
An Empirical Study on Effects of Globalization on Marketing Strategy and Performance

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This study advances the knowledge of globalization and its impact empirically on the formulation of marketing strategies and performance of garment firms. In order to test the significant results, a structured questionnaire was formulated and the data was collected using the non-probability convenience sampling technique. Reliability and validity tests were done using the cronbach's alpha and the kmo and bartlett's test of sphericity. Data was analyzed using the Pearson coefficient of correlation. The results of the analysis provided considerable support for literature arguing that globalization acts as a two-edged sword: one that can be beneficial on one hand and detrimental to business on the other hand. It has such beneficial implications as quick movement in the quality of local goods, inflow of foreign investment and improved relations between countries. The negative effects included brain-drain, reduced patronage of locally-manufactured goods, job losses and the effect which recession in other countries" economies has on the local economy. It is therefore recommended that innovative and effective strategies should be designed and implemented to enable the garment firms capitalize on global opportunities while carefully managing the inherent threats

Key Words: Globalization, Strategy, Marketing, Performance, Marketing Strategy

INTRODUCTION

Globalization is a process of interaction and integration amongst people, companies, and governments of different nations. It is a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world.

The study is empirical research designed to examine the effects of globalization on the performance of exporting firms in India. The study examines the relationships between the effects of globalization and the degree of co-marketing alliance and international marketing performance of firms. The study also makes an empirical investigation of the effects of globalization on the degree of co-marketing alliance and international marketing performance of firms from two distinct economic contexts developed and emerging economies, which are represented by Indian firms, respectively.

The advantages and disadvantages of globalization have been heavily scrutinized and debated in recent years. The proponents of globalization say that it helps developing nations "catch up" to industrialized nations much faster through increased employment and technological advances.

Critics of globalization say that it weakens national sovereignty and allows rich nations to ship domestic jobs overseas where labor is much cheaper.

GLOBALIZATION AND ITS EFFECTS

“Globalization” is currently a popular and controversial issue, though often remaining a loose and poorly-defined concept. Sometimes too comprehensively, the term is used to encompass increases in trade and liberalization policies as well as reductions in transportation costs and technology transfer. As far as its impact is concerned, discussion of globalization tends to consider simultaneously its effects on economic growth, employment and income distribution - often without distinguishing between- countries and within-country inequalities and other social impacts such as opportunities for poverty alleviation, human and labour rights, environmental consequences and so on. Moreover, the debate is often confused from a methodological point of view by the interactions between history, economics, political science and other social sciences. Partially as a consequence of the lack of clear definitions and methodological choices, the current debate is characterized by an harsh divide between the supporters and the opponents of globalization, where both groups appear to be ideologically committed and tend to exploit anecdotes (successfully or unsuccessfully respectively), rather than sound, comprehensive empirical evidence to support their cause.

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.

On the positive side, globalization enables firms to outsource and find customers around the world, e.g., the auto and electronics industries. The globalization of production and operations benefits firms through the realization of economies of scales and scope (Corswant, 2002; Reyes, Raisinghani, and Singh, 2002). Hence, no one can deny that

globalization has changed the way we conduct business.

Matusz and Tarr (1999) survey the studies carried out before 1995 on the impact of globalization on employment in DCs. Comparing the level of employment before and after trade liberalization the authors conclude that trade and FDI liberalization has been beneficial for labour except in the transition countries of Eastern Europe. Ghose (2000 and 2003) analyses the relationship between trade liberalization and manufacturing employment. He highlights that - although increasing trade and FDI have been relevant only in a small bunch of newly industrialized countries - for those countries the growth of trade in manufactured products has implied a large positive effect on manufacturing employment. More evidence has been collected at the national level mostly for the manufacturing sector. It draws a contrasted picture of the effect of globalization. In successfully integrating DCs, the employment effects of trade liberalization has been mixed (mostly negative) in Latin America (Rama, 1994; Revenga, 1997; Levinsohn, 1999; ILO, 2002; Cimoli and Katz, 2003) whereas they seem globally positive in Asian countries (Lee, 1996; Orbeta, 2002).

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 dissertation specifically aims at analyzing the effects of global market opportunities and threats on 1) a firms' overall performance, and 2) a firms' cooperation in marketing alliances and international marketing performance.

The effects vary a lot from one part of the world to another, and from one area of business to another. Communications infrastructure is important to modern businesses, but not all countries have got one. There is also the 'non-traded' sector ie goods and services which are not traded internationally. Domestic services, for example, have to be provided where the house is; you can't export a clean house.

Businesses are now much freer to choose where they operate from, and can move to a cheaper and more efficient location. In the last decade the UK has been seen by many businesses as an attractive business location, especially in financial services, and many businesses have located in the UK which has boosted the UK economy but also provided increased competition for UK businesses. This increased movement of businesses and jobs has, to some extent, forced governments to compete with each other in providing an attractive and low-cost location. Ireland, for example, offers 'tax holidays' to businesses relocating there. Manufacturing businesses are increasingly relocating to low-wage countries such as Indonesia. Inputs vary in price across the world, and businesses now have more freedom of movement in moving to get hold of those cheaper inputs eg labour in developing countries, or financial advice in the City of London. One limitation on this is that managers won't always move to some countries if living conditions are unpleasant or even dangerous.

GLOBALIZATION EFFECTS AND FIRM PERFORMANCE

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. Yet, limited empirical studies have been conducted to investigate how globalization actually affects firms. International business scholars (Clark & Knowles, 2003; Eden & Lenway, 2001) point out the need to explore further the effects of globalization on firms.

Therefore, we aim to investigate the effects of globalization on firm performance. In this study, globalization is defined as the process of increasing social and cultural inter-connectedness, political interdependence, and economic, financial and market integrations (Eden et al., 2001; Molle, 2002). At the macro level, globalization is found to undermine autonomy in domestic airline competition policy (Clougherty, 2001). At the micro level, globalization (operationalized as trade liberalization) is found to improve the performance of U.S. multinational enterprises (Oxley & Schnietz, 2001). From these two studies, we have learned that globalization is a multi-faceted construct. Therefore, the classification of its effects into different dimensions and the study of their impact on firms prove to be worthwhile.

In this study, globalization is defined as the process of increasing social and cultural inter-connectedness, political interdependence, and economic, financial and market integrations (Eden and Lenway, 2001; Giddens, 1990; Molle, 2002; Orozco, 2002). Although much descriptive and theoretical literature is published on the impact of globalization, very little empirical work exists that tests globalization effects. A few exceptions of empirical studies examining the impact of globalization include, for example, Clougherty (2001), and Oxley and Schnietz (2001). While Clougherty's (2001) study is related to industry-level variables (i.e., domestic competition policy in the airline industry), the study conducted by Oxley and Schnietz (2001) is more focused on firm-level variables by relating globalization to firm performance. At the macro level, globalization is found to undermine autonomy in domestic airline competition policy (Clougherty, 2001). At the micro level, globalization (operationalized as trade liberalization) is found to improve the performance of U.S. multinational enterprises (Oxley and Schnietz, 2001). From these two studies, we have learned that globalization is a multi-faceted construct. Therefore, the classification of its effects into different dimensions and the study of their impact on firms prove to be worthwhile.

REVIEW OF LITERATURE

Table 1: Contribution of Researchers

YEAR	AUTHOR(S)	FINDING
1991	Grossman and Helpman	In particular, a relaxation of the hypothesis of homogeneous production functions across different countries allows for either the possibility of multiple equilibrium, or for quite differentiated employment trends in the evolutionary "catching-up" models.
1991	Castrogiovanni	Due to the multi-level and multi-dimensional nature of the environmental construct, the level and dimension of the environment to be studied must be clearly specified to minimize conceptual ambiguity and over abstraction.
1993	Burgers, Hill, and Kim	The expansion of a firm's strategic capabilities and the reduction of competition are two main motives for the proliferation of cooperative strategies such as strategic alliances in today's business environment.
1993	Bucklin and Sengupta	They involve the coordination of one or more aspects of marketing—ranging from research and development to production.
1995	Varadarajan and Cunningham	Among the various types of cooperative arrangements mentioned above, co-marketing alliances are the focus of this dissertation since they are considered a specific type of strategic alliances whose scope is limited to marketing activities
2000	Ghose	He analyses the relationship between trade liberalization and manufacturing employment. He highlights that – although increasing trade and FDI have been relevant only in a small bunch of newly industrialized countries – for those countries the growth of trade in manufactured products has implied a large positive effect on manufacturing employment.
2000	Hitt, et al.	Emerging-economy firms are usually different from developed-economy firms in various ways. On average, the former are usually relatively young with limited foreign and market-oriented experiences.
2001	Berg and Taylor	Job displacement effect can be further amplified when FDI inflows are accompanied by financial liberalization and consequent increases in the interest rate, in turn leading to shrinking domestic investments.
2001	Czuchry and Yasin	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.
2002	Hafsi	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.
2002	Jones	Many forms of organizational restructuring (such as downsizing, reengineering, implementation of cooperative strategies) have been witnessed as responses to globalization.
2004	Lall	Shifting our focus from trade to FDI inflows, when a developing country opens its borders to foreign capital, FDIs generate positive employment impacts both directly and indirectly through job creation within suppliers and retailers and also a tertiary employment effect through generating additional incomes and so increasing aggregate demand.
2004	Spiezia	He studies the employment impact of trade on the manufacturing sector. By comparing labour intensities of exported, imported and non-trade goods the author concludes that in 21 out of 39 sampled DCs an increase in the volume of trade resulted in an increase in employment; however, in the second group of 18 countries, increased integration produced a reduction in employment (in contrast with the HO theorem). As far as FDI is concerned, the author finds out that the impact of FDI on employment is increasing with per-capita income, resulting not significant for low- income DCs.

BROAD OBJECTIVES OF STUDY

The broad objectives of study are as follows:-

- (1) To establish and investigate the relationship between Globalization and formulation of strategies of firms with special reference to Garments Industry.
- (2) To investigate the relationship between Globalization and performance of firms with special reference to Garments Industry.

HYPOTHESES OF STUDY

The following Hypotheses were formulated as follows:-

Here HO represents Null Hypothesis and HA represents Alternative Hypothesis.

Hypothesis 1:-

H01: There is no significant relationship between Globalization and formulation of strategies of firms with special reference to Garments Industry.

HA1: There is significant relationship between Globalization and formulation of strategies of firms with special reference to Garments Industry.

Hypothesis 2:-

H02: There is no significant relationship between Globalization and performance of firms with special reference to Garments Industry.

HA2: There is significant relationship between Globalization and performance of firms with special reference to Garments Industry.

RESEARCH DESIGN

The research design is descriptive in nature. In order to collate the responses, 5- point likert's scale is employed. The responses obtained from the respondents are analyzed using the Pearson

Moment Correlation Coefficient. The test of significance is done with the help of t moment correlation. This study is restricted to Garment exporters in Delhi and NCR. The importance of this study is that it focuses on investigating the impact of globalization on the formulation of strategies and performance of Garment industry firms.

Sources of Data

To cater the need of the research, the researchers have used primary data through self-constructed structured Questionnaire and as far as the secondary data is concerned that was obtained from web sites, journals etc. to explore the significance of impact of globalization on the strategy formulation and the performance of Garment Industry firms.

Data Collection Technique

Primary data were collected from garment export firms. There were 150 respondents from garment export firms used for this study. Structured questionnaire was constructed to interview the top management and managerial staffs of garment firms of Delhi and NCR. The responses of the respondents are measured on Likert's five point scale (ranging from strongly agree to strongly disagree).

Sampling Technique

As far as the sampling technique is concerned, non-probability convenience sampling is used to collect data.

Statistical Tools Used

IBM SPSS 20 (Statistical Package for the Social Sciences), for data analysis and as far as for hypothesis testing the statistical tools used is regression analysis and for the reduction of factors the factor analysis is done using Rotated component matrix and for the reliability the cronbach's alpha was calculated and sample adequacy was tested on KMO and Bartlett's Test.

DATA ANALYSIS AND INTERPRETATION

Reliability Analysis

Table 2: Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
0.859	0.852	13

In order to check the reliability of the questionnaire, the Cronbach's Alpha test was applied. The value of Cronbach's alpha is found to be 0.859. As the value of Cronbach's Alpha is more than 0.6, which considers the data to be reliable for hypothesis testing.

Karl Pearson Coefficient of Correlation

Table 4: Karl Pearson Coefficient of correlation

		Globalization	Marketing Strategy	Performance
Pearson Correlation Coefficient	Performance	0.252	0.217	1
N		5	5	5
Sig. (2 – tailed)		0.532	0.628	-
Pearson Correlation Coefficient	Marketing Strategy	0.931	1	0.217
N		5	5	5
Sig. (2 – tailed)		0.000	-	0.628
Pearson Correlation Coefficient	Globalization	1	0.931	0.252
N		5	5	5
Sig. (2 – tailed)		-	0.000	0.532

It is found that there is a high degree of correlation between some independent and dependent variables, as it can be observed from table 4 that there is very high degree of correlation between Formulation of Market Strategy and Globalization in garment industry. This correlation between the formulation of marketing strategy

Validity Analysis

Table 3: KMO and Barlett's test of Sphericity

KMO and Barlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.748
Bartlett's Test of Sphericity	Approx. Chi-Square	1384.273
	Df	14
	Sig.	0.000

From table 3, it is found that the value for Kaiser-Meyer-Olkin Measure of Sampling Adequacy was more than 0.6, and it is 0.748 also Bartlett's Test of Sphericity has sig value less than 0.05 at 5 % level of significance. So factor analysis was conducted successfully for data reduction.

and the globalization is found to be 93.1% which is of very high degree. There is also positive correlation between the globalization and the performance of firm that is 25.2%. It is also observed that there is a low degree of Coefficient of Correlation between the dependent variables.

Parametric Test (t test)

In order to test the model parameters, t test is used which is shown in table

Table 5: t - Test

Variable	t - value	Sig.
Constant	1.843	0.032*
Marketing Strategies	11.179	0.000*
Performance	4.813	0.582

From table 5 it is clear that the independent variable Formulation of Marketing Strategies is statistically significant at 95% confidence level of interval and it plays a vital role in garment industry. It is also observed that the independent variable Performance does not play any vital role in deciding the effect of globalization as it is not statistically significant at 95% confidence level of interval.

HYPOTHESIS TESTING

Simple Regression Analysis

Table 6: Regression Analysis

Variables	Marketing Strategies	Performance
B0	29.724	43.842
B	0.922	-0.074
T	5.247	1.482
F	28.482	0.68
R2	0.867	0.063
Sig.	0.003	0.853

Hypothesis 1:-

H01: There is no significant relationship between Globalization and formulation of strategies of firms with special reference to Garments Industry.

HA1: There is significant relationship between Globalization and formulation of strategies of firms with special reference to Garments Industry.

From table 6 it is clear indication that there is a positive relationship between the globalization and the marketing strategies of garment firms. As the value of R2, is 0.867 which means that 86.7% of variations in the dependent variable that is marketing strategies is explained by the independent variable globalization. The significant value is found to be 0.003 which is less than 0.05, so it is significant at 5% level of significance hence in this case the null hypothesis is rejected and the alternative hypothesis is accepted. It means there is significant relationship between Globalization and formulation of strategies of firms with special reference to Garments Industry.

Hypothesis 2:-

H02: There is no significant relationship between Globalization and performance of firms with special reference to Garments Industry.

HA2: There is significant relationship between Globalization and performance of firms with special reference to Garments Industry.

From table 6 it is clear indication that there is an inverse relationship between the globalization and the performance of garment companies. As the value of R2, is 0.063 which means that 6.3% of variations in the dependent variable that is globalization is explained by the independent variable performance of garment firms. The significant value is found to be 0.853 which is more than 0.05, so it is not significant at 5% level of significance hence in this case the null hypothesis is accepted and the alternative hypothesis is rejected. It means there is no significant relationship between Globalization and formulation of strategies of firms with special reference to Garments Industry.

CONCLUSION

This study provides considerable support to the assertion that globalization could be beneficial to garment firms through the quick movement of goods and services, inflow of foreign investment, on the one hand, or detrimental to business through job losses, reduction in profit margins, brain-drain. These effects have far reaching strategy implications in terms of management of monetary of liquidity in the garment firms, protection of the domestic economy from shocks and transfer of sound management and business practices.

RECOMMENDATIONS

- There is need for garment firms to always be on the lookout for innovations and technology that would help in mitigating the adverse effects of globalization.
- Innovative and effective strategies should be designed and implemented to enable garment firms to capitalize on global opportunities while managing the inherent threats.
- Alliance formation and strategic flexibility are also means to maneuver firms through globalization.

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