

Impact of Socio-Cultural Factors On the Performance of a Multinational Company in Nigeria; Evidence from Shoprite Kano

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Abstract

*This study presents an investigation of the impact of socio-cultural factors on the performance of multinational companies in Nigeria with a cursory look at a Shoprite Kano Branch. Socio-cultural environment is a combination of economic, political, legal, social, cultural and technological factors. The socio-cultural factors are one of the main environmental factors that significantly affect the economic activity of multinational companies and their performance as well. The study adopts multi-stage random sampling techniques to selected 112 respondents from the three (3) units of the company namely **top management** unit, **middle level** managers, **lower-level** workers of Shoprite Kano. Data were collected through primary and secondary sources, the primary data were collected through questionnaire and personal interview while the secondary data were collected from journals, text books and other relevant literatures. One-sample T-test and simple frequency percentage tables were used for data analysis. The study effectively formulated and tested two hypotheses with the aid of **Chi-square (X^2)** method of analysis. The Findings of the study revealed that socio-cultural factors significantly affected the performance of multinational companies in Nigeria. The study recommend and among other things that Government should develop a holistic approach to provide adequate training and workshops/seminars for the business owners so as to update them with the socio-cultural factors of the Nigerian nation.*

Key words: socio-cultural factors, performance, multinational, Shoprite, language, attitude.

Introduction

Multinational business is continuously recognized as an important source of economic growth, productivity, employment and innovation, and it is widely accepted as a key aspect of economic dynamism in many countries today (Wube, 2010). It is indicated that economic progress has been significantly increased by foreign investors who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks (Histrich, 2005). In Africa, most foreign investors who owned enterprises are confronted with a number of constraints which make them remain micro enterprises. For instance, in Nigeria foreign investors are confronted with difficulty in getting finance, complying with legal requirements, cheap and reliable technology, poor access to market information, education and skills acquisition relevant in the host country (Aderemi *et al.*, 2008).

Multinational companies operate in different host countries around the world and have to deal with wide variety of economic, political, legal, socio-cultural and technological factors. One of the significant components of the business environment is a socio-cultural environment. A socio-cultural environment is a combination of social and cultural factors. Due to the strong interaction that exists between them, it is very difficult to assess their separate influence on the business operation of multinational companies. The socio-cultural factors are one of the main environmental factors that significantly affect the economic activity of multinational companies and their performance as well. Moreover, socio-cultural factors are beyond the control of foreign subsidiaries' managers.

Society and culture have indirectly influence the operation, activities and survival of multinational companies. Because to some extent they determine who control, goods and services to produce and sales and determination of managerial and operational style. Consequently, multinational companies should take in to consideration the predominant attitudes, values and beliefs in their host country Differences in attitudes and values among management of a Mother Company and expatriate managers at the subsidiary level, on the one hand, and managers

and employees in host countries, on the other, can contribute to serious functional problems (Ajami, Cool *et al.*, 2006).

A positive socio-cultural environment is important for multinational companies. There are various socio-cultural factors that significantly affect the economic activity as well as the performance of multinational companies.

Many research dwelled on the impact of socio-cultural factors on small scale enterprises and its effects on the Development of the Nigerian economy. Most of the studies concentrated on the impact of socio-cultural factors on small scale industries to the national development while neglecting some of the challenges that multinational companies are facing. Many people are eager to know the impact as well as the challenges that multinational companies are facing within the economy. Therefore, this paper is aim to bridge the gap existing by identifying the impact of socio-cultural factors on multinational companies as well as the challenges that they faced. The paper is segmented into: introduction, literature reviews, methodology, data analysis discussing, conclusion and recommendations.

Literature Review

Culture is a complex area which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of a society. Sociologists generally talk about the societal process, referring to the influence of parents, friends, education, and the interaction with other members of a particular society as the basis for one's culture. These influences result in learned patterns of behavior common to members of a given society. Culture is an acquired knowledge people use in interpreting experience and generating social behavior (Tyler, 1871).

According to Tayeb (1988), culture is historically developed. It involves values, esteems, attitudes which are being shared by members of a group or society, and have impacts on their lifestyle, be it material or non-material which shapes the two fundamental aspects of culture. This knowledge forms values, creates attitudes, and influences behavior (Luthans and Doh, 2009). According to "Rugman and Collinson (2006)" Culture is the

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sum total of beliefs, rules, techniques, institutions, and behavior that characterize human populations or the collective programming of the mind.

Socio-Cultural Factors and Business Performance

Many studies have examined the relationship between socio-cultural factors and business performance worldwide. Wetherly (2011) describes the socio-cultural environment as consisting of everything that is not contained within the economy or political system. He asserted that socio-cultural setting is made up of collection of activities and the relationship people engage in their personal and private lives which include population features, age, ethnicity, religion, values, attitude, lifestyles, language, level of education and associates.

Jonson *et al.* (2013) examining the effects of socio-cultural realities on the Nigerian SMEs using a qualitative research approach involving 10 SMEs, the findings indicate that socio-cultural realities are key factors affecting their businesses performances. Mashene *et al.* (2014) investigating socio-cultural determinants of entrepreneurial capabilities among the Chagga and Sukuma SMEs in Tanzania using questionnaire survey and case studies involving 254 owner-managers indicate that values, social factors, beliefs, norms and perceptions demonstrate positive effects while attitude show a negative effect on entrepreneurial capabilities. Maziku *et al.* (2014) study on the effects of socio-cultural factors affecting the performance of SMEs in Nigeria using quantitative and qualitative research approaches involving 80 owner-managers, the results show that attitude of people, ethnicity and immobility of SMEs have negative effect on the performance of SMEs while family roles and education were found to have a weak positive effect on the performance of SMEs. Accordingly, Msoka (2013) investigating the influence of entrepreneurship skills on the performance of foreign owned enterprises in Africa using quantitative and qualitative research approaches involving 9 key informants and 73 people involved in micro and small businesses, the findings reveal that there is a relationship between entrepreneurship knowledge and the performance

of multinational businesses. The study recommends that society need training in business planning, marketing skills, accounting knowledge and customer care skills to enable them conduct businesses successfully. In the context of this study, the variables which were used to measure socio-cultural factors included husbands' support, education and training, traditions, language, attitudes toward foreign goods and availability of business information.

People and their societal values have greater effects on every aspect of the international affairs of multinational companies. Most importantly, the socio-cultural factors are important for multinational companies. Mashene *et al.* (2014) and Majenga (2013) viewed that some of the major socio-cultural factors that have significant effect on the operation of the multinational companies are culture, language, religion, level of education, customer preferences, and the attitude of the society towards foreign goods and services. The influence of culture on multinational companies is real and widespread. Multinational companies are affected by more than one cultural factor at a time. Through their subsidiaries located in various countries, they are exposed to different national cultures. Culture in particular country directly, or indirectly, reflect on the achieved performance of multinational companies. On the basis of the results obtained from various surveys, it can be concluded that successful multinational companies develop acceptance and understanding of cultural differences among various country and learn how to take advantage of opportunities, and cope with disadvantages that arise from different national cultures.

Religion is an important social factor that should be taken into consideration when company decides to operate in a given country. Religion, through its effects on people, affects a multinational company and its operations. Consequently, it can be concluded that an appropriate understanding and respecting of religion is extremely important for the efficient *operation* of multinational companies.

From the perspective of the multinational companies, it is very notable to have good knowledge of the local language. Tundui (2012) lamented that failure to recognize the influence of

local language affect the performance of foreign subsidiaries and their managers. Consequently, the language difficulties can be reduced by appointing expatriates on the top managerial positions in the local subsidiary or nationals that have good knowledge of parent company's language and corporate culture. According to Miller, Boehlje and Dobbins (2001) Education has notably impact on international business. In a country where the level of education of local population is higher, it is considered that expectations from multinational companies are proportionally higher. Buyers with a higher level of education require more qualitative products and services, a better price-quality ratio and know their right as customers. Also, well-educated local workforce requires better working conditions, low labour turnover, and greater opportunities for personal development as the business environment changes. (Rao 2006).

3 Methodology

3.1 The Study Area

Shoprite Nigeria Limited Kano Branch is the study point of this study. It's a Mega super market with a root from South Africa. Shoprite's first store in Nigeria opened in Lagos in 2005 and since then the company grown to become a house hold name for many families across Nigeria. However, despite having opened 25 stores across the country in the past 17 years, the company, which has its headquarters at South Africa, seem out of touch to Nigerians. Shoprite opened its first outlet in Northern Nigeria in Kano on 21, March 2014 this is because Kano is one of the commercial city with a high population in the region of over fifteen million people according to (NBS, Census:2006) which provides ample business opportunity to be exploited.

3.2 Research Design

The survey focused on the workers and customers of Shoprite Nigeria Limited Kano Branch which

forms the population of this study. Necessary data were collected to ascertain the extent of the impact of socio-cultural factors on the performance of multinational company in Nigeria a Shoprite Kano approach. To achieve the objectives of the study, primary source of data was employed. The primary source of data was based on the use of Questionnaire distributed and collected from the workers and the customers of the above mentioned company. The target population of study was all the customers and workers of the above mentioned company. Since it is not possible to study the entire Population, a sample of 112 respondents was randomly selected and Administered questionnaire from the company studied. The sampling technique used for this study was stratified random sampling technique in selecting the Sample for empirical examination. The questionnaire was designed in such a way that alternatives were provided for the respondents to choose from and opinions were expected to be expressed. In the questionnaire. The Likert scale measurement of variables was used; this requires the respondents to indicate a degree of agreement or disagreement. A non-parametric statistics (Chi-square) was employed in testing the hypothesis.

3.3 Study Population and Sampling Procedure:

The customers and worker of Shoprite Nigeria Limited Kano Branch makes up the population of this research. There are three levels of management (The top, middle and lower) strata of the company and the super store customers are the target population for this study.

4 Data Presentation and Analysis

4.1 Test of Hypothesis

The two hypotheses earlier formulated will be tested using the chi-square (X^2) method.

4.2 Decision Criteria

The decision rule is that if the calculated values of X^2 is greater than the tabulated value (or critical value), we accept the alternative hypotheses and reject the null hypotheses or vice versa.

Hypothesis 1: Socio-cultural factors does not affect the performance of multinational company in Nigeria

Table 1. Simple frequency percentage table showing responses to Hypothesis 1

Hypothesis	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
Responses	41(36.6%)	38(33.9%)	22(19.6%)	09(8.1%)	02(1.8%)	112(100%)

Source: Survey Report, 2022.

Table 2. Analysis of hypothesis 1

	Test Value=0						
	T	Df	Sig. (2-tailed)	Mean Difference	Interval of the Difference		Upper
Customer Awareness	40.811	111	.000	3.95536	3.7633	4.1474	

Source: Survey Report, 2022.

The above result shows that the calculated value of 40.81 is greater than the p-value of 0.000 at 5% significant level (i.e. $D_{cal} = 40.81 > p = 0.000$). Therefore, in compliance with the decision rule, the null hypothesis (H_0), stating that Socio-cultural factors do not affect the performance of

multinational company in Nigeria is rejected (see Table 1 for respondents' responses). This indicates that Socio-cultural factors have immensely affect the performance of multinational company in Nigeria.

Hypothesis 2: Language is not the most important socio-cultural element that affect the performance of multinational companies in Nigeria

Table 3. Simple frequency percentage table showing responses to Hypothesis 2

Hypothesis	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
Responses	07(6.3%)	13(11.6%)	19(16.9%)	24(21.4%)	49(43.8%)	112(100%)

Source: Survey Report, 2022.

Table 4. Analysis of hypothesis 2

	Test Value=0						
	T	Df	Sig. (2-tailed)	Mean Difference	Interval of the Difference		Upper
IT & banking performance efficiency	17.862	111	.000	2.15179	1.9131	2.3905	

Source: Survey Report, 2022.

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The result above shows that the calculated value of 17.86 is greater than the p-value of 0.000 at 5% level of significance (i.e. $D_{cal} = 17.86 > p=0.000$). Therefore, in compliance with the decision rule, the null hypothesis (H_0) that, Language is not the most important socio-cultural element that affect the performance of multinational companies in Nigeria is rejected (see Table 3 for respondents' responses). It is, therefore, logical to conclude that Language is the most important socio-cultural element that affects the performance of multinational companies in Nigeria.

Discussion of Findings

The study analysis revealed that socio-cultural factors significantly affected the performance of multinational companies in Nigeria. This is in tandem with Azemina (2018) who noted that the socio-cultural factors are one of the main environmental factors that significantly affect the economic activity of multinational companies and their performance as well. Moreover, socio-cultural factors are beyond the control of foreign subsidiaries' managers. The study also revealed that Language is one of the most significant environmental factor that affects the smooth take-off of operations of multinational companies in Nigeria as a host country.

Conclusion

In spite of government policies aimed at providing socio-cultural and technical support for the promotion of foreign investment in Nigeria with a lot of incentives and guided policies to woo in many multinational companies in Nigeria. Upon all these they performed less satisfactorily largely because of operational bottlenecks as a result of socio-cultural factors such as economic, political, legal, social, cultural and technological factors to mention but a few. The agencies which are supposed to provide adequate advice in compliance to government policies usually plays important roles in ensuring confidence to the foreign investors.

Recommendations

The research makes the following recommendations as; Government should provide friendly business environment in terms of adequate infrastructural facilities, good road network, efficient telecommunication system and

uninterrupted power supply to encourage foreign investors in the country. Business firms should develop and implement policies and strategies that will enable them strive and acclimatized the socio-cultural factors in the country they are planning to invest so as to ensure smooth operations of their business activities effectively. Government through its agencies such as Small and Medium Enterprises Development agencies of Nigeria (SMEDAN), Nigerian Investment Promotion Commission (NIPC) etc to develop a holistic approach to provide adequate training and workshops and seminars for the business owners so as to update them with the socio-cultural factors of the country. The enterprises should incorporate the natives of the host country to access suitable people that give assistance so as to broaden the opportunities as well as to ensure the effectively and efficient operation of the businesses.

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