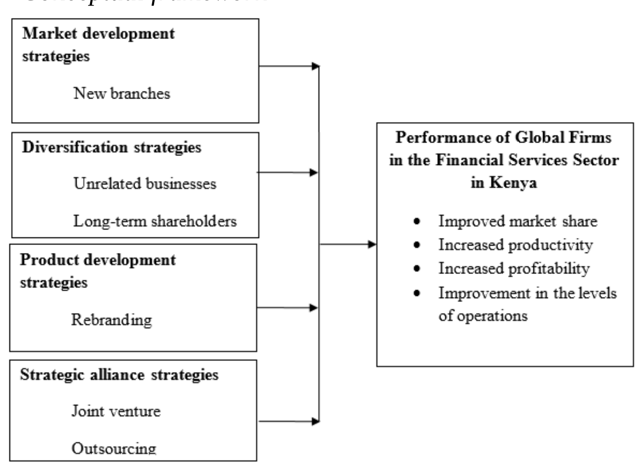

Fig. 1. Conceptual framework

Table 1
Level of Agreement if market development strategies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**Disagree**	4	3.8	3.8	3.8
	Neutral	19	18.3	18.3	22.1
	Agree	14	13.5	13.5	35.6
	Strongly Agree	67	64.4	64.4	100.0
	Total	104	100.0	100.0	

Source: Author (2017)

Table 2
Statistics on Market Development strategies

	N	Minimum	Maximum	Mean	Std. Deviation
Market Development strategies helps in Opening new branches	104	2.00	5.00	4.3846	.91702
Market Development strategies helps changing target market	104	1.00	5.00	4.2115	.98210
Objective of market dev is to secure future volume and profit growth	104	1.00	5.00	4.5000	.69673
Organizations can dev markets and seek growth by diversifying operations	104	2.00	5.00	4.6154	.59623
Firm advertises through Internet sponsoring programmes and exhibitions	104	1.00	5.00	4.3846	.93796
Valid N (list wise)	104				

Table 3
Diversification strategies

	N	Minimum	Maximum	Mean	Std. Deviation
We have ventured into business unrelated to financial Industry	104	1.00	5.00	3.0481	1.40995
Better diversification involves directions	104	1.00	5.00	3.6250	1.20022
Aim of diversification is to provide long term value for shareholders	104	1.00	5.00	4.1250	1.18803
Diversified firms are at advantage	104	1.00	5.00	4.1923	1.11544
The firm has joint operations with other firms	104	1.00	5.00	2.8846	1.45019
Valid N (list wise)	104				

Table 4
Product Development Strategies

	N	Minimum	Maximum	Mean	Std. Deviation
Product development provides means for penetrating new markets	104	1.00	5.00	4.0288	1.24991
Improved and radically changed products are regarded important	104	1.00	5.00	3.9423	1.20538
Updated products and renewed to retain market presence	104	1.00	5.00	3.7500	1.11259
NPD involves innovation challenge	104	1.00	5.00	3.9615	1.13140
Product Portfolio decisions are a manifestation of the company innovation and growth strategies	104	1.00	5.00	4.2404	1.10159
Choosing the product portfolio determines the company strategy	104	1.00	5.00	3.9327	1.15131
Valid N (list wise)	104				

The conceptual framework in Fig. 1 below shows the connections that exist between the dependent and independent variables. The dependent variable is performance of global firms. The independent variables that were examined to ascertain their level of sway on the dependent variable are: Market development strategies, Diversification strategies, Product development strategies, and strategic alliance strategies; and how they influence the performance of global firms in the financial services sector in Kenya (Marklund et al., 2009).

F. Methodology

The focus was on the global firms in the financial services sector operating within the Kenyan borders. Global financial firms in Kenya are Standard Chartered Bank Ltd, Barclays Bank, Stanbic Bank, Sanlam Insurance and Britam Insurance Company. The study focused on top management staff in these firms in Kenya. This research used cross-sectional qualitative research design. By use of SPSS (Statistical Package for Social Science) version 23, quantitative data collected using questionnaires was analyzed using percentages, frequencies, means and standard deviation in form of tables and graphs. Percentages were used conjointly with frequencies to express the proportion ranging from 0- 100, on the same responses. Mean score and standard deviation were used in Likert scale data.

G. Findings

1) Response rate

Out of the targeted 130 lecturers targeted, 104 responses were received, constituting 80% response rate, which is adequate to make the analysis. According to Mugenda and Mugenda (2003), a 50% response rate is adequate, 60% is rated good while 70% is appraised very well.

2) Market development strategies helps in opening new branches

On whether market development strategies, help in opening new branches.

From Table 1, 64 percent of the respondents strongly agree that the market development strategies adopted by the organization have helped a lot.

3) Market development strategies (X1)

The respondents were asked how their firm employs different market development strategies.

Table 5
Strategic Alliances

	N	Minimum	Maximum	Mean	Std. Deviation
Joint Venture	104	1.00	5.00	3.2212	1.55143
Licensing Agreement	104	1.00	5.00	3.1923	1.39400
Outsourcing Agreement	104	1.00	5.00	3.9712	1.17793
DistributionAgreement	104	1.00	5.00	3.8173	1.19680
Supply Agreement	104	1.00	5.00	3.6731	1.24200
Valid N (list wise)	104				

Table 6
Strategic Alliances

	N	Minimum	Maximum	Mean	Std. Deviation
Globalization helps firms increase market share	104	2.00	5.00	4.3173	.92709
Globalization helps firms increase profitability	104	2.00	5.00	4.0865	1.03446
Globalization helps increase firm’s competitiveness	104	2.00	5.00	4.3077	.88215
Globalization helps firms compete effectively	104	1.00	5.00	4.4327	.92184
Globalization helps companies innovate through fusion of new techs	104	1.00	5.00	4.3269	1.01868
Growth strategies enables organizations to improve performance, communication, motivate employees	104	1.00	5.00	4.6731	.71655
Valid N (list wise)	104				

Table 2, above shows the descriptive statistics on effects of globalization and firms performance. According to the study findings, all the respondents agreed with all the items asked for the firm’s performance in respect to market development strategies. Mean score >3.4.

4) Diversification strategies (X2)

The respondents were asked how the firm has leveraged in various diversification strategies.

Table 3, above shows the descriptive statistics of diversification strategies and performance of a firm. According to the study findings, three out of 5 agreed with items asked for strategic alliance with a Mean Score >3.4 The other two did not agree as the mean score was <3.4.

5) Product development strategies (X3)

The study investigated various product development strategies used by the firm to remain competitive.

Table 4, above shows the descriptive statistics on effects of globalization and firms performance. According to the study findings, all the respondents agreed with all the items asked for the firm’s performance in respect to product development strategies. Mean score >3.4.

6) Strategic alliance strategies (X4)

The respondents were asked how the firm works with other business partners or competitors

Table 5, above shows the descriptive statistics of Strategic alliances and performance of a firm. According to the study findings, three out of 5agreed with items asked for strategic alliance with a Mean Score >3.4 The other two did not agree as the mean score was <3.4.

7) Firms performance (Y)

Respondents were asked to what extent had globalization helped in improving firm’s performance.

Table 6, above shows the descriptive statistics on effects of globalization and firms performance. According to the study findings, all the respondents agreed with all the items asked for the firm’s performance. Mean >3.4.

2. Conclusion

According to the findings, globalization has helped firms increase market share in areas that have no presence. The globalization strategies also help firms improve profitability by increasing other revenue sources. It also helps global firms increase competitiveness by responding to the needs of clients in the new markets the firm enters and gives value as well to the shareholders. Globalization helps organizations to compete more effectively by combining information, mastery, method, and technology to offer a base for operating efficiencies and fueling transformation for growth. It also helps companies transform by combining up to date technologies with communities and business thus allowing of the formation of new knowledge and finding. Growth strategies enable entities to enhance performance, communication, inspire workforce, raise competitiveness, enhance market dynamics, and reposition the company against its competitors.

1) Recommendations

Based on the findings of the study, the following are the recommendations for the financial institutions in Kenya: The below recommendations are based on the findings of this study:

1. Firms should run in such a way that it employs global standards of doing business, research on what works locally by evaluating risk and profitability as well as the shareholder needs. This will in turn enhance the performance of the firms.
2. Firms should create synergies with firms within and outside the same industry. The synergies help builds brands for the firms which in turn drives profitability and ensure shareholder needs are met.

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