

**STRATEGIC RESPONSES TO GLOBALIZATION BY MAJOR INDIGENOUS
KENYAN COMMERCIAL BANKS**

BY

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university.

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DEDICATION

To my son Trevor, my mother Alice, and my father James; you have helped me realize my dreams and achieve them. Thank you for your unconditional love and support.

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ABSTRACT

Rapid globalization is one of the most salient aspects of the new millennium, particularly since the fast development of information technology (IT) in the last two decades (Brown, 1999). According to Cheng (2000, 2001), there should be multiple globalizations, including technological globalization, economic globalization, social globalization, political globalization, cultural globalization, and learning globalization in the new millennium.

This research was employed as a descriptive type of study, the target population of this study was the major commercial banks in Kenya. There are 4 major indigenous commercial banks in Kenya which formed the target population of this study. The researcher used a questionnaire as primary data collection instrument. The questionnaire was designed to give a brief introduction of globalization. It also consisted of both open and close-ended questions aimed at obtaining information on the on the responses to globalization by major commercial banks in Kenya. A content analysis and descriptive analysis was employed. The content analysis was used to analyze the respondents' views about the response to globalization by commercial banks in Kenya. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis.

The study also revealed the responses adapted by commercial banks to globalization were; diversification of products, advertisements of products and services, reduction of operational costs, improved infrastructure implementation, training and improved technology, internet banking and use of correspondence. This study revealed that the challenges brought about globalization in commercial banks include; distribution of products, capital sources and employees, changing lending rates, economic crisis, infrastructure and market dynamism, competition, taxation issues, mobilization of capital requirements, adoption/embracement of new technology due to low literacy levels and product differentiation.

This study therefore recommends that commercial banks should embrace international best practices and benchmarking in order to overcome globalization challenges.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

This chapter provides an introduction to the study of the responses to globalization by indigenous commercial banks in Kenya. It also explains the statement of the research problem. The chapter further, gives the objectives of the study while identifying the research questions that the study seeks to answer. Finally, the importance of the study is also discussed.

Globalization thinking, a perspective developed from the forum's discussions, makes the constant point that we all must begin to think and act globally, now! Concepts and theories are expressed by means of an eclectic, mildly related and often incomplete collection of borrowed ideas whose configurations may be more meretricious than meriting. For example, the extension of Porter's competitive model of firms to the nation state might be the case in point. Strategy at the level of the private firm has a well developed theory and practice which makes sense for that level of analysis. But simple extension of competitive models to the nation-state level of analysis, although attractive to politicians looking for a framework to guide policy making may in fact be an inappropriate overextension of competitive models and analysis (Crocombe *et al.*, 1991; Grant, 1991; Porter, 1990).

Globalization thinking is descriptive in its major efforts but often moves quickly to the predictive and prescriptive with fanciful jumps of logic, interesting manipulations of data and unchallenged generalizations. "Globe think" presents itself as an authoritative version of the present and a roadmap for the future using colorful imagery of a juggernaut, a relentless, faceless and inevitable process of global expansionism and change. At times the globalization seems to represent more of a caricaturization than a careful and balanced characterization of the contemporary world political economy.

The debate over globalization has been lively and passionate over the past years, and it has been associated with high emotions and sometimes even violent conflicts. However, "globalization" is

a vague term under which the ongoing trend toward a deeply integrated world economy with all its economic, technological, political and cultural dimensions has been subsumed.

In economics, real (non-monetary) aspects or implications of globalization (with respect to international trade, income/wealth distribution, growth, employment, and environment) have largely dominated the discussion during most of the 1990s (IMF, 1997; Wagner, 2000; Masson, 2001; Bourguignon *et al.*, 2002; World Bank, 2002). Only in the late 1990s, after the Asian crisis, the discussion on monetary aspects or implications of globalization has developed on a broader scale (Wagner (2000); early publications were (Romer, 1993).

1.1.1 Concept of Globalization

Globalization in its literal sense is the process of transformation of indigenous or regional phenomena into global ones. It can be described as a process by which the people of the world are unified into a single society and function together. This process is a combination of economic, technological, socio-cultural and political forces (Sheila, 2004). Globalization is often used to refer to economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology (Bhagwati, 2004).

Globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services (Thompson and Strickland, 1993). Globalization is multi-faceted with economic, political-legal, social-cultural and environmental dimensions. Globalization also refers to the strategy of approaching worldwide markets with standardized products (Johnson and Scholes, 2002).

The process of globalization creates new challenges and opportunities for firms. The opportunities include access to new markets that were previously closed due to cost, regulation, or indirect barriers, the ability to tap resources such as labor, capital, and knowledge on a

worldwide basis, and the opportunity to participate in global production networks that are becoming prevalent in many industries such as automotive, electronics, toys and textiles.

Challenges come from foreign competitors entering firms' domestic markets, and from domestic competitors reducing their costs through global sourcing, moving production offshore or gaining economies of scale by expanding into new markets. Globalization challenges firms to become more streamlined and efficient while simultaneously extending the geographic reach of their operations. Globalization; the growing integration of economies and societies around the world has been one of the most hotly debated topics in international economics over the past few years. Advances in communication and transportation technology, combined with free-market ideology, have given goods, services, and capital unprecedented mobility. Northern countries want to open world markets to their goods and take advantage of abundant, cheap labour in the South.

Thus, from many points of view, it is clear that in most of the definition, the process of globalisation is seen as to breakdown of the following elements: borders between countries, governments, the economy and communities. It might also mean the increasing liberalization and openness of markets, particularly through the elimination of barriers to trade in goods and services and the development of an integrated international financial market. For the purpose of this paper, the term of globalisation that will be used here shall contain the above elements but should be simplified. Thus, simplified term of globalisation is "a process of increasing connectivity, where ideas, capital, goods, services and people are transferred across country borders (PRUS, 2001).

1.1.2 Effects of Globalization

Rapid globalization is one of the most salient aspects of the new millennium, particularly since the fast development of information technology (IT) in the last two decades. To different observers, different types of globalization can be identified even though most of the attention is in the areas of economy, technology, and culture. According to Cheng (2000, 2001), there should

be multiple globalizations, including technological globalization, economic globalization, social globalization, political globalization, cultural globalization, and learning globalization in the new millennium.

Globalization has brought with it effects that have made commercial banks to devise means of staying competitive not only in the global market but also in the local market. Commercial banks have been forced to diversify their product portfolio to cope with competition, maintain market share, enter into new markets and seal off any unexplored market segments that foreign competitors may come to exploit. Globalization is creating numerous opportunities for sharing knowledge, technology, social values, and behavioural norms and promoting development at different levels including individuals, organizations, communities, and societies across different countries and cultures. Even though globalization seems to be unavoidable to many countries and numerous initiatives and efforts have been made to adapt to it with aims at taking the opportunities created from it to develop their societies and people, in recent years there also have been increasing international concerns about the dangerous impacts of globalization on indigenous and national development. Various social movements have been initiated against the threats of globalization, particularly on developing countries (Cheng, 2000).

Even though globalization seems to be unavoidable to many countries, numerous initiatives and efforts have been made to adapt to it with aim at taking the opportunities created from it to develop their societies and people. In recent years there also have been increasing international concerns about the dangerous impacts of globalization on indigenous and national development. Survival and success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy. Responses to globalization require organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises. If its internal capabilities are not matched to its strategy, then a capability gap arises. Porter (1985) affirms that it is important that organizations be able to shift strategy with changes in the environment and match their capabilities to the selected strategy in order to survive, succeed and remain relevant.

Firms in dynamic industries respond to environmental changes and competitive forces in different ways. Some improve current products, diversify and divest, while others employ techniques that ensure operational effectiveness. In order to achieve a competitive advantage, strategy needs to focus on unique activities. Operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage (Porter, 1985). Changes in environmental conditions shape a firm's opportunities and challenges. A new environment necessitates the formulation of new strategy best suited to cope with change. According to Ansoff, (1988) turbulent environments are characterized by unfamiliar rapid and unpredictable events.

1.1.3 Strategic Responses to Globalization

Company's global strategy is closely related to its corporate strategy. The corporate strategy guides the performance of a company's overall business activities and the allocations of resources to achieve established business goals. Yip (1989) provides a detailed framework for evaluating whether and how to globalize an individual company's corporate strategy. The framework emphasizes the potentials for achieving competitive benefits and provides illustrations of companies that have applied globalization issues in their corporate strategies. The formulation of a global strategy is a major challenge in itself, but its execution requires far-reaching changes to be made in corporate structures and procedures (e.g. Lorenz, 1986).

Levitt (1983) makes a distinction between the multinational corporation and the global corporation. The multinational corporation operates in a number of countries, and adjusts its products and practices in each, while the global corporation operates with resolute constancy, as if the entire world, or major regions of it, was a single entity. The global corporation sells the same things in the same way everywhere.

Simon-Miller (1986) argues that the adoption of a global strategy may give a competitive advantage. In contrast to multinational companies, global corporations view the world or its major regions as one entity instead of a collection of national markets. These world marketers

compete on a basis of appropriate value, i.e. an optimal combination of the marketing mix that is identical in design and function. Yip (1989, p. 31) distinguishes between a multi-domestic strategy and a global strategy: a multi-domestic strategy seeks to maximize worldwide performance by maximizing local competitive advantage, revenues, or profits; a global strategy seeks to maximize worldwide performance through sharing and integration.

On one hand, the setting for a pure multi-domestic strategy is characterized by the following: that there is no particular pattern of market participation; that the product offering is fully customized in each country; that the location of value-added activities are restricted to each country; that the marketing approach is local; and that the competitive moves are stand-alone by country. On the other hand, the setting for a pure global strategy is characterized by the following: that there is a significant share in major markets of market participation; that the product offering is fully standardized worldwide; that the location of value-added activities are concentrated – one activity in each different country; that the marketing approach is uniform on a worldwide basis; and that the competitive moves are integrated across countries (Levitt, 1983).

Grune (1989, p. 10) offers an explanation of how a global approach differs from a multinational one. For example, the multinational companies have three characteristics, namely that they pursue independent strategies in each foreign market, their subsidiaries are essentially autonomous operations, and while they allow headquarters to coordinate financial controls and marketing, each subsidiary is a profit center with decentralized strategy and operations. A global company operates as an integrated system in which all subsidiaries are interdependent in terms of operations and strategies. Jeannet and Hennessey (1992) argue that a global strategy represents an application of a common set of strategic principles across most world markets. When a company pursues a global strategy, it looks at the world market as a whole rather than at markets on a country-by-country basis. Lewis and Housden (1998) use the term global strategy to represent standardized products, standardized promotions, and low need for localized marketing and high advantages of standardized marketing.

Keegan (1989) writes that a global strategy is based upon scanning the world business environment to identify opportunities, threats, trends, and resources. He means that the global effort takes great discipline, great creativity, and constant effort, but the reward is not just success, it is survival. Dahringer and Mühlbacher (1991) use the term global to emphasize customer similarities regardless of the geographic areas in, which they are located, but it does not ignore differences among markets. They mean that these differences have to be considered when companies perform and implement their business activities.

1.2 Commercial Banks in Kenya

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banking sector in Kenya was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The Central Bank of Kenya (CBK) publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The Central Bank of Kenya acts as the main regulator of commercial banks in Kenya (CBK Annual Report, 2009)

There are forty- six (46) bank and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Thirty-five (35) of these banks most of, which are small to medium sized, are locally owned. The banking industry in Kenya is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Six of the major commercial banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking (CBK Annual Report, 2009).

1.3 Statement of the Problem

Rapid globalization is one of the most salient aspects of the new millennium, particularly since the fast development of information technology (IT) in the last two decades (Brown, 1999). Globalization has brought with it challenges that have made the local firms in Kenya to devise means of staying competitive not only in the global market but also in the local market. Local firms have been forced to diversify their product portfolio to cope with competition, maintain market share, enter into new markets and seal off any unexplored market segments that foreign competitors may come to exploit. Globalization is creating numerous opportunities for sharing knowledge, technology, social values, and behavioural norms and promoting development at different levels including individuals, organizations, communities, and societies across different countries and cultures, (Brown and Lauder, 1996; Waters, 1995).

Globalization is commonly used as a shorthand way of describing the spread and connectedness of production, communication and technologies across the world. That spread has involved the interlacing of economic and cultural activity. Globalization in the sense of connectivity in economic and cultural life across the world has been growing for centuries. However, many believe the current situation is of a fundamentally different order to what has gone before. The speed of communication and exchange, the complexity and size of the networks involved, and the sheer volume of trade, interaction and risk give what we now label as 'globalization' a peculiar force. Globalization, thus, has powerful economic, political, cultural and social dimensions.

Globalization seems to be unavoidable to many countries thus numerous initiatives and efforts have been made to adapt to it with the aim of taking the opportunities created from it to develop their societies and people. In recent years there have been increasing international concerns about the dangerous impacts of globalization on indigenous and national development. Various social movements have been initiated against the threats of globalization, particularly on developing countries (Cheng, 2000).

Locally, a few studies have been done on globalization which include; challenges of globalization and their impact on Kenya Airways (Gichira, 2007), implications of globalization on private hire vehicle companies in Nairobi (Hannah, 2007) and strategic responses to globalization by foreign commercial banks in Kenya, a case of Barclays Bank (Mwasho, 2007). These studies focused on globalization and its impacts on other organizations. However studies that have been done on globalization focused on effects, challenges and characteristics ignoring one of the most fundamental elements for businesses-strategic responses. Growing competition for talent, shifting centers of economic activity, and an increasingly networked business environment is expected to initiate strategic responses from indigenous commercial banks in Kenya. This study sought to establish these strategic responses, document them and fill the existing gap by carrying out a research on strategic responses to globalization by major indigenous Kenyan commercial banks.

This research study was motivated to determine the organizational challenges brought about by globalization in commercial banks. It also determined the global competition challenges of globalization experienced by commercial banks and the economic challenges of globalization by commercial banks. This study sought to answer the following questions: What are the strategic responses to globalization by major indigenous Kenyan commercial banks? What are the challenges brought about by globalization in commercial banks?

1.4 Objectives of the Study

The objectives of the study were:

- i. To establish the strategic responses to globalization by major indigenous Kenyan commercial banks
- ii. To determine the challenges brought about by globalization in commercial banks.

1.5 Importance of the Study

The findings of the study were important to commercial banks, as it established the challenges of globalization and the strategies that could be adopted which are beneficial to the organisation as far as globalization is concerned. The results of this study were also valuable to researchers and scholars, as it formed a basis for further research. The students and academics will use this study as a basis for discussions on globalization. To the regulators and policy makers, the findings of this study formed a basis for insightful understanding of the experiences of indigenous commercial banks. The understanding will inform decisions and policy that provide framework of operations in the banking industry in Kenya.

The strategic responses might also inform policy on making banking terrain beneficial to all the stakeholders. Other firms with similar experiences as indigenous commercial banks will also find the results of this study useful. These organizations might learn lessons on how to handle organizational challenges brought about by globalization. The highlights on shared experiences will also enlighten market players and fast track search for solutions to globalization challenges.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter deals with the available literature that has been reviewed for the study. The literature is mainly on the challenges of globalization by commercial banks. The chapter is hence structured into theories of globalization. Globalization in contemporary social theory, world polity theory, and world culture theory, theoretical framework, and empirical review, challenges of globalization and coping with the challenges of globalization, conceptualization, and conceptual framework.

2.2 Theories of Globalization

The dawn of globalization is in sight, and speculation about its nature and direction dominates public discourse. Globalization is a theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences. Globalization as a set of theoretical claims underlines especially two main increasing trends namely: worldwide active communication systems and fluent economic conditions, especially high mobility of financial resources and trade.

2.2.1 Development Theory of Globalization

The term globalization usually has two principal meanings: As a phenomenon it implies that a greater interdependence is happening among different regions and countries in world in terms of finances, trade and communications and as a theory of economic development one of its major assumptions is that a greater level of integration is taking place among different regions of the world, and that this integration is having an important impact on economic growth and social indicators.

The development theory of globalization emerges from the global mechanisms of greater integration with particular emphasis on the sphere of communications and economic transactions. In this sense, this perspective is similar to the world-systems approach. However, one of the most important characteristics of the globalization position is its focus and emphasis on cultural aspects and their communication worldwide.

In addition to the technological, financial and political ties, globalization scholars argue that modern elements for development interpretation are the cultural and economic links among nations. In this cultural communication, one of the most important factors is the increasing flexibility of technology to connect people around the world (Kaplan, 1993, Gough, 1992).

The main aspects of the theory of globalization can be delineated into three aspects. Global communications systems are gaining an increasing importance every day, and through this process all nations are interacting much more frequently and easily, not only at the governmental level, but also within the citizenry and even though the main communications systems are operating among the more developed nations, these mechanisms are also spreading in their use to less developed nations. This fact will increase the possibility that marginal groups in poor nations can communicate and interact within a global context using the new technology, and therefore can integrate themselves with the global village, which represents the current scenario in worldwide communications and transactions (Madison, 1998). In terms of economic activities, the new technological advances in communication are becoming more accessible to local and small businesses. This situation is creating a completely new environment for carrying out economic transactions, utilizing productive resources, equipment, trading products, and taking advantage of "virtual monetary mechanisms.

From a cultural perspective, the new communication products are unifying patterns of communications around the world, at least in terms of economic transactions under current conditions. The concept of minorities within particular nations is being affected by these new patterns of communication. Even though these minorities are not completely integrated into the new world system of communications, the powerful business and political elites in each country

are a part of this interaction around the world. Ultimately, the business and political elite continue to be the decision makers in developing nations. Social and economic elements under the influence of the current phenomenon of globalization are determinant circumstances, which affect the standards of living of every particular nation (Moore, 1993; Isuani, 1991).

Main assumptions of the theory of globalization can be summarized in three principal points. First, cultural and economic factors are the determining aspect in every society. Second, under current global conditions, and when we are studying a particular system i.e. financial or trade sphere, it is not as important as previously thought to use the nation-state category as a unit of analysis, since global communications and international ties are making this category less useful. Third, with more standardization in technological advances, more and more social sectors will be able to connect themselves with other groups around the world, which implies faster and easier communications and economic transactions. This situation will affect the dominant and non-dominant groups from each nation (Galbraith, 1999; Mundell, 1998).

In more specific terms it is important to mention that the globalization theory implies a key element concerning integration: Integration regarding international trade, the international financial system, technology and communications, and cultural values from the more developed countries (DeMar 1992; Carlsson 1995). Economic integration at the systemic level among countries means stronger world-wide relationships. At the sub-systemic level within individual countries it implies social and economic integration from the different social sectors (Sunkel 1995). At the systemic level there are some nations which are able to achieve more integration into the new world economic conditions than other countries. At the sub-systemic level there are some social sectors, which integrate themselves into the new economic dynamic derived especially from the economic growth and sectors which become more marginalized in social terms (Sunkel 1995; Paul 1996; Scholte 1996).

Even though the term globalization in recent years has been utilized, especially following the technological revolution in communications (Lubbers, 1999; Blecker, 1999) and the creation of cyberspace, one of the first major argument on "Globalization of the Markets", under its present

way can be found in a 1983 article by Theodore Levitt in the Harvard Business Review (Levitt, 1999).

The functionalist aspect of the globalization concept is what distinguishes it from the mere notion of internationalization, which refers to a quantitative process but not necessarily to an epochal shift of a more qualitative kind. According to Peter Kickens, globalization processes are qualitatively different from internationalization processes. They involve not merely the geographical extension of economic activity across national boundaries that are internationalization but also and more importantly, the functional integration of such internationally dispersed activities. The current process of globalization produces a new global-functional unity (Dickens, 19998; Foster, 1999).

2.2.2 Globalization in Contemporary Social Theory

Since the mid-1980s, social theorists have moved beyond the relatively under developed character of previous reflections on the compression or annihilation of space to offer a rigorous conception of globalization. To be sure, major disagreements remain about the precise nature of the causal forces behind globalization, with David Harvey (1996) building directly on Marx's pioneering explanation of globalization, while others (Giddens, 1990; Held, McGrew, Goldblatt, Perraton, 1999) question the exclusive focus on economic factors characteristic of the Marxist approach. Nonetheless, a consensus about the basic rudiments of the concept of globalization appears to be emerging.

First, contemporary analysts associate globalization with deterritorialization according to, which a growing variety of social activities takes place irrespective of the geographical location of participants. As Jan Aart Scholte observes, global events can via telecommunication, digital computers, audiovisual media, rocketry and the like occur almost simultaneously anywhere and everywhere in the world (Scholte, 1996: 45). Globalization refers to increased possibilities for action between and among people in situations where latitudinal and longitudinal location seems immaterial to the social activity at hand. Even though geographical location remains crucial for

many undertakings, deterritorialization manifests itself in many social spheres. Business people on different continents now engage in electronic commerce; television allows people situated anywhere to observe the impact of terrible wars being waged far from the comfort of their living rooms; academics make use of the latest video conferencing equipment to organize seminars in, which participants are located at disparate geographical locations; the Internet allows people to communicate instantaneously with each other notwithstanding vast geographical distances separating them. Territory in the sense of a traditional sense of a geographically identifiable location no longer constitutes the whole of “social space” in which human activity takes places. In this initial sense of the term, globalization refers to the spread of new forms of non-territorial social activity (Ruggie, 1993; Scholte, 2000).

Second, recent theorists conceive of globalization as linked to the growth of social interconnectedness across existing geographical and political boundaries. In this view, deterritorialization is a crucial facet of globalization. Yet an exclusive focus on it would be misleading. Since the vast majority of human activities are still tied to a concrete geographical location, the more decisive facet of globalization concerns the manner in, which distant events and forces impact on local and regional endeavours (Tomlinson, 1999).

Third, globalization must also include reference to the speed or velocity of social activity. Deterritorialization and interconnectedness initially seem chiefly spatial in nature. Yet it is easy to see how these spatial shifts are directly tied to the acceleration of crucial forms of social activity. The compression of space presupposes rapid-fire forms of technology; shifts in our experiences of territory depend on concomitant changes in the temporality of human action. High-speed technology only represents the tip of the iceberg. The linking together and expanding of social activities across borders is predicated on the possibility of relatively fast flows and movements of people, information, capital, and goods. Without these fast flows, it is difficult to see how distant events could possibly possess the influence they now enjoy. High-speed technology plays a pivotal role in the velocity of human affairs. But many other factors contribute to the overall pace and speed of social activity. The organizational structure of the modern capitalist factory offers one example; certain contemporary habits and inclinations,

including the “mania for motion and speed” described by Dewey, represent another. Deterritorialization and the expansion of inter-connectedness are intimately tied to the acceleration of social life, while social acceleration itself takes many different forms (Eriksen, 2001; Scheuerman 2004). The velocity or speed of flows, movements, and inter-changes across borders can vary no less than their magnitude, impact, or regularity.

Fourth, even though analysts disagree about the causal forces that generate globalization, most agree that globalization should be conceived as a relatively long-term process. The triad of deterritorialization, inter-connectedness, and social acceleration hardly represents a sudden or recent event in contemporary social life. Globalization is a constitutive feature of the modern world, and modern history includes many examples of globalization (Giddens, 1990). Nonetheless, some contemporary theorists believe that globalization has taken a particularly intense form in recent decades, as innovations in communication, transportation, and information technologies have generated stunning new possibilities for simultaneity and instantaneousness (Harvey, 1989). Nonetheless, the impact of recent technological innovations is profound, and even those who do not have a job directly affected by the new technology are shaped by it in innumerable ways as citizens and consumers (Eriksen, 2001: 16).

Fifth, globalization should be understood as a multi-pronged process, since deterritorialization, social interconnectedness, and acceleration manifest themselves in many different (economic, political, and cultural) arenas of social activity. Although each facet of globalization is linked to the core components of globalization described above, each consists of a complex and relatively autonomous series of empirical developments, requiring careful examination in order to disclose the causal mechanisms specific to it (Held, McGrew, Goldblatt, Perraton, 1999). Each manifestation of globalization also generates distinct conflicts and dislocations. For example, there is substantial empirical evidence that cross-border flows and exchanges, as well as the emergence of directly trans-national forms of production by means of, which a single commodity is manufactured simultaneously in distant corners of the globe, are gaining in prominence (Castells, 1996).

High-speed technologies and organizational approaches are employed by trans-nationally operating firms, the so-called global players, with great effectiveness. The emergence of around-the-world, around-the-clock financial markets, where major cross-border financial transactions are made in cyberspace at the blink of an eye, represent a familiar example of the economic face of globalization. In political life, globalization takes a distinct form, though the general trends towards deterritorialization, interconnectedness across borders, and the acceleration of social activity are fundamental here as well. Trans-national movements, in which activists employ rapid-fire communication technologies to join forces across borders in combating ills that seem correspondingly trans-national in scope (for example, the depletion of the ozone layer), offer an example of political globalization. Another would be the tendency towards ambitious supranational forms of social and economic law making and regulation, where individual nation-states cooperate to pursue regulation whose jurisdiction transcends national borders no less than the cross-border economic processes that may undermine traditional modes of nation state-based regulation. The proliferation of supranational organizations has been no less conflict-laden than economic globalization. Critics insist that local, regional, and national forms of self-government are being rapidly supplanted by insufficiently democratic forms of global governance remote from the needs of ordinary citizens, whereas their defenders describe new forms of supranational legal and political decision as indispensable fore-runners to more inclusive and advanced forms of self-government.

2.2.3 World Polity Theory

World polity theorists (Boli and Thomas 1997; Drori, Meyer, and Hwang 2006; Meyer, Boli, and Thomas 1997) posit that the concept of a world society has only become possible with the onset of modernity and introduction of new forms of science, technology, industry, and set of universal values. Giddens (1990; 2000) argues that modernity has become a progressively global phenomenon with the compression of space-time distancing and as a consequence of the European Enlightenment. The modern scientific outlook from this period has instilled a form of rationality towards solving common social problems, and this viewpoint has spread across the entire world. The world polity model presented by Boli and Thomas (1997) is conceptualized as

a global network of international governmental organizations (IGOs) states, non-governmental organizations (NGOs) and societies that produce a distinct world culture never before possible. Culture is understood as global in so much that definitions, principles and purposes are socially constructed in similar ways throughout the world. A common culture explains the institutional isomorphism apparent around the globe such as the proliferation of nation-states as organizational units.

World culture not only becomes embedded in diverse organizations but provides similar models for education, markets, democracy and human rights. But the extent of congruence across countries remains debated (Guillén 2001). World polity theorists criticize state-centrists and world-systems theorists for being reductionist in so far as the latter focus on military and economic processes dominated by powerful states. Boli and Thomas (1997) argue that IGOs states, and transnational corporations are dominant actors in the world polity, but equally important are NGOs. These transnational actors do not follow the dictates of powerful states or transnational corporations; rather, they develop, share and disseminate global values that influence states and other transnational actors. Therefore, the view is not of societies encapsulated in national states as in world culture theory but of transnational social networks providing scripts or models of how state functions should be modified. World polity theorists agree that the nation-state is becoming weaker and less significant as institutions and systems of belief become stronger at the global level.

Consequently, many of the roles of the sovereign national state for carrying out development plans have been decentralized to substate entities (Hwang 2006). The ongoing dynamic between the various actors and the operation of the world polity is viewed as a world proto-state. This view is similar to Robinson's concept of the transnational state, but theorists of global capitalism view changing state structures as the consequence of elite instrumentalism and social conflict. The basis for voluntarily participating in and exercising soft power worldwide is the conception of world citizenship. Given the spread of the European ideal of inalienable individual rights and obligations towards seeking rational solutions to social problems everyone is a citizen of the world polity (Boli and Thomas 1997). The idea of innate and inalienable rights that transcend

national boundaries is codified in the Universal Declaration of Human Rights. Research within the framework of world polity theory has grown significantly over the years (Drori, Meyer, and Hwang, 2006). The theory's strength lies in the important role of NGOs, which adds a dynamic of social change at the global level missing in state-centric conceptions of political power and economically deterministic models of social change. Non-state organizations are important players in global and national political decision-making.

Nonetheless, the theory presents a number of theoretical errors and oversights. First is a cognitive view of globalization, that is, the notion of a world polity based on subjective relationships to globalization and world citizenship (an error also found in world culture theory). Workers for the United Nations, those lobbying transnational organizations, and well-traveled scholars may adopt a cosmopolitan attitude about their place in the world, but the mass of humanity is likely to maintain more particularistic identifications. Second, the division between the well-to-do and the rest also remains problematic in the world polity framework given its homogenous view of power and inequality. While membership in the world polity may be open to everyone, significant structural differences in practicing citizenship remain. INGOs represent a third force in international relations, but there is a strong correlation between income levels and participation in the world polity (Beckfield, 2003). World polity theory resembles a pluralist account of power, but on a global level. It is thus susceptible to many of the same critiques.

2.2.4 World Culture Theory

Globalization refers to the compression of the world and the intensification of consciousness of the world as a whole (Robertson, 1992). In thought and action, it makes the world a single place. What it means to live in this place, and how it must be ordered, become universal questions. These questions receive different answers from individuals and societies that define their position in relation to both a system of societies and the shared properties of humankind from very different perspectives. The confrontation of their world views means that globalization involves comparative interaction of different forms of life (Robertson, 1992).

Global interdependence and consciousness of the world as a whole precede the advent of capitalist modernity. Yet European expansion and state formation boosted globalization since the seventeenth century. The contemporary shape of the globe owes most to the take-off decades after about 1875, when international communications, transportation, and conflict dramatically intensified relationships across societal boundaries. In that period, the main reference points of fully globalized order took shape: nation-state, individual self, world-system, of societies, and one humanity. These elements of the global situation became relativized; national societies and individuals, in particular, must interpret their very existence as parts of a larger whole. To some extent, a common framework has guided that interpretive work; for example, states can appeal to a universal doctrine of nationalism to legitimate their particularizing claims to sovereignty and cultural distinction. Such limited common principles do not provide a basis for world order. Global consciousness does not imply global consensus.

By the end of the twentieth century, if not before, globalization had turned world order into a problem. Everyone must now reflexively respond to the common predicament of living in one world. This provokes the formulation of contending world views. For example, some portray the world as an assembly of distinct communities, highlighting the virtues of particularism, while others view it as developing toward a single overarching organization, representing the presumed interests of humanity as a whole. In a compressed world, the comparison and confrontation of world views are bound to produce new cultural conflict. In such conflict, religious traditions play a special role, since they can be mobilized to provide an ultimate justification for one's view of the globe; the resurgence of fundamentalist groups, innovative traditionalists with a global agenda, is a case in point. A globalized world is thus integrated but not harmonious, a single place but also diverse, a construct of shared consciousness but prone to fragmentation.

World culture theory is a label for a particular interpretation of globalization that focuses on the way in, which participants in the process become conscious of and give meaning to living in the world as a single place. In this account, globalization "refers both to the compression of the world and the intensification of consciousness of the world as a whole"; in other words, it covers the acceleration in concrete global interdependence and in consciousness of the global whole

(Robertson 1992). It involves the crystallization of four main components of the global-human circumstance: societies (or nation-states), the system of societies, individuals (selves), and humankind; this takes the form of processes of respectively, societalization, internationalization, individuation, and generalization of consciousness about humankind (Robertson 1991, 1992). Rather than referring to a multitude of historical processes, the concept above all captures the form in terms of, which of the world has moved towards unicity (Robertson, 1992). This form is practically contested. Closely linked to the process of globalization is therefore the "problem of globality" or the cultural terms on, which co-existence in a single place becomes possible (Robertson, 1992). World culture denotes the multiple ways of defining the global situation, conceived as responses to this shared predicament.

As a process that both connects and stimulates awareness of connection, globalization dissolves the autonomy of actors and practices in contemporary world order. In this process of relativization, all units engaged in globalization are constrained to assume a position and define an identity relative to the emerging global whole (Robertson 1991; 1992).

World culture theory, rooted in the phenomenological tradition of sociology, focuses on how individuals and collectivities become aware of and give meaning to their lives in the world understood as a single place. Although lacking a specific focus on conceptions of the state, the theory is useful for comparative purposes. According to Robertson (1992), the leading proponent of this perspective, globalization refers to the compression of the world and the intensification of consciousness of the world as a whole. Globalization is not radically different from how societies and processes of civilization have been unfolding since antiquity. What is new is the conception of the entire earth as an arena for cultural interaction and contestation. An important period of the growing awareness of the global space occurred between 1870 and 1920 with the establishment of four key components of Robertson's model: national societies, the world system of societies, individual selves, and humankind. World culture theory attempts to capture the tension between the local and the global, between the particular and the universal. As global integration proceeds, individuals and groups struggle to increase their local identity vis-à-vis the global whole. Nationalism, for example, is understood not as fragmentation but the universalism

of social identities across the world. Along with greater awareness of one's self and one's community in the wider world comes increased demand for sovereignty and cultural distinction. National societies demand their own sovereign political structures relative in shape and form to others existing in the system and thus illustrates a type of "global political culture" (Robertson, 1992).

World culture's explanation for the spread of nation-states and reflexive emulation of existing models parallels the assertions made by world polity theorists. In fact, Robertson (1995) coined the term globalization to describe how local cultures absorb global ideas and processes and adapt them to their particular circumstances. But whereas world polity and other theories stress transnational groupings such as NGOs, Robertson's model depicts national societies and sovereign states as overlapping conterminously.

Moreover, national states are not weakening nor do their functions within the wider system of states appear to be changing. National borders seem to represent boundaries between a global array of possibilities and their local application. But unlike world polity's underlying assumption of consensus-formation, world culture describes a contested world society that extends beyond individual nation states into a global arena. Whereas national societies appear encased in national structures, global societies engage in global cultural conflict. Globalization, for Robertson, is necessarily contested in so much that we are in a period of globe-wide cultural politics (Robertson, 1992), which stem from differing world views on how to solve universal problems. In his view, identity increasingly becomes defined in relation to the global whole. However, defining the global whole, one's relation to it, and how to resolve worldwide problems does not entail consensus. Because religion is a critical site for developing meaning, symbols, and solutions, it has risen to the forefront of cultural battles between different sets of people. Religious fundamentalism represents a movement of resistance against globalization by invoking its own global vision based on its tradition of universal beliefs.

Consequently, world culture theory involves notions of a global civil society but one based on global ideologies of religious fundamentalism and secularism. However, the theory does not

include any conception of transnational state structures either for resolving disputes between differing universal belief systems or in terms of a hierarchy of power between groups capable of imposing a set of values on the rest of global society. Moreover, while this framework may help us understand how globalization accentuates nationalism, ethnic identity, and religious fundamentalism as international cultural pressures accelerate, it runs the risk of essentializing culture into homogenous, static civilizations similar to those portrayed by Huntington in the *Clash of Civilizations* (1997). World culture's almost exclusive focus on cultural factors disregards political economy altogether. Increasing awareness of a global space at the cognitive level may titillate the well-traveled scholar, while telling us nothing of the structure of power at the global level only how different group legitimacies and loyalties may be placed. Shared identities or ideological affiliations may prove useful tools for social mobilization but provide little insight into the political and economic circumstances that create and structure such movements.

One exception is research on transnational advocacy movements by Keck and Skinnink (1998) using a culturalist frame of reference. Their focus on international networks overcomes the weaknesses of both world culture and world polity, but these authors remain state-centric in their analysis. In conclusion the review of the different theories of globalization and their conceptions of the state reveal the current status of the field and where future theoretical developments may occur. First and foremost, there is a need for a coherent theory of global processes from the perspective of historical institutionalism. Stokes (2005) contests some assertions from the global capitalist camp by arguing that U.S. state institutions, i.e. military, reproduce their power by pursuing a transnational agenda. However, a more coherent theory that draws on some of the insights of crises, war-making, socio-economic development, etc. and their relationship to state formation needs to be made but at the transnational and global level.

Economic issues also appear at the forefront of social movements contesting the impositions of international state institutions. Marxian theories of global capitalism, more so than world-system theories, are appropriate for analyzing global political economy given their focus on transnational class relations and avoidance of conceiving nation-states as a static category. But

more work needs to be done in understanding the role of military power (which historical institutionalism and world-system do better) than claiming that U.S. armed force represents the interests of an increasingly integrated ruling class (Robinson 2004).

2.3 Empirical Review: Challenges and Responses to Globalization

Companies around the world are struggling to confront the organizational challenges presented by global trends such as growing competition for talent, shifting centers of economic activity, and an increasingly networked business environment. Globalization symbolizes the structural making of the world characterized by the free flow of technology and human resources across national boundaries presenting an ever-changing and competitive business environment. Organizations have no choice but to find ways of adapting to a new business environment.

2.3.1 Organizational Challenges

Organizational approaches to international business have evolved from multi-nationalism to globalization, necessitating a more sophisticated and well-trained management to cope with the complexities of the organization's involvement in multiple foreign markets. Global organizations source raw materials, production capabilities, distribution, capital, and employees from throughout the world. Managers from various cultures/countries must be successfully moulded together at each corporate location including the corporate headquarters, to maximize overall benefits to the corporate network. Although there has been a tendency to rely on parent-country nationals (expatriates), companies cannot wait to groom expatriates or take the time for them to acquire the multilingual skills, experience, and global vision needed in today's top global executives. The need to develop "multicultural multinational" organizations to compete in the global marketplace effectively is the logical next step in the evolution of the global organization.

Some multinational corporations are attempting to get an instant infusion of global expertise by making a foreigner the boss instead of training parent-country managers to become more globally cosmopolitan through expatriation (Pechter, 1993). These organizations are creating a

truly global perspective and multicultural workforce by relocating host and third country managers into the domestic organization.

The process of transferring international managers from their overseas assignments to the home/domestic market on a semi-permanent/permanent assignment is known as inpatriation (Harvey, 1993). Inflow of managers into the domestic market may start with accomplished top executives, but within a reasonable time period these inpatriate managers should permeate all levels of the global organization. Researchers have noted that managers' ability to work cross-culturally is a crucial success factor in competing in the global marketplace effectively (Dadfar and Gustavsson, 1992; Granstrand, Hakanson, and Sjolander, 1993). To stimulate multiculturalism in the headquarters organization, human resource managers need to facilitate the inpatriation process, improving inpatriates' ability to function in the local organization's home country. Correspondingly, inpatriate employees can be seen as boundary-spanners between home and host organizations, assisting in maintaining cultural consistency between organizational entities (Black and Mendenhall, 1989; Smith, 1984).

Organizational approaches to international business have evolved from multi-nationalism to globalization, necessitating a more sophisticated and well-trained management to cope with the complexities of the organization's involvement in multiple foreign markets. Global organizations source raw materials, production capabilities, distribution, capital, and employees from throughout the world. Managers from various cultures/countries must be successfully moulded together at each corporate location, including the corporate headquarters, to maximize overall benefits to the corporate network. Although there has been a tendency to rely on parent-country nationals (expatriates), companies cannot wait to groom expatriates or take the time for them to acquire the multilingual skills, experience, and global vision needed in today's top global executives. The need to develop multicultural multinational organizations to compete in the global marketplace effectively is the logical next step in the evolution of the global organization.

2.3.2 Recession Effects on Commercial Banks

Even if globalization really erased the danger of inflation, and financial instability was suppressed by institutional precautions, this would not mean that central banks could relax (Mankiw, 1999; Autschbach, 1997). Consequently, higher interest rates may go up (because of higher risk premium based on the lower real value of assets and the higher real value of debts) and more importantly, investors and consumers may get difficulties to receive further credit. Therefore, reductions in investment demand and even bankruptcies of firms, with the consequence of bad loans in the sheet balances of banks may occur. Another reason is the increase in purchase power of money because of lower prices. This makes hoarding of money more attractive because the pure holding of money promises a positive real interest.

The consequence of recession is that more private savings go into unproductive money holdings instead of being available for productive real investment. Moreover, delaying the purchase of (not-urgently needed) goods becomes a more attractive option. Hence, a vicious circle may be established that leads the economy into even more severe depression and deflation. But monetary policy also has problems of leading an economy out of such a vicious circle. On the one hand, interest policy may be rather ineffective in a deflation as the example of commercial banks has exhibited (Oda and Okina, 2001). The central bank can only steer the nominal rate of interest whereas aggregate demand can only be increased by decreasing the real rate of interest that is the difference between nominal interest rate and the rate of expected inflation. Moreover, if the nominal interest rate is near zero, the economy may drift into a liquidity trap where an increase in money supplied by the central bank, goes into money holding. It is difficult in such a situation to revert deflationary expectations, i.e. to create expected inflation. Perhaps a strong depreciation of the domestic exchange rate, as proposed by different economists would help. However, it may not be implementable politically because of the costs involved with it (Oda and Okina, 2001).

It is reasonable, to differentiate between the effects of real and financial globalization on inflation. Real globalization in the sense of an increase in international trade or openness affects

inflation, as has been discussed in recent years. The recent literature has identified openness as one of the countervailing forces that lessen the incentive to inflate. The argument which is originally due to Romer (1993) is that the more open the economy, the smaller the real benefits of higher output from surprise monetary expansion, and thus the lower the equilibrium rate of inflation. As domestic output increases, the terms of trade worsen the more open the economy, the larger the fraction of foreign goods in domestic consumption, and the greater the welfare loss from the terms of trade loss. In short, more open economies may be blessed with a lower incentive to inflate.

The real effective capital income tax rate rises as inflation increases (Feldstein, 1997). The effects on capital income taxes are a main mechanism by which the tax system becomes non-neutral to inflation. Therefore, unless governments are very myopic when deciding about structural priorities will consider the costs of a capital drain and of not being able to attract foreign capital, which functions as a source of financing investments and economic growth. This insight (and the consequent change in behavior) has found expression for example, in the willingness of numerous governments all around the world to provide their central banks with greater legal independence. This trend towards increased central bank independence that has been witnessed in both industrialized and developing countries can be regarded as the most important inflation-decreasing effect of locational competition. This locational or institutional competition, which was described above as a characteristic or implication of globalization, tends to make institutions such as central bank independence into a must for a government in order to be able to sell bonds on the international financial markets, at least at a reasonable price.

The hypothesis that increasing locational competition reduces inflation pressure has also been modeled (Wagner, 2000). Inflation itself was caught there as the result of inefficient structural conditions. These inefficiencies, which supposedly can only be reduced by (costly) structural reforms, were considered to be the consequence of a (rational) delay of reforms. By increasing locational competition, an increase in globalization raises the costs of this delay of reforms, and hence of inflation. In a modified Calmfors (1998) approach it was shown that globalization may increase the extent of (labor market) reforms and decrease inflation. Global financial markets

also challenge traditional attempts by liberal democratic nation-states to rein in the activities of bankers, spawning understandable anxieties about the growing power and influence of financial markets over democratically elected representative institutions, (Feldstein, 1997).

2.3.3 Global Competition

Intense global competition has forced many firms to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Several factors have come together to cause this increase in competition. Foremost amongst these have been the shortening of product life cycles, rapidly changing demand patterns, the increasing presence of Japanese and European producers, and the emergence of producers from countries of the North American region as significant players in world markets. At the forefront of these efforts have been attempts to improve flexibility and quality, stimulate innovation, and reduce lead times, while simultaneously keeping costs down.

Underlying responses to global competition has been the recognition of the role of product and process improvement in business strategy. Throughout the 1990s, firms examined and, in many cases, changed their quality focus. Instead of relying on inspecting quality into products, they emphasized improving product and process design, implementing process control, and continually improving processes (Symons and Jacobs, 1995). Total quality management became a major element in corporate strategy (Malhotra *et al.*, 1994). Indeed significant numbers of large firms adopted quality programs during the 1990s (Hiam, 1993) though with mixed results.

Globalization and the accompanying market deregulation and liberalization process increasingly exposes private agents and governments to international competition on different levels or fields. In the private sector (on a micro-economic level), global economic integration leads to lower price markups and lower excess wage on all markets. Lack of funding is another challenge of globalization that affects commercial banks. The disciplining effect of global financial markets applies to the private sector, by making it more difficult to sustain unwarranted price markups and non productivity driven wage increases (Citrin and Fischer, 2000). This effect of

globalization however, will tend to result in one-time downward shifts in the price level rather than ongoing restraints on the rate of inflation.

In the state sector (on a macroeconomic level), global economic integration leads to new fiercer competition on the world market as new countries (competitors) enter the global market. The increased openness to trade and capital flows based on liberalization and deregulation, particularly on the financial markets and increases the locational or infrastructural competition between regions and countries. This in turn forces governments to reduce inefficiencies and as a consequence of this inflation may be reduced (see in more detail, Wagner, 2000, 2001, 2002 ;) Stanley Fischer also argued that an aspect of globalization that is likely to have a long-lasting influence on inflation is the discipline on domestic financial policies imposed by increased financial market integration (Citrin and Fischer, 2000).

This means globalization tends to reduce inflation mainly through its impact on locational competition. Countries and regions have to provide good infrastructure (better infrastructure than competing countries or regions) to attract mobile production factors. Good infrastructure increases the incentive for foreign direct investors to invest in this country or region and improves the chances of domestic firms attracting foreign mobile production factors or keeping their own productive factors from moving outward.

2.3.4 Economic Effects of Globalization

Financial globalization in the sense of an increase in cross-border capital flows (portfolio investment as well as foreign direct investment) implies that the locational competition between countries or regions gains in importance. Theoretical and empirical research has shown that (high) inflation is undesirable locational factor and a locational disadvantage in a globalised world (Wagner, 2002). Inflation is regarded as a signal of bad policy and political and economic instability (Shiller, 1997; Rogoff and Reinhart, 2003). As bad policy and political and economic instability are relevant locational factors or disadvantages, this contributes to capital flight in a globalised economy. The costs of a capital drain stem from the fact that investors and

(productive) mobile factors are the basis of economic growth. When firms and mobile capital leave the country (or region), this means a loss of (potential) production, a decrease in the (potential) output, an increase in unemployment and a decrease in productivity (particularly if, as is often the case, the most productive factors and the most innovative investors are the most mobile ones). This tendency for capital flight in the case of bad locational factors (such as high inflation) is stronger, the higher the integration and globalization of the financial markets is (Wagner and Berger, 2003).

Here, various so-called locational or infrastructural factors matter, for example, on the national level: legal security, social security, economic and political stability; and on the regional level: cultural offers or infrastructure, housing, roads, safety. Major indicators or signals of macroeconomic stability are inflation, debt and tax burden (Fischer, 1991). Globalization in the above sense forces governments to exercise greater fiscal discipline and to ensure sound institutional and political frameworks. In other words, it does act as a force for stability by limiting the scope for countries to pursue policies that are incompatible with medium-term financial stability (Citrin and Fischer, 2000). Thus, governments feel pressured by the locational competition to promote international competitiveness through macroeconomic stability particularly by lowering taxes, government debt, and inflation (on the relevance of macroeconomic and in particular price stability for FDI (Rogoff and Reinhart, 2003). Globalization altered many organizations' conventional processes and procedures due to mobilization of knowledge through itinerant agents augmented by avant-garde ICT channels. The resultant knowledge spans across multinationals and commit bidirectional transmutation due to different cultures and heritages of knowledge nurturing. This is where the domestic knowledge (intra-organization) mutually interrelates with the exotic knowledge (inter-organization) to beget a completely new knowledge that differs from both domestic and exotic knowledge. This new knowledge is a true innovation and may cause a paradigm shift that looked-for in globalization.

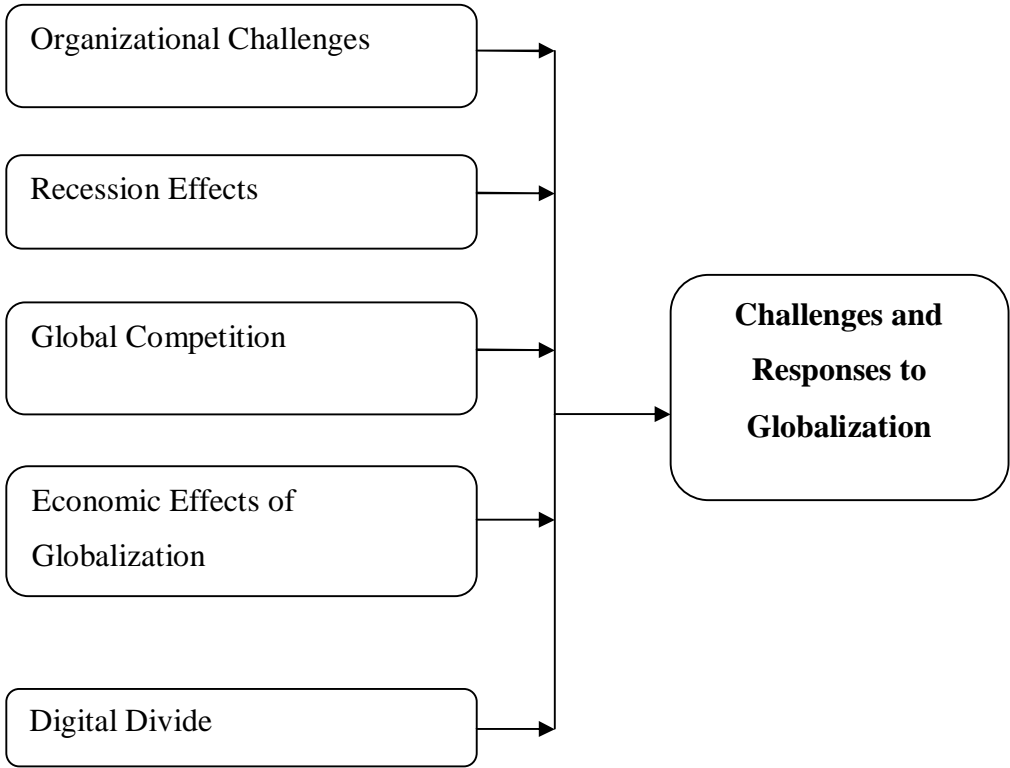
2.3.5 Digital Divide

Globalization of the world economy is the integration of economies throughout the world through trade, the exchange of technology and information and the movement of people. Different companies have moved into globalization for different economical, technological, socio-technological, political and market significations. Levitt (1983), the founding father of globalization, described globalization as a standardized market for the globe with no boundaries between regions and nations. At the time Levitt released his definition, it was the beginning of the new era in trade, openness, and knowledge mobilization across the globe. At that juncture, the economy was virtually described as a commodity economy before its transformation into a digital economy a decade later, then at long last its transubstantiation into a knowledge economy. This dramatic revolution from the tangibility to the intangibility of the economy calls for the amendment of Levitt's vision to cope with the twenty-first century's speedy convergence of globalization, knowledge, and technology.

Globalization introduces enormous opportunities to the developed world, but greater challenges to developing countries. The effectiveness of developing countries in business decisions depends on the availability and the speed of relevant knowledge. However, the developing world is already suffering the digital divide, and consequently information gaps. Paradoxically, even within the developed world, many multinational enterprises restrict their knowledge to certain areas such as offshore manufacturing and product design, while localizing the most knowledge-demanding entity, i.e. the management. This may result in a cultural collision either between the branches of the same company or between the company and its customers and/or allies. In globalization, the scope of thinking must extend beyond the localized environment to global dimensions. Hence, there is a drastic need for new global knowledge governance strategies to handle such relations. Kidd (2001) stated that enterprises should become cultural literate to improve their understanding of exchanging or brokering knowledge between peers within the firm or through linking with individuals in other firms.

The level of knowledge within the multinational and the level of knowledge exchange between the company and its allies or customers shape its global strategy. This in turn determines the degree of globalization to be pursued. It is noteworthy that this knowledge results from intermingled activities such as social networking, inter- and intra-organization communication, sharing, research and development, and innovation. The challenges and responses to globalization can be illustrated as shown the in figure 2.1 below

Figure2. 1: Empirical framework



Independent Variables

Dependent Variable

Source: Author, (2010)

2.4 Conceptualization of the Study

Deloitte Research has defined a framework called “strategic flexibility” (Dwight, 2004) as a means of explaining how banks can address head-on a dilemma such as the one created by the uncertain future of globalization. This approach enables banks to compete effectively today while preparing for an uncertain tomorrow, without either over-committing to one vision of the future or simply hoping for the best. Developing a strategy according to this method involves the following four stages: Anticipate, formulate, accumulate, and operate. They are explained as follows.

Anticipate identifies the drivers of change and define different ways they might interact over a five-to-ten year period. This usually results in four or five scenarios that capture the range of plausible futures.

Formulate defines an optimum strategy for winning within the specific business environment of each scenario. Then merge these plans into a single strategy with two components: “core” elements (initiatives that show up on the “to-do lists” for most or all of the scenarios); and “contingent” elements (initiatives that are needed under the circumstances of just one or two scenarios).

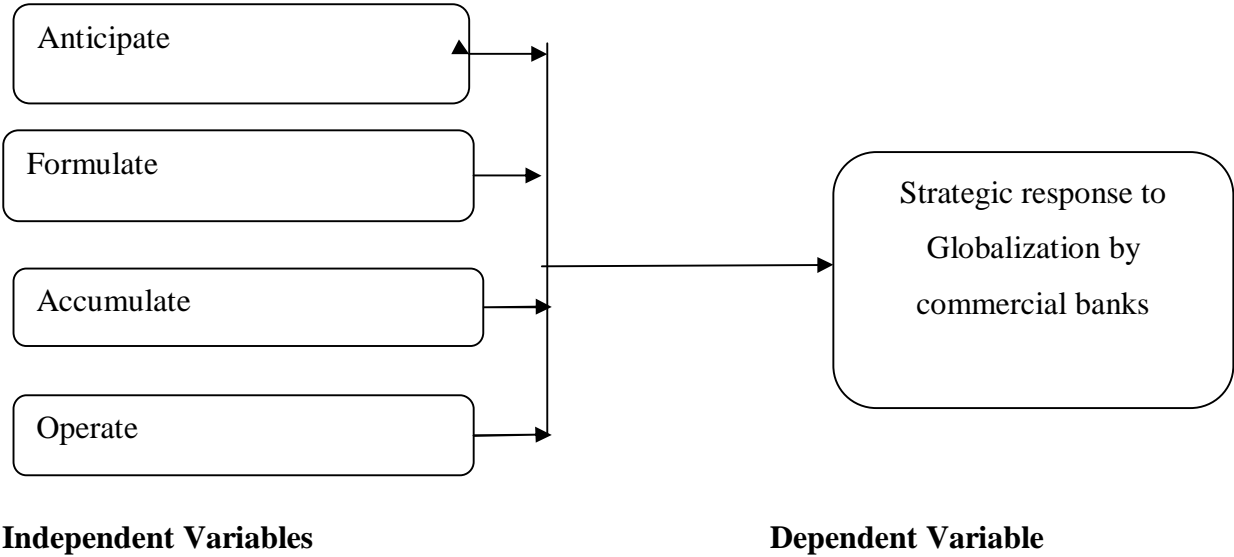
Accumulate acquires any assets and capabilities needed to execute the core elements of the strategy. Conventional scenario-based strategy methods often stop with that. But here there is more. The next step is to make limited commitments with regard to those assets and capabilities that will be essential but only if certain circumstances emerge. Flexible commitments of this type are the equivalent of “real options” – they provide the right but not the obligation to move in a particular direction.

Operate implements the strategy. Put the core elements of the strategy into effect immediately. With respect to contingent elements, monitor the business environment and either exercise or

abandon the real options depending on whether unfolding events make it more or less likely the conditions that would make them valuable will materialize.

By adopting the strategic flexibility approach, banks and other financial institutions can go forward with those aspects of strategy that are likely to pay off whether globalization continues or not, while holding a portfolio of options on initiatives that become useful if specific developments occur in the international arena. The four stages of developing strategy can be illustrated as shown in figure 2.2

Figure 2. 2: Conceptual Framework



Source: Author (2010)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter concerns the various steps that facilitated the execution of the study to satisfy the objectives of this study. These steps include research design, population of interest, data collection instruments and procedures, and data analysis.

3.2 Research Design

This study was done through a cross sectional survey. The major purpose of descriptive research design was to describe the state of affairs as it is at present. According to Mugenda and Mugenda (1999) a descriptive research is a process of collecting data in order to test hypotheses or answer questions concerning the current status of the subjects in the study. They point out that the purpose of a descriptive research is to determine and report the way things are done.

Descriptive research was used to obtain information concerning the current status of the phenomena to describe what exists with respect to variables or conditions in a situation. The methods involved a range from the survey, which describes the status quo and the regression study, which investigates the relationship between variables. The primary use of descriptive statistics was to describe information or data through the use of numbers. The characteristics of groups of numbers representing information or data are called descriptive statistics (Kay, 1997).

These descriptions of a descriptive research matched with the purpose of this study, as its intention was to investigate the response to globalization by major commercial bank in Kenya. The advantage or the purpose of using descriptive research design in this study was to ensure there was in depth description of the state of affairs.

3.3 Target Population

The target population of this study was the major indigenous commercial banks in Kenya (See appendix IV). The study focused on the section and particularly on staff who are well versed with the subject of the study, which is a response to globalization by major indigenous commercial banks in Kenya. There are 4 major indigenous commercial banks in Kenya, which formed the target population of this study. Human resource manager, operations manager and finance manager were selected from each of the commercial banks. There were 12 respondents in this research study. Major indigenous commercial banks for the purpose of this study refer to locally owned banks with branches countrywide.

According to Mugenda and Mugenda (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. This definition ensures that population of interest is homogeneous. And by population the researcher means complete census of the sampling frames. Population studies also called census are more representative because everyone has equal chance to be included in the final sample that is drawn according to Mugenda and Mugenda (1999).

3.4 Data Collection

The researcher used a questionnaire as primary data collection instrument. The questionnaire was designed to give a brief introduction of globalization. It also consisted of both open and close-ended questions aimed at obtaining information on the responses to globalization by major commercial banks in Kenya. The questionnaires were administered through drop and pick method to human resource manager, operations manager and finance manager.

3.5 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. A content analysis and descriptive analysis was employed. The content analysis was

used to analyze the respondents' views about the response to globalization by indigenous commercial banks in Kenya. The data was then coded to enable the responses to be grouped into various categories. Descriptive statistics was used to summarize the data. This included percentages and frequencies. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. The objectives of the study were to establish the strategic responses to globalization by major indigenous Kenyan commercial banks and determine the challenges brought about by globalization in commercial banks. This chapter focused on data analysis, interpretation and presentation of the data. The researcher made use of frequency tables and percentages to present data.

The Response Rate

The researcher targeted a sample of 12 managers from 4 banks out of which 11 responses were obtained. This represented a 91.7% response rate. According to Babbie (2002) any response of 50% and above is adequate for analytical purposes. The 11 managers were from operations, human resource and finance departments.

4.2 General Information

Respondents' Work Experience

Figure4. 1: Respondents' Work Experience

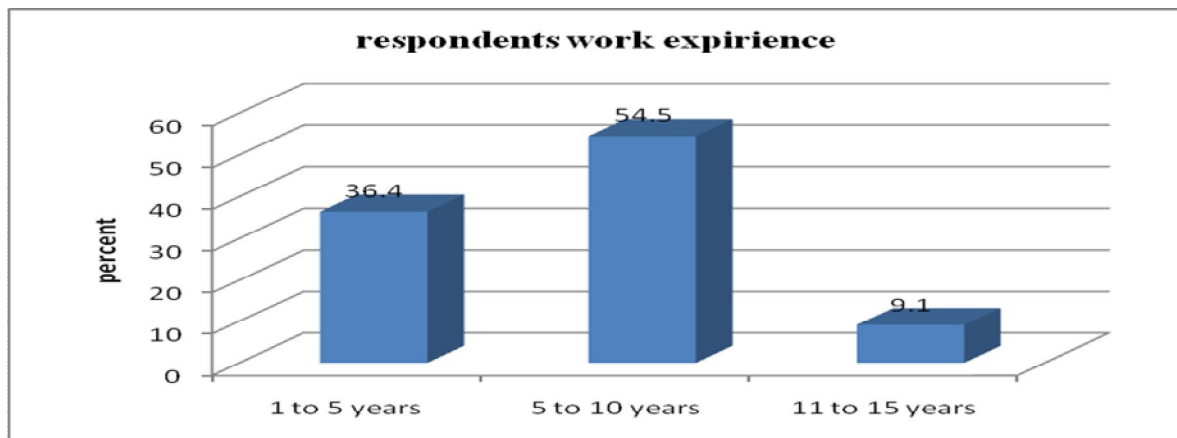


Figure 4.1 above shows the respondents' work experience. 54.5% of the respondents indicated that they had a 5 to 10 years work experience, 36.4% indicated that they had a 1 to 5 years work experience and 9.1% indicated that they had 11 to 15 years work experience. Majority of the respondents had a working experience of between 5 to 10 years.

Duration in their Organizations

Table4. 1: Duration in their Organizations

Duration	Frequency	Percent
1-5 yrs	8	72.7
5-10yrs	3	27.3
Total	11	100.0

The researcher requested the respondents to indicate the duration of time they had spent in their organizations. As shown in table 4.1 above 72.7% of the respondents had worked in their organizations for 1 to 5 years while 27.3% had worked for their organizations for between 5 to 10 years. From these findings we can deduce that majority of the respondents had spent between 1 and 5 years in their current organizations.

4.3 Challenges of Globalization

Whether Globalization Affects the Running of the Organization

Table4. 1: Whether Globalization Affects the Running of the Organization

option	Frequency	Percent
yes	11	100.0
No	0	0

The findings of this study as shown by table 4.2 show that all the respondents agreed that globalization affects the running of the organization.

The Extent to Which Globalization Affects the Organizational Approaches

Table4. 2: The Extent to Which Globalization Affects the Organizational Approaches

Nature of response	Frequency	Percent
To a great extent	7	63.6
To a moderate extent	4	36.4
Total	11	100.0

In an effort to determine the extent to, which globalization affects the organizational approaches the researcher requested the respondents to rate the extent from very great extent to no extent at all. 63.6% of the respondents indicated that globalization was affecting the organizational approaches to a great extent while 36.4% of the respondents indicated that it was affecting the organizational approach to a moderate extent.

Globalization Challenges Affecting the Running of the Organization

Table4.3: Globalization Challenge Affecting the Running of the Organization

Globalization challenges	mean	Std dev
Organizational related issues	3.44	1.014
Distribution of products	3.33	0.866
Production capabilities	4.22	1.310
Capital sources	4.4	0.516
Employees	4.4	0.516

Table 4.4 shows the findings on the respondent’s extent of agreement to globalization challenges affecting the running of the organization. A five point Likert scale was used to interpret the respondents’ responses. According to the scale those challenges which were not considered at all were awarded 1 while those which were considered to a very great extent were awarded 5.

Within the continuum are 2 for low extent, 3 for moderate extent and 4 for great extent. Mean (weighted average) and standard deviation were used to analyze the data.

According to the researcher those challenges with a mean close to 4.0 were rated as to a very great extent while those with a mean close to 3.0 were rated to a low extent or even not considered at all. On the same note the higher the standard deviation the higher the level of dispersion among the respondents. The respondents agreed with a mean of 3.44 and a standard deviation of 1.014 that organizational related issues were challenges affecting the running of the organization, distribution of products was agreed with a mean of 3.33 and a standard deviation 0.866, production capabilities was agreed with a mean of 4.22 and a standard deviation of 1.310, capital sources was a mean of 4.4 and a standard deviation of 0.516 and employees was agreed with a mean of 4.4 and a standard deviation of 0.516.

Globalization

Table4. 4: Globalization

Statement	Mean	Std dev
Human resource managers need to facilitate multiculturalism	4.273	0.786
Banks are striving in improving ability to function in their home country	4.00	0.000
Globalization is necessitating a more sophisticated response to changing business environment	4.273	0.467
There is need for training of management to cope with the complexities of the organization's involvement in multiple foreign markets	4.545	0.82
Employees are positive about changes brought about by globalization	4.09	0.539

According to the results as shown by Table 4.5 the respondents agreed with a mean of 4.273 and a standard deviation of 0.786 that human resource managers need to facilitate multiculturalism, banks are striving in improving ability to function in their home country agreed with a mean of 4.0 and a standard deviation of 0.00, globalization is necessitating a more sophisticated response to changing business environment was agreed with a mean of 4.273 and a standard deviation of 0.467. The respondents also agreed with a mean of 4.545 and a standard deviation 0.82 that there is need for training of management to cope with the complexities of the organization's involvement in multiple foreign markets. Employees are positive about changes brought about by globalization was also agreed with a mean of 4.09 and a standard deviation of 0.539.

Other related organization related challenges include; changing lending rates, economic crisis, infrastructure and market dynamism, competition, taxation issues, mobilization of capital requirements, adoption/embracement of new technology due to low literacy levels and product differentiation.

Possible Solutions to the Challenges of Globalization

The respondents indicated that the possible solutions to the challenges of globalization include; embracing international best practices and benchmarking, hire of highly skilled and upwardly mobile employees that can embrace change, continuous training to update on improvements, technology advancement banks should provide products ,which are inline or tailored to suit customer needs or cultural requirements and cutting down operational cost.

4.4 Recession and Inflation Effects of Globalisation

Whether Recession and Inflation Affect the Running of the Organization

Table4.5: Whether Recession and Inflation Affect the Running of the Organization

Option	Frequency	Percent
yes	11	100.0
No	0	0.0

On whether recession and inflation affect the running of the respondents' organization, all the respondents (100%) agreed.

Extent to Which Recession and Inflation Affects the Running of the Respondents' Organisation

Figure4. 2: Extent to Which Recession and Inflation Affects the Running of the Respondents' Organisation.

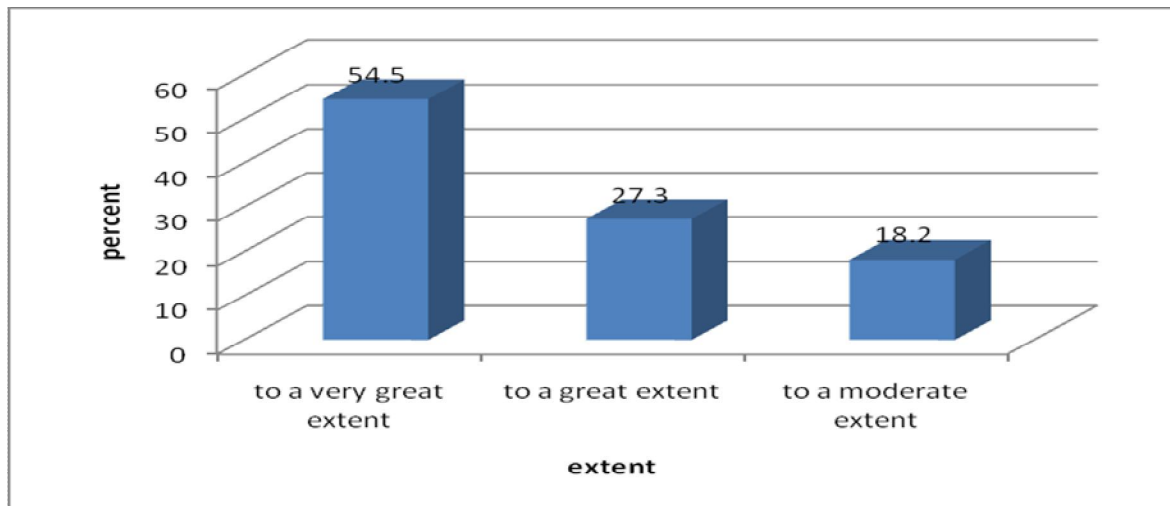
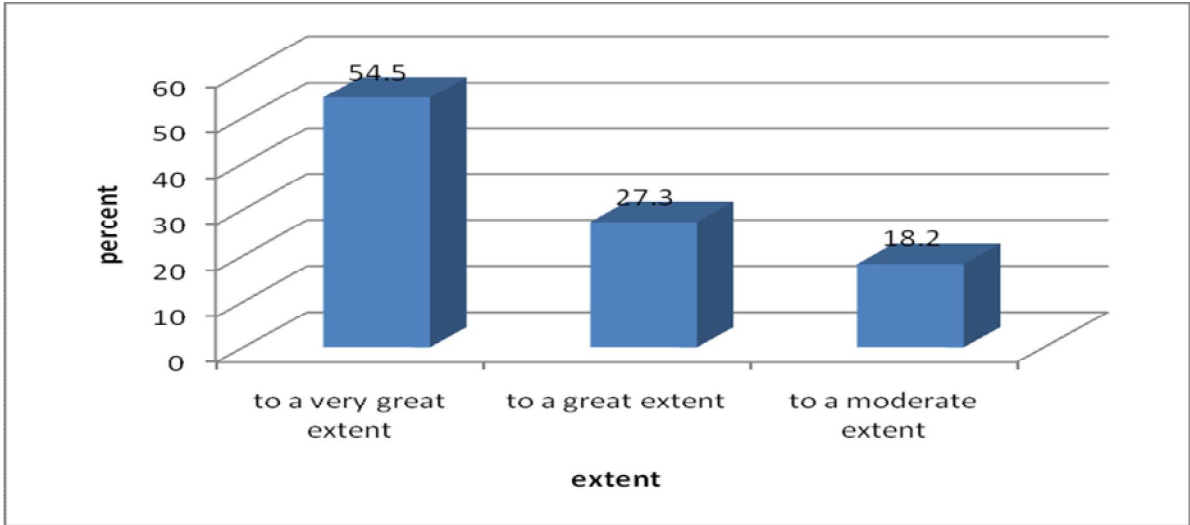


Figure 4.2 above shows the response on the extent to which recession and inflation affects the running of the respondents' organization. 54.5% of the respondents indicated that recession and

inflation affects the running of the respondents' organization, 27.3% of the respondents agreed to a great extent while 18.2% agreed to a moderate extent.

Globalization in the Sense of an Increase in International Trade or Openness

Figure4. 3: Globalization in the Sense of an Increase in International Trade or Openness



On whether globalization in the sense of an increase in international trade or openness affects recession and inflation, 54.5% of the respondents agreed to a very great extent, 27.3% agreed to a great extent while 18.2% agreed to a moderate extent. Majority of the respondents agreed that globalization in the sense of an increase international trade or openness affects recession and inflation.

Recession and Inflation Challenges

Table4. 6: Recession and inflation challenges

Recession and inflation challenges	mean	Std dev
As domestic output increases, the terms of trade worsen hence poor performance of commercial bank	4.55	0.522
Recession has led to lack of demand for banking products	4.36	0.504
Recession has resulted in deflation of expectations which has affected commercial banks	3.73	0.786
Recession has increased taxation which in turn affects capital income in commercial banks	3.455	1.13

The researcher requested the respondents to indicate the extent to, which they agreed with the recession and inflation challenges brought about by globalisation. It was agreed with a mean of 4.55 and a standard deviation of 0.522 that as domestic output increases, the terms of trade worsen hence poor performance of commercial bank. The respondents also agreed with a mean of 4.36 and standard deviation 0.504 that recession has led to lack of demand for banking products. Recession has resulted in deflation of expectations, which has affected commercial banks was agreed with a mean of 3.73 and a standard deviation of 0.786 while recession has increased taxation ,which in turn affects capital income in commercial banks was agreed with a mean of 3.455 and a standard deviation of 1.13.

4.5 Global Competition

Table4. 7: Global Competition

Option	Frequency	Percent
yes	11	100.0
No	0	0.0

All the respondents (100%) as shown by table 4.8 indicated that global competition led to globalisation challenges by commercial banks.

Factors Leading to Global Competition

Table4. 8: Factors Leading to Global Competition

Factors	Very great extent	Moderate extent	Little extent	Very little extent	Mean	Std dev
Shortening of time taken to complete a transaction		18.2	36.4	45.5	4.27	0.786
Rapidly changing demand patterns			36.4	63.6	4.64	0.504
Increasing presence of foreign banks	18.2	27.3	36.4	18.2	3.36	1.36

Table 4.9 above shows the extent to, which the respondents agreed with the factors that lead to global competition by commercial banks. The respondents agreed to a very little extent with a mean of 4.27 and a standard deviation of 0.786 that shortening of time taken to complete a transaction. Rapid changing demand patterns was agreed to a very little extent with a mean of

4.64 and a standard deviation of 0.504 while increasing presence of foreign banks was agreed to a little extent with a mean of 3.36 and a standard deviation of 1.36.

Effects of the Global Competition by Commercial Banks

Table4. 9: Effects of the Global Competition by Commercial Banks

Effects of the Global Competition	Mean	Std dev
Reduced flexibility	3.2	1.033
Improved quality of services offered to customers	4.0	0.943
Stagnation of innovations	3.0	1.33
Increased costs of operation	2.6	1.58

On the extent to, which the respondents agreed with the effects of the global competition by commercial banks: reduced flexibility was agreed to a moderate extent with a mean of 3.2 and a standard deviation of 1.033, improved quality of services offered to customers was agreed to a great extent with a mean of 4.0 and a standard deviation of 0.943, stagnation in innovations was agreed to a little extent with a mean of 3.0 and a standard deviation of 1.33 while increased costs of operations was agreed to a little extent with a mean of 2.6 and a standard deviation of 1.58.

Responses to Challenges of Global Competition

The respondents indicated that the responses adapted by commercial banks to the challenges of global competition were; diversification of products, advertisements of products and services, reduction of operational costs, improved infrastructure implementation, training and improved technology, internet banking and use of correspondence.

Extent to Which Globalization Leads to Poor Economic Performance

Figure4.4: Extent to Which Globalization Leads to Poor Economic Performance

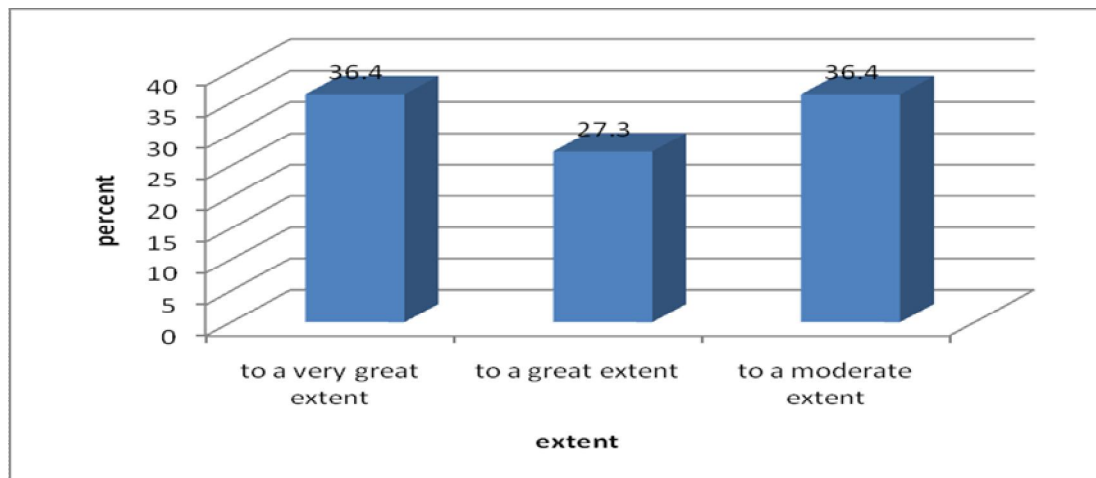


Figure 4.4 above shows the extent to, which globalization leads to poor economic performance by commercial banks. 36.4% of the respondents agreed to a very great extent that globalization leads to poor economic performance, 27.3 agreed to a great extent while 36.4 agreed to a moderate extent.

Economic Effects and Commercial Bank Business

Table4. 10: Economic Effects and Commercial Bank Business

Effects of globalization	mean	Std dev
Economic instability	3.82	0.751
Political instability	4.00	0.894
Low investments	3.91	0.00
Slow economic growth	3.73	0.786
Loss of potential customers due to migration	2.27	1.00

Table4.11. above shows the extent to, which economic effects affect the running of the commercial banks. Economic stability was agreed with a mean of 3.82 and a standard deviation of 0.751, political stability was agreed with a mean of 4.0 and a standard deviation of 0.894, low investments was agreed with a mean of 3.91 and a standard deviation of 0.00, slow economic growth was agreed with a mean of 3.73 and a standard deviation of 0.786 while loss of potential customers due to migration was disagreed with a mean of 2.27 and a standard deviation of 1.00.

4.6 Global Digital Divide

Extent to Which Globalization Leads to Global Digital Divide

Table4.11: Extent to Which Globalization Leads to Global Digital Divide

Nature of response	Frequency	Percent
To a moderate extent	5	45.5
To a little extent	6	54.5
Total	11	100.0

On the extent to, which globalization leads to global digital divide the response was as follows; 45.5% of the respondents indicated that globalization leads to global digital divide to a moderate extent while 54.5% agreed to a little extent.

Main Areas of Digital Divide by Commercial Banks

Table4.12: Main Areas of Digital Divide by Commercial Banks

Main Areas of Digital Divide	Frequency	Percent
Exchange of technology and information	1	9.1
Invention and innovation	8	72.7
Research and development	2	18.2
Total	11	100.0

The researcher requested the respondents to indicate the main areas of digital divide in commercial banks. 9.1% of the respondents selected exchange of technology and information, 18.2% selected research and development, while 72.7% selected invention and innovation.

Advantages of Globalization in Terms of Technology

The advantages of globalization in terms of technology that have been enjoyed by commercial banks include; internet banking, it leads to reduced costs partially in staff and overall operations costs, improved customer services, attraction or retention of customers, improved TATs, reduction of fraud or risk exposure, increased access to customers database systems, expansion of market of their products and services, efficiency of service delivery as a results of improved infrastructure and re-organization of management structures due to exchange of information in efficient running of the organization.

Other Effects of Globalization on Commercial Banks

Others effects of globalization on commercial banks include; invention of bank services by non bank organizations, which provide cheaper and efficient services e.g. MPESA innovations, bondless trading, diminished deposits due to demand, reduced capital requirements due to low investor confidence, reduced lending ability and high default rates to unsecured loans.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objectives, which were to establish the strategic responses to globalization by major indigenous Kenyan commercial banks and determine the challenges brought about by globalization in commercial banks.

5.2 Summary of Key Findings

This section summarizes the key findings of the study as presented in chapter four. It presents the findings of strategic responses to globalization by major indigenous Kenyan commercial banks and challenges brought about by globalisation in commercial banks.

5.2.1 Strategic Responses to Globalization by Major Indigenous Kenyan Commercial Banks

The findings of this study show that globalization affects the running of the organization and organizational approaches. The study also realized that recession and inflation affects the running of the commercial banks to a moderate extent. Majority of the respondents agreed that globalization in the sense of an increase international trade or openness affects recession and inflation.

Global competition was found to lead to globalization challenges by commercial banks. The study found that factors leading to global competition include; shortening of time taken to complete a transaction, rapid changing demand patterns and increasing presence of foreign banks. The study found that the effects of global competition by commercial banks are; reduced

flexibility, improved quality of services offered to customers, stagnation in innovations and increased costs of operations.

The study found that the responses adapted by commercial banks to the challenges of global competition are; diversification of products, advertisements of products and services, reduction of operational costs, improved infrastructure implementation, training and improved technology, internet banking and use of correspondence.

The study also found out that the following economic effects affect the running of the commercial banks to a large extent, they are: economic stability, political stability low investments, low economic growth, and loss potential customers due to migration.

The main areas of digital divide in commercial banks are exchange of technology and information, research and development and invention and innovation. The advantages of globalization in terms of technology that have been enjoyed by commercial banks include; internet banking, it leads to reduced costs partially in staff and overall operations costs, improved customer services, attraction and retention of customers, improved turnaround time, reduction of fraud or risk exposure, increased access to customers database systems, expansion of market for their products and services, efficiency of service delivery as a results of improved infrastructure and re-organization of management structures due to exchange of information in efficient running of the organization. Others effects of globalization on commercial banks include; invention of bank services by non bank organizations, which provide cheaper and efficient services e.g. MPESA innovations, bondless trading, diminished deposits due to demand, reduced capital requirements due to low investor confidence, reduced lending ability and high default rates to unsecured loans.

5.2.2 Challenges Brought About by Globalization in Commercial Banks

This study found out that the challenges brought about by globalization in commercial banks include; distribution of products, production capabilities, capital sources and employees. The study also realized that human resource managers need to facilitate multi-culturalism since banks

are striving in improving ability to function in their home country. Globalization is necessitating a more sophisticated response to changing business environment. There is need for training of management to cope with the complexities of the organization's involvement in multiple foreign markets. Employees are positive about changes brought about by globalization.

Other related organization related challenges include; changing lending rates, economic crisis, infrastructure and market dynamism, competition, taxation issues, mobilization of capital requirements, adaption or embracement of new technology due to low literacy levels and product differentiation.

On recession and inflation challenges the study found that as domestic output increases, the terms of trade worsen hence poor performance of commercial bank. The findings also show that recession has led to lack of demand for banking products and that recession has resulted in deflation of expectations, which has affected commercial banks. Recession has also increased taxation, which in turn affects capital income in commercial banks.

The possible solutions to challenges of globalization include: embracing international best practices and benchmarking, hire of highly skilled and upwardly mobile employees that can embrace change, continuous training to update on improvements, technology advancement banks should provide products, which are inline or tailored to suit customer needs or cultural requirements and cutting down operational cost.

5.3 Conclusion

This research study concludes that globalization affects the running of the organization and organizational approaches. The study also revealed the responses adapted by commercial banks to globalization are; diversification of products, advertisements of products and services, reduction of operational costs, improved infrastructure implementation, training and improved technology, internet banking and use of correspondence. The study also realized that the main areas of digital divide in commercial banks are exchange of technology and information, research and development and invention and innovation.

This study revealed that the challenges brought about by globalization in commercial banks include; distribution of products, production capabilities, capital sources and employees. Other related organization related challenges include; changing lending rates, economic crisis, infrastructure and market dynamism, competition, taxation issues, mobilization of capital requirements, adoption or embracement of new technology due to low literacy levels and product differentiation.

On recession and inflation challenges the study found that as domestic output increases the terms of trade worsen hence poor performance of commercial bank. The findings also show that recession has led to lack of demand for banking products and that recession has resulted in deflation of expectations, which has affected commercial banks. Recession has also increased taxation, which in turn affects capital income in commercial banks.

The possible solutions to challenges of globalization include; embracing international best practices and benchmarking, hire of highly skilled and upwardly mobile employees that can embrace change, continuous training to update on improvements, technology advanced banks should provide products, which are inline or tailored to suit customer needs or cultural requirements and cutting down operational cost.

5.4 Recommendation

This study recommends that;

Commercial banks should embrace international best practices and benchmarking in order to overcome globalization challenges.

Commercial banks should also hire highly skilled and upwardly mobile employees that can embrace change and ensure continuous training to update the improvements.

Commercial banks should also provide products which are inline or tailored to suit customer needs or cultural requirements and cutting down operational cost.

5.5 Recommendations for further studies

From the study and related conclusions, the researcher recommends further research in the area of strategic responses to globalization by commercial banks.

5.6 Implication on policy and practice

The role of globalization in the implementation of strategic responses has a significant bearing on the success rate. It is therefore imperative for banks to look at the factors leading to globalization before implementation of any strategic responses. The banks should also consider the fact that globalization in the sense of an increase international trade or openness affects recession and inflation before implementing strategic responses. The government should form policies that will provide a framework of operations in the banking industry in Kenya. They should also form policies that will protect bank customers from exploitation by banks during the implementation of strategic responses to globalisation.

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APPENDICES

Appendix I: Questionnaire

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

Part A: General information

1. Name of department:
.....
2. What is your designation?
.....
3. What is your total work experience in years?
.....
4. What is your length of time in this organization?
.....

Part B: Challenges of Globalization

Organizational Challenges

5. Does globalization affect the running of your organization?
Yes [] No []
6. If yes, to what extent does it affect the organizational approaches of your organization?
To a very great extent []
To a great extent []
To a moderate extent []
To a little extent []
To a very little extent []
7. To what extent does globalization challenge affect the running of organizational related issues in the following aspects? Use a scale of 1 to 5 where 1 is to very great extent and 5 to a very little extent.

	1	2	3	4	5
Organizational related issues					
Distribution of products					
Capital sources					
Employees					
Others, specify.....					

8. To what extent do you agree with the following statements related to globalization? Use a scale of 1 to 5 where 1 is strongly agreed and 5 strongly disagree.

Statement	1	2	3	4	5
Human resource managers need to facilitate multiculturalism					
Banks are striving in improving ability to function in their home country					
Globalization is necessitating a more sophisticated response to changing business environment					
There is need for training of management to cope with the complexities of the organization's involvement in multiple foreign markets					
Employees are positive about changes brought about by globalization					
Others, specify.....					

9. Which other organizational related challenges does commercial bank face as a result of globalization?

.....

10. Suggest the possible solutions to the challenges of globalization faced by commercial bank in the organization concept.

.....

Effects of Globalization

11. Globalization in the sense of an increase in international trade or openness affects recession and inflation. To what extent do you agree with the statements?

- To a very great extent []
- To a great extent []
- To a moderate extent []
- To a little extent []
- To a very little extent []

12. The following are some of the recession and inflation challenges brought about by globalization. Please rate the level of your agreement to the statements as related to globalization. Use a scale of 1 to 5 where 1 is strongly agree and 5 is strongly disagree.

Statement	1	2	3	4	5
As domestic output increases, the terms of trade worsen hence poor performance of commercial bank					
Recession has led to lack of demand for banking products					
Recession has resulted in deflation of expectations which has affected commercial banks					
Recession has increased taxation which in turn affects capital income in commercial banks					
Other (specify.....)					

Global Competition

13. Has global competition led to globalization challenges by commercial banks?

- Yes []
- No []

14. To what extent do the following factors lead to global competition by commercial banks?
 Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent.

Statement	1	2	3	4	5
Shortening of time taken to complete a transaction					
Rapidly changing demand patterns					
Increasing presence of foreign banks					
Other (specify.....					

15. What is the extent of the following effects of the global competition by commercial banks? Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent.

Effects	1	2	3	4	5
Reduced flexibility					
Improved quality of services offered to customers					
Stagnation of innovations					
Increased costs of operation					
Other (specify.....					

16. What are some of the responses adapted by commercial bank to the challenges of global competition?

.....

17. To what extent does globalization lead to poor economic performance by commercial banks?

To a very great extent []

- To a great extent []
- To a moderate extent []
- To a little extent []
- To a very little extent []

18. To what extent do economic effects lead to the following effects commercial bank running of its business? Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent.

Effects of globalization	1	2	3	4	5
Economic instability					
Political instability					
Low investments					
Slow economic growth					
Loss of potential customers due to migration					
Others (specify.....)					

Global Digital Divide

19. To what extent does globalization lead to information and communication technology (ICT) challenges in the running of commercial banks business?

- To a very great extent []
- To a great extent []
- To a moderate extent []
- To a little extent []
- To a very little extent []

20. Which is the main area of effect of ICT challenge by commercial banks? Tick appropriately.

- Exchange of technology and information []
- Movement of people []
- Invention and innovation []

Organization communication []

Research and development []

Other (specify.....) []

21. Which are the advantages of globalization in terms of technology that have been enjoyed by commercial banks?

.....
.....

22. Which are the other effects of globalization that have affected commercial banks?

.....
.....

THANK YOU!!!

Appendix II: Major Indigenous Commercial Banks

1. Cooperative bank
2. Equity bank
3. Kenya commercial bank
4. National bank of Kenya

Source: Central Bank, 2010

Appendix III: The Budget Schedule

ITEM	COST (Ksh)
1 Proposal Development	
a) Printing of 38 pages @ Kshs. 30	1140.00/-
b) Reproduction 6 copies @ Kshs. 80	4,800.00/-
c) Binding 6 copies @ Kshs. 50	300.00/-
d) Traveling Expenses	4,000.00/-
e) Miscellaneous expenses	3,000.00/-
f) 2 Data collection	
a. Data collection	3,000.00/-
b. Books and reading material	5,000.00/-
c. Data analysis and computer runtime	5,000.00/-
d. Printing 70 pages @ Kshs. 30	2,100.00/-
e. Reproduction 6 copies @ Kshs. 40	8,400.00/-
f. Binding 5 copies @ Kshs. 1,000/-	5,000.00/-
a. Miscellaneous expenses	4,000.00/-
GRAND TOTAL	49,800.00/-

Appendix IV: Time Plan

Phase	Description	Number of weeks										
		1	2	3	4	5	6	7	8	9	10	11
1	Data collection											
2	Data analysis											
3	Result writing											
4	Report writing											
5	Compilation and presentation											