GLOBALIZATION AND ENVIRONMENTAL SUSTAINABILITY : EFFECTS ON STRATEGIC MANAGEMENT

Original Research Article

ISSN : 2456-1045 (Online)
(ICV-BM/Impact Value): 63.78
(GIF) Impact Factor: 4.126
Publishing Copyright @ International Journal Foundation
Journal Code: ARJMD/BM/V-26.0/I-1/C-6/JN-2018
Category : BUSINESS MANAGEMENT
Volume : 25.0 / **Chapter**- VI / **Issue** -1 (JUNE-2018)
Journal Website: www.journalresearchijf.com
Paper Received: 01.05.2018
Paper Accepted: 23.06.2018
Date of Publication: 10-07-2018
Page: 22-26

Name of the Author (s):

DR. JOEL, AUGUSTUS - DADDIE [1*]
DAPPER EDWIN M [2]
NWIKO, LEKIA ANDREWS [3]

[1,3] *Department of Business Administration & Management,Ken Saro-Wiwa Polytechnic, Bori, Rivers State, Nigeria*

[2]*Globalization and environmental sustainability: Effects on strategic management*

Citation of the Article

Daddie AJ; Edwin MD; Andrews NL. (2018) *Globalization and environmental sustainability: Effects on strategic management ; Advance Research Journal of Multidisciplinary Discoveries.26(6)pp. 22-26*

ABSTRACT

This paper focused on Globalization and Environmental Sustainability: Effects on Strategic Management. The researchers used the descriptive survey approach to gather data for the study. The population of the study comprises of 250 middle and senior members of staff drawn from ten manufacturing and service providing firms in Aba, Abia state. The researchers however using convenience sampling technique selected 103 employees out of the population of study. A four point likert scale questionnaire that covered the different areas of globalization and environmental sustainability impact on strategic management was used to elicit response from the respondents. The data gathered were then ranked as follows: SA= 4, A = 3, D = 2, SD = 1. The researchers concluded that cultural mix is becoming an imperative aspect of internationalization strategy formulation and implementation, hence; organizations are largely influenced by their cultural orientation and that globalization and environmental sustainability impacts on the competitiveness of firms significantly. The researchers recommend that global view must be taken into consideration when developing strategies among Nigerian firms in order to ensure that their strategies are holistic and that global environmental sensitivity training should be made a compulsory part of workforce orientation and future training. This will equip top executives with the basic skills to effectively monitor and deal with changes arising from global trends.

KEYWORDS:

Globalization, strategic management, sustainability,

I. INTRODUCTION

It is a common mantra among managers to "think and act global". This is in recognition of the fact that the integration of the economies of the world and the fast integration of information and communication technology into business and management process is a reality. This reality is gradually reducing the world economy into what is commonly described as a global village hence the need for managers to remodel their operational strategies along this trend of globalization. Globalization is defined as the process of increasing social and cultural inter-connectedness, political interdependence and economic, financial and market integrations (Eden and Len, 2011). It is also the process of world shrinkage of distances getting shorter, things moving closer. It pertains to the increasing ease, with which somebody on one side of the world can interact, to mutual benefit, with somebody on the other side of the world (Ofosu, 2011).

In the views of Sofian (2011), globalization is a process that has been going on for the past 5000 years, but it has significantly accelerated since the demise of the Soviet Union in 1991. Elements of globalization include trans-border capital, labour, management, news, images, and data flows. The main engines of globalization are the transnational corporations (TNCs), transnational media organizations (TMCs), intergovernmental organizations (IGOs), non-governmental organizations (NGOs), and alternative government organizations (AGOs). From a humanist perspective, globalization entails both positive and negative consequences: it is both narrowing and widening the income gaps among and within nations, intensifying and diminishing political domination, and homogenizing and pluralizing cultural identities. The concept refers to basic, more-or-less rapid change in the technical, social, political, and territorial organization of investment, production, trade and aid. Among the shifts most commonly identified are the trans-nationalization of communication, commerce, production, ownership, consumption, socio-cultural reproduction, and politics; the increased segmentation and volatility of market demand; the organizational decentralization of firms and the enhanced flexibility of production; the strategic ascendance of finance capital of public resources to private hands; the proportional relocation of manufacturing activity from the United States and Western Europe of East Asia as well as poor geographic areas; and deterioration in the average pay, stability, and other conditions of employment (Gunter, 2011). Business today is in a global environment. This environment forces companies, regardless of location or primary market base, to consider the rest of the world in their competitive strategy analysis. Firms cannot isolate themselves from or ignore external factors such as economic trends, competitive situations or technology innovation in other countries, if some of their competitors are competing or are located in those countries.

Review of Related Literature

Smith and Smith, (2002) maintain that the idea of globalization in recent usage refers to the interpenetration and interdependency taking place among the multi-facet people within diverse cultures due to technological innovations rendering the barriers of space, time, national border and, sovereignty ineffective and promoting the intermingling of ideas and people in such a way that a sort of uniformity can be identified among the diverse groups that occupy the global space.

According to Marwa (1999), globalization is the latest technological effort reducing the physical distance among nations and societies of the world through information transfer at speed that is hither to unknown in information technology. The world is now seen as a 'global village.

The major controlling force behind globalization is information and communication technology. In the same way, it has been upheld that the current worldwide infrastructure driving force is also information and communication technology which empowered by those who control, capital. As we live in a continuous shifting state of realities in which the only predictable constant is the inevitability of more changes. This is the basic element of our information and communication technology with the development of microprocessor in 1973 and proceeds into the foreseeable future. At the macro level, globalization is found to undermine autonomy in domestic firms' competition policy (Clougherty, 2011). At micro level, globalization operationalized as trade liberation is found to improve the performance of multinational enterprises (Oxley and Schruetz, 2011). Thus, globalization is a multi-faceted construction therefore, the classification of its effects into different dimensions and of its effect on strategy formulation prove to be worthwhile.

According to BusinessDictionary.com, Environmental sustainability is defined as maintaining the factors and practices that contribute to the quality of environment on a long-term basis. Another definition of environmental sustainability has been given by Daly & Cobb (1989):

i. Output rule: Waste emissions from a project or action being considered should be kept within the assimilative capacity of the local environment, without unacceptable degradation of its future waste absorptive capacity or other important services.

ii. Input rule: Renewable resources: (e.g., Forest, fish) harvest rates of renewable resources inputs must be kept within regenerative capacities of the natural system that generates them.

iii. Non-renewables: depletion rates of non-renewable resource inputs should be set below the historical rate at which renewable substitutes were developed by human invention and investment according to the Serafian quasi-sustainability rule. An easily calculable portion of the proceeds from liquidating non-renewables should be allocated to the attainment of sustainable substitutes

According to Wheelen and Hungers' study (2006), strategic management is a set of managerial decisions and actions that determines the long-term performance of a corporation. It involves environmental scanning (both external and internal), strategy formulation (strategic or long range planning), strategy implementation, and evaluation and control. They emphasize the analyzing and evaluating of external opportunities and threats in terms of an organization's strengths and weaknesses. From the perspectives of Dess and Miller (1993), strategic management is a process that combines three major interrelated activities: strategic analysis, strategy formulation and strategy implementation

Driving Forces of Globalization

The last two decades have seen the evolution of the global manufacturing environment. Majority of the manufacturers have global presence through exports, strategic alliances, joint ventures or as a part of a committed strategy to sell and produce in foreign markets.

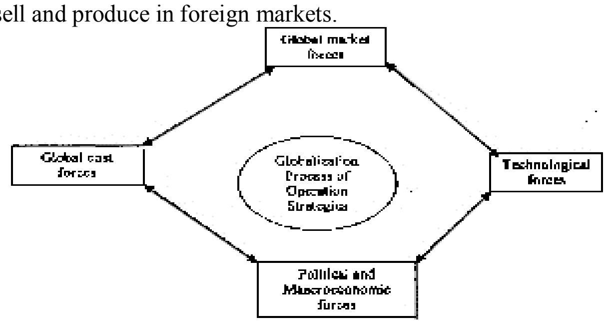

Fig. 1: A Conceptual Framework: The Four Driving Forces of the Globalization Process. (Adapted from global operators and logistics Philippe-Puire Dernier, Recordo Ernst, Michel Fender, Panos Kouvelies).

The factors shaping the global environment and driving the development of global operations strategies of multinational firms fall into four categories: global market forces, technological forces, global cost forces and political and macroeconomic forces.

a) Global Market Forces: There is tremendous growth potential in the foreign developing markets which have resulted in intensified foreign competition in local markets which forces the small - and medium-sized companies to upgrade their operations and even consider expanding internationally. There has also been growth in foreign demand which necessitates the development of a global network of manufacturing bases and markets. When the markets are global, the production-planning task of the manager becomes difficult on one hand and allows more efficient utilization of resources on the other. Few industries remain today in which the international product life-cycle theory still applies. Product markets, particularly in technologically intensive industries, are changing rapidly. Product -cycles are shrinking as customers demand new products faster. In addition, the advances in communication and transportation technology give customers around the world immediate access to the latest available products and technologies. Thus, manufacturers hoping to capture global demand must introduce their new products simultaneously to all major markets. Furthermore, the integration of product design and the development of related manufacturing processes have become the key success factors in many high-technology industries, where fast product introduction and extensive customization determine market success. As a result, companies must maintain production facilities, pilot production plants, engineering resources and even Research and Development (R & D) facilities all over the world. Apple Computer, for example, has built a global manufacturing and engineering infrastructure with facilities in California, Ireland and Singapore. This network allows Apple to introduce new products simultaneously in the American, European and Asian markets. Companies use the state-of-the-art markets as learning grounds for product development and effective production management, and then transfer this knowledge to their other production facilities worldwide. This rationale explains why Mercedes-Benz decided recently to locate a huge manufacturing plant in Vance, Alabama. The company recognizes that the United States is the state-of-the-art market for sport utility vehicles. It plans to produce those vehicles at the Vance plant and introduce them worldwide by 1997.

b) Technological Forces: A peculiar trend which was prevalent in the last decade, besides globalization, was a limited number of producers which emerged due to diversity among products and uniformity across national markets. Product diversity has increased as products have grown more complex and differentiated and product life cycles have shortened. The share of the US market for high-technology goods supplied by imports from foreign-based companies rose from a negligible 5 per cent to more than 20 percent with the last decade. Moreover, the sources of such imports expanded beyond Europe to include Japan and the newly industrialized countries of Hong Kong, Singapore, South Korea and Taiwan. There has been diffusion of technological knowledge and global low-cost manufacturing locations have emerged. In response to this diffusion of technological capability, multinational firms need to improve their ability to tap multiple sources of technology located in various countries. They also must be able to absorb quickly, and commercialize effectively, new technologies that, in many cases, were invented outside the firm thus overcoming the destructive and pervasive 'not-invented-here' attitude and resulting inertia.

c) Global Cost Forces: New competitive priorities in manufacturing industries, that is product and process conformance quality, delivery reliability and speed, customization and responsiveness to customers, have forced companies to reprioritize the cost factors that drive their global operations strategies. The Total Quality Management (TQM) revolution brought with it a focus on total quality costs, rather than just direct labour costs. Companies realized that early activities such as product design and worker training substantially impact production costs. They began to emphasize prevention rather than inspection. In addition, they quantified the costs of poor design, low input quality and poor workmanship by calculating internal and external failure costs. All these realizations placed access to skilled workers and quality suppliers high on the priority list for firms competing on quality. Similarly, Just-in-time (JIT) manufacturing methods, which companies widely adopted for the management of mass production systems, emphasized the importance of frequent deliveries by nearby suppliers.

d) Political and Macroeconomic Forces: Getting hit with unexpected or unreasonable currency devaluations in the foreign countries in which they operate is a nightmare for global operations managers. Managing exposure to changes in nominal and real exchange rates is a task which the global operations manager must master. If the economics are favourable, the firm may even go so far as to establish a supplier in a foreign country where one does not yet exist. For example, if the local currency is chronically undervalued, it is to the firm's advantage to shift most of its sourcing to local vendors. In any case, the firm may still want to source a limited amount of its inputs from less favourable suppliers in other countries if it feels that maintaining an ongoing relationship may help in the future when strategies need to be reversed.

Benefits of Strategic Management

Fred (2011), states the following as the benefits of strategic management.

- It can improve understanding of competitors strategies. A good SWOT can help us to understand the difference with our competitors, including the awareness of threats.
- It allows reducing resistance to change. More and more opportunities can be exploited in the process.
- It defines the management problems objectively.
- It provides a framework for a company to coordinate and control the activities.
- It promotes the communication among the employees and managers.
- It encourages having a strategic think, inspiring people think about more about the future of a company.

The Challenges to Strategic Management

Hajara (2011), posits that through the general introduction, we know that strategic management includes three aspects which are strategic planning, strategic implementation and control of the strategy in an organization. Almost all the modern organizations have tried strategic management to make sure that they can reach the expected level of performance. However, there are still many challenges for strategic management in the modern business society.

1. Orientation for globalization: Now nearly every business organizations begin to get globalised, step in to global operations with the multi-national corporations or use other foreign business operations methods. Because of the globalization of operations of in business world there are many new orientations coming out, such as international human resource management (IHRM) and international finance. The process of company's strategic management has to be renovated all the time to deal with these new orientations.

2. Emerging e-commerce and internet culture: With the increasing expansion of internet and the technology, some companies have turned attention to e-commerce where they conduct business with electronic means such as online purchasing, online selling and online advertising. Strategic management process of the business should succeed to change e-commerce motivation into the business process.

3. Cut throat competition: When the globalization, e-commerce and many other changes emerged in the business society, business has become hyper competitive. If you are not using proper competitive strategy, the organization cannot survive any longer. The process of strategic management can help to generate competitive intelligence, foresee the next moves of rivals and build the competitive strategy to defeat competitors in the tough battle.

4. Diversification: With increased uncertainty and the rapid changes in business environment, the business risk has grown up substantially. Companies now engage in diversified operations must diversify the business risk where they focus on more than one business area or industry rather than specializing in one area. The strategic management should be capable of identifying diversification of business opportunities and manage them well.

5. Active pressure group: Under the modern society, there are active pressure groups operating such as environmental activism and consumer protectionism. Therefore strategic management must identify these external pressure groups and understand their concerns.

6. Motive for Corporate Social Responsibility (CSR) and ethics: Also, the modern business organizations have to possess corporate social responsibility and ethics to attain their corporate reputation so that it can be more competitive in the environment. Strategic management should do researches for possible corporate social responsibility activities and implement those to be in step with expectations of the society.

Theoretical Framework

The theory that underlie this study include;

Resource-Based Theory: The resource-based theory emanates from the principle that the source of firm's competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The resource-based approach of the firm predicts that certain types of resources owned and controlled by firms have the potential to generate competitive advantage as well as superior firm performance. The resource-based approach stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Peteraf and Bergen, 2003). Firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness.

II. METHODOLOGY

This study in its nature is qualitative. The researchers therefore used the descriptive survey approach to gather data for this study. The population of the study comprises of 250 middle and senior members of staff drawn from ten manufacturing and service providing firs in Anambra state. The researchers however using convenience or purposive sampling technique selected 103 employees out of the population of study a four point likert scale questionnaire that covered the different areas of globalization and environmental sustainability impact on strategic management was used to elicit response from the respondents. The data gathered were then ranked as follows: SA= 4, A = 3, D = 2, SD = 1. The mean score was then used to analyze the data and test the hypotheses. The mean score is mathematically expressed as:

$$\bar{X} = \frac{\Sigma X}{N}$$

Where $\bar{X}$= the mean, Σ = summation, X = the scores and N= number of scores.

The decision rule is to accept results with a mean score of 2.0 and above while rejecting those with a mean score below 2.0

III. RESULTS AND DISCUSSIONS

The overall finding in this study shows that globalization and environmental sustainability has significant impact on strategic management. In research question one, the researchers concluded that cultural mix is becoming an imperative aspect of internationalization strategy formulation and implementation as the organization is largely influenced by their cultural orientation. This can be seen in the response pattern as the mean in questionnaire item 1-6 was higher than the decision point (i.e 2.67, 2.71, 2.97, 2.68, 2.71, 2.86>2.0 respectively). In research question two, the mean of questionnaire item 7, 8,9,10,11 and 12 were positive i.e their mean were higher than the 2.0 decision point. This suggests that globalization and environmental sustainability impacts on the competitiveness.

IV. CONCLUSION AND RECOMMENDATIONS

Sequel to the findings above, the researchers concludes that globalization and environmental sustainability impacts on strategic management significantly. The researchers recommend that;

- Global view must be taken into consideration when developing strategies among Nigerian firms in order not to ensure that their strategies are holistic
- Global environmental sensitivity training should be made a compulsory part of workforce orientation and future training. This will equip top executives with the basic skills to effectively monitor and deal with changes arising from global trends

REFERENCES

[1]. **Barney, J. (1995),** Looking inside for competitive advantage. Academy of Management Executive, 9(6), 49 - 61.

[2]. **Dess, G.G. & Miller, A. (1993),** Strategic management. Mc Grow-Hill book Co. New York.

[3]. **Eden, L. and Len S.W, (2011),** Introduction to the Symposium Multinational: The Janus Face of Globalization. London: Journal of International Business Studies, vol. 32, 383-387.

[4]. **Fred, R.D. (2011),** Strategic management: Concepts and case.13th ed. Pearson Education, Inc

[5]. **Gunter P. (2011),** the Social Dimensions of Globalization. New York: Houghton Muffing publishing Company.

[6]. **Hajara A. (2011)** Challenges to Strategic Management. Retrieved from http://www.tutebox.com/business/management/challenges-to-strategic-management/

[7]. **Marwa, O. (1999),** Libraries at the Age of Globalization. New York: Prentice Hall Incorporated

[8]. **McWilliams, A., Van Fleet, D., & Cory, K. (2002),** Raising Rivals' Costs Through Political Strategy: An Extension of Resource-Based Theory. Journal of Management Studies, 39(5), 707-723.

[9]. **Ofosu V. (2011),** the Global Financial Crisies and Afriacn Economies Impact and Transmission Channels. Accra: African Development Review, vol. 23, No.4, 400-405

[10]. **Oxley, J.G and Schruetz K.E. (2011),** Globalization Derailed. Responses Journal of International Business Studies. Vol. 32 (3), 479-496.

[11]. **Peteraf, M., & Bergen, M. (2003),** Scanning Dynamic Competitive Landscapes: A Market-Based and Resource-Based Framework. Strategic Management Journal, 24(1), 1027-1041.

[12]. **Smith, C. and Smith, J. (2002),** Globalizing education for work. Comparative perspectives on gender and the new economy. Mahwah, NJ: Lawrence Erlbaum Associates, pp.189-202.

[13]. **Sufian, F. (2011),** China and the World Economy. New York: Academy of Management Review vol. 19, Issue 5. Pp 8.

[14]. **Wheelen, T. L., & Hunger, J. D. (2007).** Strategic Management and Business Policy (11th ed.). New York: Prentice Hall Inc.

*****