



Research Paper

# Impact of Globalization on E-Commerce Use and Firm Performance

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## ABSTRACT

*E-commerce refers to the practice of establishing business via the Internet. Despite the fact that it is a comparatively recent theory, it has the ability to change the conventional cycle of business activity. It already has an impact on significant sectors such as telecommunications, banking, and industrial production, and it shows potential in fields like science, healthcare, and governance. The merger of e-commerce and company will result in a revival of the business model. As it provides possibilities to get competitive in the market, bringing the consumer within the organization, exploring new product lines and testing those against actual clients. This study tries to explore the relationship among globalization as well as the application of a specific set of ICTs, particularly the Internet and digital commerce, at the organizational performance. This paper also investigates the effects of globalization on e-commerce and company performance, as the trend of globalization precedes the acceptance of the Internet and e-commerce during the time. Several reputed companies' example has also been mentioned in order to support the analysis.*

**Keywords-** e-commerce, globalization, business, economy, firm, performance

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## I. INTRODUCTION

The environment formed by the globalization and technological change triggered political, social and cultural change all around the world by the second half of the 20<sup>th</sup> century. It is said that, Globalization has generated a new world economy that allows companies to operate in emerging industries and engage in global supply chains, which leads to social and political developments. Aside from the advantages, the modern industry has created a much more challenging business environment, and the winners are considered to be those, who can implement worldwide communication and transportation networks.

The internet allows businesses to expand their marketplaces, operate their activities, and organize business models beyond nations at a lower cost and with more ease. "Technology helps to reduce market frictions and sped up the process of globalizing markets by reducing processing and information costs."<sup>1</sup> Adoption of ICT i.e., Information, Communication and Technology promotes globalization by decreasing transaction and facilitating the emergence of new and larger businesses through scale economies.

When it comes to globalization and e-commerce, it is obvious that the globalization process opened the way for the expansion of e-commerce. Therefore, the relationship between globalization and e-commerce is debatable. Hence, the relationship was examined in this study. But at the other side, the spread of online businesses contributes in the advancement of globalization. In this view, instead of a globalization influence on e-commerce or vice versa, a cooperative relationship can be claimed to occur.

The concept of globalization integrated countries in the economy, as well as many other areas. Accessibility of information, manpower, investment, and things has grown as a potential outcome of integration. This flexibility brings forward new building approaches. Due to the challenging flows of capital inflows, macroeconomic imbalances have been significantly impacted by globalization; in this context, globalization has fundamentally influenced the business, as well as politics and economics. "Although emerging economies are more globalized than others very little is known about the impact of globalization on firm performance."<sup>2</sup>

<sup>1</sup> Erdal Aydın & Burcu Kılınç Savrul, The Relationship between Globalization and E-Commerce, Social and Behavioral Sciences (2014)

<sup>2</sup> C. KARADAGLI, THE EFFECTS OF GLOBALIZATION ON FIRM PERFORMANCE IN EMERGING MARKETS, 2 Asian Economic and Financial Review (2021)

Furthermore, the impact of various components of globalization, particularly at the local scale, is once again undervalued. As a result, not only does this study address the influence of globalization on business performance/value, but it also aims to provide information into the implications of different aspects of globalization on firm performance/value.

## II. OBJECTIVES

- To understand the relationship between globalization and e-commerce.
- To evaluate the effects of globalization on firm performance in emerging markets.
- To study the usage of e-commerce on firm performance with the help of company's example.

## HYPOTHESIS

H<sub>0</sub>- B2B in e-commerce doesn't provide much benefit to collaborative firms.

H<sub>1</sub>- There is a positive relationship between firm performance and e-commerce business industry.

## RESEARCH QUESTIONS

- What is e-commerce?
- What impact globalization has on e-commerce industry and firm performance?
- Does e-commerce industry help in generating more profits than traditional business?

## III. RESEARCH METHODOLOGY

Since the aim of this paper is to review the empirical literature on globalization and its effects on e-commerce and firm performance. In order to achieve this goal, the researcher undertook a thorough analysis of relevant literature and documentary evidence. As a result, the paper's approach is primarily focused on literature and documentary evidences. Research in this paper is done using analytical methods that depend on previous studies i.e., articles, journals, research papers of different authors.

## IV. REVIEW OF LITERATURE

**“The Impact of electronic commerce on business organization by Rajneesh Shahjee”**- The author in this paper tries to explore the effects of electronic commerce on organization. Decision Support Systems, Corporate finance, Marketing, and Business Administration of E-Commerce on Business were emphasized in the research paper. It shows that, because of its basic systems, e-commerce has the potential to be broadly adopted. As a result, it has a substantial effect. Electronic commerce enables the purchase and sale of items via the website as well as online services. This research article demonstrated how well the entrepreneurial culture plays a significant role throughout the development of a country. It also refers to any type of business arrangement wherein the party leaders interact electronically instead of through engaging in physical or straightforward through human touch.

**“Analyzing the effects of electronic commerce on organizational performance by Asghar Afshar Jahanshahi”**- The primary objective of this study is to investigate the effects of e-commerce technologies on the organizational growth of Indian businesses. The study shows that, there are numerous forms of e implementations that can have an impact on business performance; in this study, they are classified into five types: computerized branding, transmitting of funds or data, digital advertising, digital contact center service, and computerized order and distribution. Overall, this research sheds light on substantial links among electronic commerce systems and functional and business success.

**“Impacts of Globalization on E-Commerce Adoption and Firm Performance: A Cross-Country Investigation by, Jennifer Gibbs”**- Using information from a huge cross-country survey of enterprises from three sectors, this article focuses on developing a framework that investigates the relationship among firm internationalization, internet usage, and corporate performance. It was discovered that, globalization promotes e-commerce usage as well as improved productivity, as assessed by effectiveness, teamwork, and trade (sales and market position). Implementation of e-commerce ultimately result in improved company performance across the board.

**“The effects of globalization on firm performance in emerging markets by Ece C. Karadagli”**- This study explores the effects of a nation's economic globalization level as well as its separate aspects, particularly its financial, cultural, and social globalization levels, “on company performance can be measured by stock index returns for Emerging-7 (E7) countries, specifically Brazil, China, India, Indonesia, Mexico, Russia, and Turkey, from 1998 to 2009.” According to the data, the total level of globalization enhances organizational effectiveness substantially. Furthermore, the individual aspects of globalization have been discovered to be value boosting benefits, even when the outcome for economic globalization is negligible at traditional levels.

**“Examining e-business impact on firm performance through website analysis by Angel L. Meroño-Cerdan”**- This study proposes a paradigm for distinguishing three e-business aspects: “e-information,

e-communication, and e-workflow.” The approach used (“web content analysis on the company’s website”) enables for the assessment of these e-business parameters. The main study goal is to investigate the concept of “e-commerce and firm performance.” Furthermore, disparities in e-business usage by firm size are assessed. To accomplish those goals, “a survey of 288 companies from the Region of Murcia in Spain was used.” The findings indicate that there is a positive association among e-business and firm performance. In comparison, the findings reveal that e-business is unrelated to the size of the organization.

**“Firm performance in a global market by Jan De Loecker”-** In this paper, the author presented an experimental approach for analyzing how growing globalization affects company performance. He described latest projects on assessing the influence of numerous disruptions organizations face inside the globalized economy, such as decreases in import prices “through lowering tariffs and abolishing quotas.” Most experimental techniques to estimate the effects of economic and trade policy on enterprises operating in foreign markets are situated within his methodological framework. He addressed unsolved challenges related to identifying the underlying processes and finished with recommendations for further research.

**“Globalization Effects on Firm Performance by Jason Dedrick”-** The focus of this research was to improve already acquired knowledge about globalization and how it might practically affect an organizational effectiveness, i.e., researching and analyzing globalization and achievement linkages. The results gave a significant and significant wealth of information for the argument that globalization can be advantageous while also being negative and damaging. As a result, it is recommended that the company structure, implement, evaluate, and enforce advanced and efficient skills to support companies to capitalize on world market possibilities whilst also carefully monitoring their inherent accusations in order to succeed for the lengthy period in today’s competitive global economy.

## V. RESEARCH ANALYSIS

### CHAPTER 1- RELATIONSHIP BETWEEN GLOBALIZATION AND E-COMMERCE

Nations’ economic systems are likely to shift as a result of “globalization and e-commerce.” The foregoing two characteristics have a significant impact on the predicted improved economic system. “The new structure is referred to as the Knowledge Economy, New Economy, or E-economy in literature.” “International trade” has grown over the years, with one theory being that, it is due to technological advancements. E-commerce is a broad phrase that refers to company’s sales transactions that take place over the internet network instead of through actual personal communication.

Firm globalization can be recognized as a primary factor of e-commerce adoption. It is believed that extremely “global firms” will use e-commerce more extensively than businesses which are “less global.” Businesses who face international competition, have been under additional pressure to develop innovations like e-commerce that allow them to preserve or expand its customer base while also operating more effectively.

Companies doing business beyond their home nation will be much more encouraged to use data techniques to solve transaction fees (such as looking for information, negotiating, and reviewing progress). By employing valuable data movements to efficiently manage the movements of organized exchanges in the distribution chain, by using Internet for interactions and collaboration could save money and resources on transportation of products.

“Supply chain partners” are pressuring companies that trade in international marketplaces to use e-commerce in order to have better coordination with several other stakeholders’ members of their companies. “This is very much true in the case of worldwide network productions that driven by international companies, who could demand partners to use ecommerce to conduct business with each other.”<sup>3</sup>

E-commerce has different effects at different points of a company’s supply chain, and “purchases of business inputs (B2B) are becoming more worldwide, but consumer purchases of end services (B2C) are more localized.” “It is said that, due to customer diversity and differing country regulatory frameworks, retail (B2C) e-commerce is essentially untouched by globalization and is characterized by multi-domestic competition.”<sup>4</sup> E-commerce for wholesale brokerage activity (B2B), on the other hand, is more globalized.

E-commerce is not necessarily a globalizing phenomenon, but this can help local businesses stay ahead of the competition. Many e-commerce activities (especially B2C) are locally targeted, rather than developing seamless worldwide markets available to every firms. Furthermore, Steinfield and his colleagues showed that specific firms can establish Internet approaches that can effectively use their strong existence in their community. “For multiple reasons, businesses that combine their local partner with their digital business plan

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<sup>3</sup> Effects of globalization to e commerce Slideshare.net, <https://www.slideshare.net/irwincansejo/effects-of-globalization-to-e-commerce> (last visited Jul 21, 2021)

<sup>4</sup> Jalil Totonchi & Gholamreza Kakamanshadi, *Globalization and E-Commerce*, 17 *IPCSIT* (2011)

may have a competitive advantage over businesses that solely have a digital platform.”<sup>5</sup> First, establishing online businesses in “pre-existing relationships” increases public loyalty and awareness. Second, combining a digital following with a physical location allows a business to cater to a wide range of consumer tastes and buying behaviors while also taking benefit of better understanding. Ultimately, such businesses can use current infrastructure to supply tangible items / products. “B2B e-commerce” may experience worldwide uniformity as a result of corporate management and technology integration, but “B2C e-commerce” appears to be something of a local phenomenon because of the country differences in customer preferences and tastes.

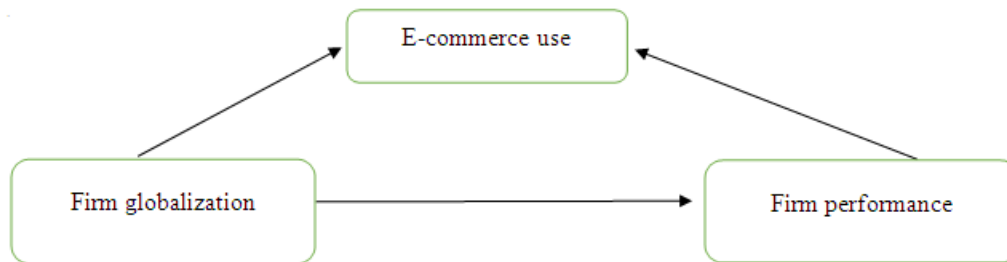
#### CHAPTER 2- EFFECTS OF GLOBALIZATION ON FIRM PERFORMANCE

There seems to be a clear link among firm internationalization and business performance. Extremely global companies are projected to do superior in terms of improving revenues, greater efficiency, and a stronger competitive environment. Since they may apply expertise and resources established across their worldwide markets, there are many chances that, they will perform better in the organizational processes and more efficiently implement e-commerce innovations.

Worldwide companies are also best positioned in order to gain through e-commerce because of a huge demand and global influence. “Globalization must have an indirect influence on performance through the adoption of e-commerce, because highly global enterprises will use e-commerce more extensively, and extensive use will result in enhanced performance of the firm.”<sup>6</sup> As a result, ecommerce usage will offer some protection between “firm performance and the effects of globalization.” These direct and indirect effects of globalization on firm performance must have extra functions. Hence, it is clear that, implementation of e-commerce within the firm will mediate the effects of globalization on firm performance and firms with a global reach will see bigger gains in performance as a result of e-commerce adoption.

The use of technological innovation is intended to increase performance of the firm in the form of lowering transaction costs and bringing business growth closely together with business relationships. Because of the digitization of partner networks, e-commerce (especially B2B) is expected to occur with the low coordinating and management fees, as well as it will help in increasing quality and performance.

E-commerce is also believed to make it easier for the firm to enter into new markets or expand its existing ones. The amount to which businesses implement e-commerce is anticipated to contribute to various aspects of performance gains. It is said that, “a firm that uses the Internet for sales and marketing, for procurement, and to coordinate and share information with suppliers and customers, would see greater impacts on performance than one that simply has a website with marketing information.”<sup>7</sup> If that’s the case, then, there must be a direct connection between firm performance and brand value. Hence, E-commerce implementation will have a stronger influence on performance in companies with a higher rate of acceptance.



- International sales
- International procurement
- International competitive pressure

- Efficiency impact
- Coordination impact
- Market’s impact

#### CHAPTER 3- USAGE OF E-COMMERCE WITH FIRM PERFORMANCE

E-commerce helps the companies to advertise and sell their items while still providing new tools to measure target customers. It allows local businesses to increase its market share while enhancing the performance of the organization. Businesses that are using internet shopping channels beat firms that do not use

<sup>5</sup> Impacts of globalization on E-commerce use and firm performance: A cross-country investigation, 21 The Information Society (2005)

<sup>6</sup> C. KARADAGLI, THE EFFECTS OF GLOBALIZATION ON FIRM PERFORMANCE IN EMERGING MARKETS, 2 Asian Economic and Financial Review, 858-865

<sup>7</sup> Jan De Loecker, FIRM PERFORMANCE IN A GLOBAL MARKET, NATIONAL BUREAU OF ECONOMIC RESEARCH (2013)

online marketing strategies in terms of overall performance and revenue. According to Intel Corporation, companies who participate in e-business receive the six main benefits: improved business intelligence, improved proper techniques, improved network partnerships, reduced transaction costs, improved global market, and larger geographic exposure. There are several companies that use e-commerce as their business tool and enhanced its performance and made a remarkable impact on its customers. Some of them are mentioned below:

**Amazon-** Amazon is the nation's biggest internet retail business. It began as an online bookshop, but it swiftly grew into a variety of industries, such as "electronics, fashion, and home goods." "Amazon has also hit a homerun with its Fulfilled by Amazon service. FBA allows third-party merchants to use Amazon's warehouses, fulfill center network, and logistics capabilities to fulfill orders."<sup>8</sup> FBA products are "Prime-eligible," which is becoming extremely essential in drawing consumers on Amazon. In the last three years, Fulfilled by Amazon has enabled the online retailer to increase the number of "Prime-eligible items from 20 million to 100 million." "Over the last year, Amazon's revenue was just \$239 billion. Consider that Companies sell \$116 billion of it directly, with the remaining \$123 billion originating from 3rd vendors on its global market. Amazon retained over \$37 billion in revenues for enabling 3rd transactions."<sup>9</sup>

**E-bay-** In the 1990s, eBay started as "an online bookstore auction site" where users could offer antiques and then used products with one another. "It is basically a popular online shopping site recognised for its auctions and consumer-to-consumer purchases."<sup>10</sup> Currently, 80 percent of products available on the marketplace are brand new, and 89 percent are offered at a guaranteed rate. eBay is adopting changes to make their service increasingly similar to Amazon's in appearance and operation. It encourages vendors to provide free assured three-day shipment. It combines product information from different vendors for the same product, making it easier for customers to get the lowest deal. "The moves are starting to pay off. GMV growth (on a currency-neutral basis) started accelerating in 2018, growing 7% in the first half of the year."<sup>11</sup> Nonetheless, that expansion is much less than those other businesses on this listing, as well as lower than those of the general development of the e-business.

**Walmart-** Walmart is the largest global "brick-and-mortar store," with annual profit of almost \$500 billion. However, only a small percentage of that money is generated via internet purchases. During the last few years, the corporation has made significant investments in e-commerce. "It purchased Jet.com, as well as a lots of local U.S.-based e-commerce companies, in 2016."<sup>12</sup> Walmart's latest e-commerce purchase is a 77 percent ownership in Flipkart, who is among India's largest e-commerce companies. Walmart's e-commerce revenues have mostly increased as a result of mergers as well as the development of grocery trans-shipment services. It's unclear as to what extent the trend will stay as the company completes its supermarket launch and its mergers. The Flipkart merger would give great development in one of the world's strongest e-commerce marketplaces, but it will not guarantee "Walmart's brick-and-mortar operation" from losing business to global retailers in another 26 countries of operation.

All these examples of companies clearly show that, e-commerce has significantly positive impact on business industry. It helps them to make a good reputation worldwide and increase its market share. By collaborating with another business organization, any company can easily increase its production in e-commerce. Furthermore, e-commerce aids in the improvement of marketing procedures, the improvement of a company's payment network, and the development of worker efficiency and firm profitability. It also allows businesses to identify regions with the most opportunity to provide consumer value and improve performance, as well as to gain new customers.

## VI. FINDINGS AND SUGGESTIONS

From the above analysis, it can be seen that, there is direct relationship between globalization and e-commerce. As technology is growing, people are getting attracted towards online shopping due to its easy accessibility. The findings show that, local firms can be successful in B2C e-commerce but it cannot be much helpful in a global market as they have to face huge international competition. So, instead, companies are collaborating with other foreign firms in order to increase their productivity and hence, B2B e-commerce is

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<sup>8</sup> Sell on Amazon | Build Your Ecommerce Business Amazon.com, <https://sell.amazon.com/> (last visited Jul 22, 2021)

<sup>9</sup> 6 Ecommerce Lessons for Why Amazon is so Successful Sellbrite, <https://www.sellbrite.com/blog/ecommerce-lessons-for-amazon/> (last visited Jul 22, 2021)

<sup>10</sup> What is eBay? How Does eBay Work? Ecommerce Platforms, <https://ecommerce-platforms.com/glossary/what-is-ebay> (last visited Jul 22, 2021)

<sup>11</sup> eBay India Seller Center Sellglobal.ebay.in, <https://sellglobal.ebay.in/seller-center/> (last visited Jul 22, 2021)

<sup>12</sup> Walmart boosts its ecommerce strategy with consumer data from stores Digital Commerce 360, <https://www.digitalcommerce360.com/2021/02/18/walmart-boosts-its-ecommerce-strategy-with-consumer-data-from-stores/> (last visited Jul 22, 2021)

considered to be best approach to enter in global market' worldwide manufacturing networks rather than by selling straight to international customers. Perhaps, there are fully virtual companies such as Walmart and eBay, who collaborated their businesses in many regions across the globe in order to deliver their products and services. This shows that, hypothesis related to collaboration with other firms is being proved wrong as collaboration is considered to be one of the best advantages to enter into a global market.

Further, the findings also indicate that, the adoption of technological innovation, that took place due to globalization, is intended to increase performance of the firm in the form of lowering transaction costs and bringing business growth closely together with business relationships. This proved the hypothesis true, regarding positive relationship between firm performance and e-commerce industry because e-commerce aids in the enhancement of marketing procedures, improvement of a company's payment network, and the development of worker efficiency and firm profitability.

With this, it can be suggested that, if emerging economy policymakers want to enhance the effectiveness of one's native country businesses, they could even take steps to increase their nations' globalisation levels, particularly in the political and economic globalisation components, while taking precautions to boost native country businesses' competitive position which should seem to be encouraging. Also, Globalization's effects on individual nations are affected by their underlying production capability and efficiency. As a result, further great nation future research is necessary in order to complete the larger picture.

## **VII. LIMITATION OF THE STUDY**

As this study solely focuses on relationship between globalization and e-commerce and firm performance. It is recommended to future researcher that, more research is needed to investigate the implications of electronic commerce on both company processes and management processes. Also, investigation on customer acceptance of internet commerce amongst small and medium-sized businesses should be done in order to understand customer relationship.

## **VIII. CONCLUSION**

From the above analysis, it can be concluded that, Globalization has differing impacts on the economy and especially when it comes to "business-to-customer e-commerce and business-to-business e-commerce." Nonetheless, extremely multinational corporations are much more interested in doing "business-to-business" but also less inclined to undertake "business-to-customer e-commerce." Further, instead of balancing the market competition and allowing small enterprises to engage with international globalization of world marketplaces, e-commerce will enhance "current international competitive advantages." Local enterprises may, in fact, possess important resources that provide companies a significant position in their native marketplaces. There are many companies that are operating worldwide and have proven that, e-commerce can be one of the best ways in order to make global brand reputation.

The Internet is still a very young platform for operating a business, as it has been made available to business for less than 10 years ago, and its long-term effects are yet to be observed. It is possible that this might, in future, have a tremendous impact on several sectors, as previous inventions such as railways, electricity, telephones, and laptops did. Therefore, for the time being, the improvements are much more beneficial than destructive to established industrial organizations and competitive situations. Hence, it cannot be said that, e-commerce will help the business to generate more revenue than traditional market as there are lot of innovations and development which needs to be done in order to perfectly establish the true advantages of e-commerce industry.

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