

The Role of International Business Operations and the Impact of the Political Environment in Nigeria:

**A Conceptual Framework Study based on
the Banking and Oil Industries**

Olufemi A. Akintunde

DISSERTATION.COM



Boca Raton

*The Role of International Business Operations and the
Impact of the Political Environment in Nigeria:
A Conceptual Framework Study based on the Banking and Oil Industries*

Copyright © 2008 Olufemi A. Akintunde

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without written permission from the publisher.

Dissertation.com
Boca Raton, Florida
USA • 2008

ISBN-10: 1-59942-697-8
ISBN-13: 978-1-59942-697-6

THE ROLE OF INTERNATIONAL BUSINESS OPERATIONS AND THE
IMPACT OF THE POLITICAL ENVIRONMENT IN NIGERIA: A
CONCEPTUAL FRAMEWORK STUDY BASED ON THE BANKING AND OIL
INDUSTRIES

A Dissertation

Submitted to the
Faculty of Argosy University/Campus
College of Business and Information Technology
in partial fulfillment of
the requirements for the degree of
Doctor of Business Administration

by

Olufemi A. Akintunde

Argosy University

July, 2008

Abstract of Dissertation Presented to the
Graduate School of Argosy University/Sarasota
in Partial Fulfillment of the Requirements for the
Degree of Doctor of Business Administration

THE ROLE OF INTERNATIONAL BUSINESS OPERATIONS AND THE IMPACT
OF THE POLITICAL ENVIRONMENT IN NIGERIA: A CONCEPTUAL
FRAMEWORK STUDY BASED ON THE BANKING AND OIL INDUSTRIES

by

Olufemi A. Akintunde

2008

Chair or Co-chair: Dr. Gordana Pesakovic
Co-chair or Member: Dr. Pesi Amaria
Reader: Dr. Qamar Rehmani

Department: College of Business

ABSTRACT

This study investigated whether known international business theories available in the literature are meaningful enough to explain the role of international companies in Nigeria. The research examines factors that are likely to influence Nigeria's cultural and ethical values, or contributes to Nigeria's socio-economic development and prosperity. Questionnaire were distributed in four major cities of Nigeria to 600 international companies customers in four separate shopping malls, all the questionnaires were collected back. This represents a total response rate of 100 percent, which is adequate for this study.

The study found that critical factors such as socio-economic development and cultural issues impede the contributions of international companies in Nigeria. The study found that international companies are the main contributor to environmental pollution in Nigeria. The respondents perceived the contributions of international companies to the Nigeria's socio-economic developments and prospective as significant and positive. However, they also perceived that there is no significant difference in factors likely to influence Nigeria's culture and ethical values.

The study also found that understanding cultural values and ethical values is important for international companies. The results indicate that success of international business operating in Nigeria is positively related to their local cultural awareness and responsiveness. Along this line, this study covers some vital elements of culture and ethic, which will help International business companies understand further the cultural needs, values social responsibilities.

Acknowledgements

The accomplishment of a Doctorate degree in Business Administration was favorable outcome. The outcome undoubtedly was a composite effort of several personalities. I express my sincere gratitude to those individuals whose support contributed to the completion of this effort. I especially want to thank Dr. Gordana Pesakovic, the Chairperson of my dissertation committee for providing her experience, patience and support throughout the entire process of completing this dissertation.

I must also acknowledge my gratitude to the other member of my committee, Dr. Pesi Amaria and Dr. Qamar Rehmani for their significant contribution and their support in reviewing this dissertation. Thanks to Lorraine Taylor and Christina Gonzalez who helped edit as well as provide insight into the dissertation process.

Special appreciation goes to my family; my late father Francis Olusoji Akintunde who instill in me from the beginning that education is the only foundation of good life, my mother Baderinwa Adepeju Akintunde who undoubtedly believe in me, my brothers Olujinmi Akintunde, Charles Awolesi, my sister Mrs Olukemi Ogunbameru who provided not only financial support and encouragement, but also sacrificed their time to make this a reality. A special thanks to my best friend and brother Adisa Tijani (TJ) who stood by me morally and financially during my mother illness and writing of this paper.

I thank Almighty GOD for giving me fresh supply of strength to be in this position. Finally, thanks to my friends Ekaette Ubom, Kadi Ibrahim, Tito Olaleye, Akeem Adeniyi, Gboyega Faleti, Gbade Olayiwole, Babatunde Adedayo, Fatai & Nike Abidoye, Mr. & Mrs. Akin Oyeniya, Wale & Moni Alade and all the other unnamed friends who assisted in the success of this research. Special thanks to Oluwole Iyiola, a true friend and my colleague in this program.

TABLE OF CONTENTS

	Page
CHAPTER ONE	1
Problem Background	4
Literature Review.....	7
Research Problems and Objectives	11
Significance and Contribution of the Study.....	12
Limitations/Delimitations	12
Scope of the Study	13
Definitions of Terms	13
Importance of Study.....	16
CHAPTER TWO	17
The Complex of International Business.....	17
International Business Operations in Nigeria	22
Evolution of International Business Operations in Nigeria	27
International Business Operations and Political Environment	30
International Business Operations and Globalization.....	32
International Business Operations and Africa Continent.....	35
Management’s Role in International Business Operations	37
International Company’s Operations	39
Political Risk in Nigeria.....	41
Political Risk and Risk Assessments	43
Industries Profile.....	44
Banking Industry.....	44

Oil Industry	47
Quantitative Methods	53
Path Analysis	53
Matrix Analysis.....	55
Matrix Creation	55
Matrix Assessment.....	56
CHAPTER THREE: METHODOLOGY	58
Overview of the Study	58
The Survey Design.....	59
Instrument Construction.....	63
Validity of the Survey Instrument.....	65
Description and Selection of Sample	66
Steps of Survey Administration.....	67
Data Analysis	68
Sources of Invalidity	68
CHAPTER FOUR: FINDINGS	70
Introduction.....	70
Restatement of the Purpose.....	70
Sample Description.....	71
Demographic Analysis.....	71
Hypotheses Testing	72
Descriptive Analysis	77
Summary of Finding	78
Demography.....	78

Hypothesis.....	84
Descriptive Statistics.....	87
Univariate Statistics	88
Religion Analysis Variance	91
Education Analysis Variance.....	97
Age Analysis Variance	103
Salary Analysis Variance.....	110
Product Analysis Variance.....	117
CHAPTER FIVE: Summary and Conclusions	124
Summary.....	124
Conclusions.....	126
Implications of the Finding.....	127
Future Research	128
Reference	130
Appendix	
Survey Questionnaire.....	142

CHAPTER ONE: THE PROBLEM

Many international business theories and paradigms have emerged in recent years based on economic and management perspectives. International business operations usually include business operations of any kind by a firm operating between or within two or more independent countries. When companies operate internationally they can inadvertently sacrifice the philosophical concepts of their management along with their other assets. In attempting to explain the existence of international business operations and the impact of the political environment as it relates to the Nigerian market, some researchers emphasize the need for a reform of the imperfections in the structural market, while other researchers emphasize the need for a reform of transactional imperfections.

According to some research theory on internationalization, higher costs have prompted firms and corporations to internationalize their markets across national boundaries, thereby creating international firms. International business activities do not just begin overnight; rather, this type of activity comes from conscious decisions made by business men or stakeholders in various countries whose main goal is to maximize profit from these international business operations. While international business operations are available globally to anyone interested in pursuing them, the desire to maximize the profit of corporations have led to most international business occurring under a meticulous set of conditions based on economic and political factors and pressures (Abegunrin, 2003).

This research study intends to look at the role of international business operations and the impact of the political environment in Nigeria from a conceptual framework based on two industries: the banking and oil industries. The research study has been

driven by common knowledge concerning the roles and contributions that international firms have made to both of these fields, particularly in Nigeria.

The products and services of international business operations currently affect every society. International business operations have served as vehicles of change in many aspects of global operations such as international production, international trade, economic development, human resources development, and innovation across national boundaries. International business operations tend to go to those countries which offer maximum business and profit potential. Some factors that influence the choices of international business activity in a country are as follows: (1) the gross national product per capita, (2) the rate of growth of the gross national product per capita, (3) the total gross national product, and (4) the political ideology of the country (Gleave & Morgan, 2001).

The dollar value of a country's final output of goods and services in a year, divided by its population is the called the gross national product (GNP) per capita. The GNP reflects the average income of a country's citizens. A country's GNP can be used to help understand the economic strengths and the opportunities for growth in the country. Gross national product per capita tends to be closely linked with other indicators that measure the social, economic, and environmental well-being of the country and its people. For example, people living in countries with higher GNP per capita tend to have longer life expectancies, higher literacy rates, better access to safe water, and lower infant mortality rates than those people living in countries with a lower GNP per capita (Klau, 1998).

The growth rate of the GNP per Capita measures the relative change of the GNP, the direction of that change and subsequently, the velocity of the change. For instance, if a country's GNP growth rate for a particular year is more or less than zero, there has been a change in the amount of goods and services produced in that year. If the GNP growth rate is positive, the country is producing more goods and services at the end of the year than at the beginning. If the GNP growth rate is negative, the country is producing fewer goods and services than at the beginning of the year (Klau, 1998).

According to Gleave and Morgan (2001), the differences between the two measures of GNP and gross domestic product (GDP) arise from the fact that there may be foreign-owned companies engaged in production within the country's borders and there may be companies owned by the country's residents that are engaged in production in some other country but provide income to the residents of the country. For instance, when Nigerians receive more income from their overseas investments than foreigners receive from their investments in Nigeria, the Nigerian GNP will be larger than the Nigerian GDP in that particular year. If Nigerians receive less income from their overseas investments than foreigners receive from their Nigerian investments, on the other hand, the Nigerian GNP will be somewhat smaller than the GDP.

Political ideology can be defined as a systematic body of political concepts about human life or culture. No matter how appealing a country may appear to international business markets, investors must face the fact that in a nationalistic world, individual governments are in a position where they can determine which countries are allowed to operate within their borders and where they can determine how the conditions in which those countries are allowed to operate. Historically, most countries allowed some foreign

participation in their economy; however, many countries have simply refused to allow any foreign firms to operate in any way which would imply either the ownership of assets or the direct management control of operations within their borders. Thus, regardless of how favorable a situation may appear, a primary question of interest to the international firm is whether the government in power will allow their proposed operations (Gleave & Morgan, 2001).

Problem Background

According to Agbu (2004), official estimates indicate that since the elections in 1999, about 2,000 people have died in the battles associated with ethnic feuding in Nigeria. In addition to the ethnic diversity of Nigeria, the country has also experienced religious violence in the northern part of the country which is largely controlled by Muslims. These ethnic and religious differences are further complicated by geographical proximity linked with economic payment. The country has been impacted by ethnic militia movements that have been allegedly promoting and demanding to protect their differing ethnic interests in a country in which the government has been largely seen as unconcerned about the demands of the ethnic nationalities within the country (Agbu, 2004).

Abegunrin (2003) acknowledged that many scholars have offered differing points of view of the Nigerian foreign policy while under military rule from 1966 to 1999, but these approaches have generally shown a lack of consensus regarding the theories behind the research. A common thread that runs between all of these points of view, however, has been that of looking at external factors as a focus of foreign policy. The use of the

scientific method in analyzing the foreign policy of the nation focuses on a range of variables that are critical to understanding the foreign policy behavior of developing nations such as Nigeria.

The population of the Nigerian Republic is estimated to be around 140 million people, with a population growth of about 2.67% in 2000. The projected population for 2030 is estimated to be about 255 million people. The country is composed of somewhere between 250 and 400 different ethnic groups, including the primary ethnic groups of the Hausa and Fulani in the northern region of the country, the Yoruba in the southwest portion of the country, and the Igbo in the southeast portion of the country. There are between 350 and 400 dialects spoken in Nigeria, with the primary languages being Hausa in the northern region and Yoruba and Igbo. The official language of Nigeria is English (Nigeria, 2004).

Figure 1.2. *Religion in Nigeria.*

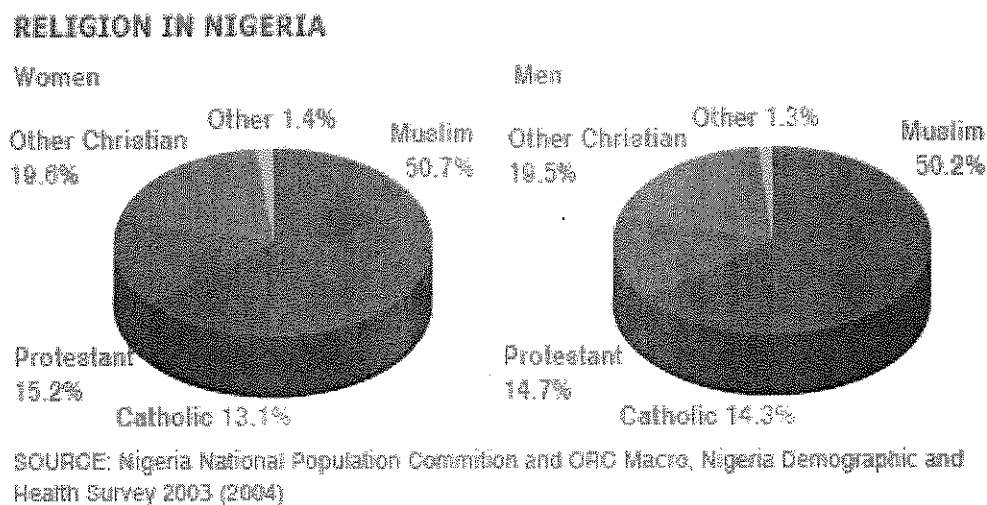


Figure 1.2 shows the population of Nigeria broken down into religion and gender. Based on the information presented in Figure 1.2, the religious composition of men and women tend to be very similar. Muslim men and women make up 50% or more of the nation, while Christian men and women range between 48-50% of the nation's population. Nigeria is the most densely populated country in Africa and this country's population makes up over half of the population of West Africa. Approximately 25% of Nigerians are urban dwellers and there are 24 cities that have populations of over 100,000. Among the 250 functional ethnic groups in Nigeria, there are different customs, languages, and traditions that bestow the country with a rich diversity. The northern parts of Nigeria tend to be composed of the Hausa-Fulani, and the dominant ethnic and religious group of the north is Muslim. The southern part of the country consists of the Yorubas and Igbos in the southwest and southeast parts of Nigeria respectively (Nigeria, 2004).

The number of militias within the country appears to be growing on a daily basis and the government appears to be lost as to how to deal with this problem in a country where individual and group rights need to be separated from ethnic and political considerations. The largest and most prominent militia movement is that of the Niger Delta militia. These faction groups are now challenging not just the political positions and the process of democracy in the country but also the social and economic positions of the people in the country as a part of the liberalization of the political environment. To an extent, democratic freedoms have obviously been understood or misunderstood by many to mean unbridled freedom (Agbu, 2004).

Literature Review

In the Nigerian setting, the roles of international business operations are quite numerous, especially in the banking and oil industries, and this is a primary driving force of this research study. The contributions of international business operations within the country are manifested in the cross-border value-adding activities such as marketing, trading, international production, joint venture, consulting, contracting, project management, licensing and financing. International business operations are recognized not only in terms of their diverse border-crossing business activities, but also in terms of the size of the assets and annual sales of these international corporations.

Abegunrin (2003) stated that the problems of underdevelopment, poverty, corruption, and the unequal distribution of wealth at both national and international levels are some of the major causes of conflicts among nation-states. Functionalism, regional integration, interdependence, dependence, modernization, and global systems are some of the theories that have emerged from the scientific study of the different factors that affect the economic and political development of nation-states.

Magyar (1996) found that Nigeria's political history since the country gained its independence has revolved around the military's political perception of and intervention in public affairs. Some characterize this intervention as outright domination. Analyzing the reasons for this military intervention can be a lengthy exercise in itself, and there is little evidence to indicate that the reasons differ markedly from those of military interventionists elsewhere in Africa. Given Nigeria's huge population and historically disparate ethnic composition, it should have been expected that its post-independence

political challenges would be particularly formidable.

According to the Royal Institute of International Affairs (1960), Nigeria's agricultural product superseded that of Ghana, which had six times the population of Nigeria. Per the report:

Production in Nigeria is mostly for domestic use, either to meet the needs of the farmer's family or for sale inside the country. Exports hold a key position in the economy and overseas sales of cocoa, oil palm products, groundnuts, and other commodities have been the main source of public funds and have made possible the expansion in recent years of a wide range of imports. (p. 88)

Nigeria's political authorities are weak despite a shift to the centralization of administrative and financial functions.

According to Forrest (1995),

... Bureaucratic power has not been heavily entrenched, and governments have generally not attempted to incorporate sources of opposition within the state apparatus, consequently, the struggle by private interests for state resources has helped to undermine the legitimacy of governments and erode the authority of the state. (p.4)

The state of Nigeria is fragile and is very corrupted across the country both from within and from without (Forrest, 1995).

According to Goodling (2003), in a 2002 study of corruption conducted by Transparency International, Nigeria placed 101 out of 102 different countries in terms of the degree of corruption of the country as determined by risk analysts, business people

and academicians. Only Bangladesh was found to be more corrupt than Nigeria as defined by the study. Due to corrupt practices transcending nearly every stratum of Nigerian society, the government of Nigeria faces a very daunting task.

Rose-Ackerman (1997) noted that it can be arduous to see how the economic costs of corruption can negatively impact a country. Bribery was noted to be frequently tied to politics and in many countries; the laws against bribery are very weak. In some countries, it was found that some governments only enforce anti-corruption laws against their political opponents. Rose-Ackerman further emphasized that the root of widespread corruption comes from the upper echelons of the government. Government officials in corrupt nations regularly take a cut of lucrative state activities for themselves and the fight against high level political corruption tends to become inevitably politicized due to the involvement in malfeasance of top government officials.

Public awareness and tolerance for corruption changes over time, with increasing information and expectations tends to make people expect more from their leaders.

According to Jain (2001):

While much of the focus of the current struggle to reduce corruption is on making bribes more difficult to pay and accept, also corruption involves much more than bribes. Corruption involves inappropriate use of political power and reflects a failure of the political institutions within a society corruption seems to result from an imbalance between the processes of acquisition of positions of political power in a society, the rights

associated with those positions of power, and the rights of citizens to control the use of that power. (p. 4)

Abegunrin (2003) stressed that Nigerian politics and the external economic and political factors have stimulated the thought of Nigerian scholars beyond the scope of the controlling influential power of industrialized countries. Scientific theories have examined the function of specific variables, such as economic leadership, military prowess, and geographical location and how these factors play a role in national foreign policy decision-making. Nigeria does not currently possess the ability to be an effective leader in the international system due to the controlling influences of external economic forces. Abegunrin further remarked that the country's dependence on international finance capital that controls and influences Nigeria's economy puts pressure on the development of the Nigerian economy development and further influences the framework of the administration of foreign policy.

According to Abegunrin (2003), the systematic studies of using the scientific methods as applied to the evaluation of national foreign policy reveal the importance of using scientific methods to gather factual structural information for a country to highlight the state of the nation at a particular time and situation, providing for well-validated data that can be tested independently and verified under different circumstances. Abegunrin (2003) further explained that:

This theory encourages scholars to dismantle the abstractness of the concept of the nation-state, however one attempts to identify human beings who act in the name of states and to look at the structures, organizations, procedures, informal contacts, available resources, and

other identifiable factors these persons utilize or manipulate to determine how and why they behaved the way they did in their endeavor to influence or control the behavior of the state. Most importantly, the scientific theory, informed by the traditional approach, has enhanced our knowledge and provided us with new insights into foreign policy studies. (p.9)

Research Problems and Objectives

This current study proposes to identify significant factors influencing the operation of international companies in Nigeria by first reviewing the available literature addressing the retrospective view of international theories and by then identifying the importance of factors which lead to the ability to explain the essential characteristics of the role of international companies in Nigeria. Another fundamental aspect of the proposed study is to examine the importance of cultural understanding and conditions of the political environment for international companies that either do business in Nigeria or intend to do business in the country. This study intends to address the impact of international corporations in Nigeria in order to determine if international companies significantly contribute to Nigeria's socio-economic development and if the political environment impacts international business operations in the banking and oil industries in Nigeria.

Research Questions

Question 1: What factors are likely to influence Nigeria's cultural and ethical values?

Question 2: What factors are likely to contribute to Nigeria's socio-economic development and prosperity?

Significance and Contribution of the Study

Due to the multiple domestic and international roles played by international business operations, the potential contributions of the proposed study are based on the underlying conceptual framework, logical reasoning and factual information presented. Like domestic firms, international businesses operating across national borders consider their competence and their potential market advantage when they conduct any business activities with an eye towards enhancing their profitability and competitive position. It is the intention of this proposed study to ensure that the political and economic factors that could impact the competitive position of these companies are identified in an effort to enhance the operations and profitability of international business operations within the country.

Limitations/Delimitations

There is no research without limitations. Some of these limitations are outside the scope of control of the researchers, while other limitations are self-imposed limitations that effectively narrow the focus of the research. To minimize the effect of these limitations, it is important to identify them and keep these limitations in mind when interpreting the study findings. This current study has several limitations associated with it, including some limitations associated with the survey methodology employed for this study. It should be noted that this study will focus on factors are likely to contribute to

Nigeria's socio-economic development. As such, some of the limitations that are foreseen with this proposed study include the anticipated size of the sample, the varying degrees of political stability in the country as well as corruption in the management of natural resources that could lead respondents to provide socially desirable responses. Finally, a final limitation is the cost of the financial resources required for the research to travel to and from Nigeria placing some financial constraints on the researcher's ability to collect all data, thereby relying on Nigerian colleagues in the country to assist with the data collection process.

Scope of the Study

The proposed study is designed to characterize the scope and roles of international companies doing business in Nigeria in order to shed light on the nature of international banking and oil firms operating in Nigeria. The scope of this study is confined to the oil and banking industries as the researcher's goal is to determine from the respondents' answers and from available secondary data whether or not international activities in Nigeria are all-encompassing. Moreover, the term "impact" is applied in this study in its broad context. It refers to the business role, nature, function and activities of international firms doing business in Nigeria.

Definition of Terms

The following definitions of terms will be employed in this research study:

Bureaucracy: A system of administration controlling or managing a country, company or organization that is operated by a large number of officials who are employed to follow

rules carefully. The system is marked with inflexibility, indifference to human needs or public opinion and the official's tendency to defer decisions to superiors or to impede action with red tape.

Civil War: A hostile contention by means of armed forces carried on between opposing citizens or subjects of the same country or nation.

Corruption in Government: Investors may find it difficult to conduct business effectively in countries where financial corruption is prevalent in the form of demands for special payments and bribes connected with trade licenses, currency exchange, tax assessments, police protection or financial loans. Corruption in the government introduces instability into the political system by alienating foreign investment. Corruption also reduces government efficiency by enabling people to assume positions of power through patronage rather than ability.

Coup: The overthrow of an existing government by a group of its citizens.

Currency Inconvertibility: The inability of a multinational entity to remit profits and dividends from a foreign operation to the home country. A country may impose foreign exchange controls to conserve the flight of hard currency from the nation or to cope with a lack of liquidity or to reduce imports.

Culture: Culture includes the customs, traditions and practices of a nation or group of people. Culture embraces all areas of life, including the economic, social, political and religious aspects of life.

Economic Indicators: The numerical values that reflect various aspects of the economic conditions of a country.

Expropriation: The action of the state in taking or modifying the property rights of an entity in the exercise of its sovereignty.

External Threats: Threats that come from factors external to the country in question, including invasions of the nation's boundaries, border conflicts, geopolitical disputes with outside entities, foreign-supported insurgency within the nation, and warfare.

Extortion: To obtain money or some other things of value from a person or entity by intimidation, abuse of authority, or threat of violence to cause bodily injury and property damage.

Government of the Host Country: The present or any succeeding governing authority, including all authorized agents of that entity that effectuate any control of all or any part of the host country or any definable region thereof, provided that such governing authority exercises effective legislative, executive and judicial control therein, and without having regard to the manner of its accession.

International Customers: Consumers of international products or services who were selected for pilot study by convenience sample, according to their ability to understand and answer the questionnaire. Most of the consumer respondents have obtained college degrees and hold key positions such as managers, engineers, architects, medical doctors, advisers or consultants, accountants, professors, instructors and administrative officers.