

Impact of Globalization on Entrepreneurial Risk

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Abstract

Globalization refers to the process of integration of the world into one huge market whereby it provides several opportunities to several people with the removal of all trade barriers among countries. Thus, economic activities of the world are influenced by globalization processes and globalization transfer. The risk for entrepreneurs is affected by economic crisis, political crisis, and technology crisis. Globalization has influenced blue-chip firms, small-scale businesses, and entire business world. This study assesses the impact of globalization on small and medium entrepreneur's risk, focusing on Colombo districts' small and medium apparel as well as tourist restaurants. Past literature had revealed the relationship between globalization and entrepreneurship using secondary and primary data and these used several models which had effectively proven the relationship of globalization and entrepreneur risk. A sample frame of 250 was selected using non-probabilistic sampling technique. 150 small and medium apparel enterprises were selected from the Colombo district and 100 small and medium tourist restaurants were also selected from the Colombo district. Face to face interview method was used for primary data collection. Secondary data were collected from reports of census and statistics department, and central bank. As a research model, canonical correlation and Manova were used to present the result of the data. SPSS and MS Excel were used to analyze the collected data. Apropos of the main findings of the study, there exist a positive correlation between globalization and entrepreneurial risk. Hence, it is imperative (sine qua non) for entrepreneurs to avoid risk factors of globalization due to the fact that risk causes huge damage to business by keeping continuous savings, joining ventures, issuing shares, and considering innovative investments as are the solutions to avoid the risk of globalization. This research contributes new knowledge to mitigate globalization related risks of entrepreneurship.

Keywords : Canonical correlation, entrepreneurship, entrepreneurial risk, globalization, small and medium enterprises

Paper Submission Date : May 7, 2021 ; Paper Sent Back for Revision : May 20, 2021 ; Paper Acceptance Date : May 22, 2021

Globalization is a multidimensional process which is effective in every sector of economic and non-economic boundaries. This process develops comparative advantage within economic zones. Globalization process intensifies interdependence of international exchange of goods, economic growth, and sustainability (Deo, 2013). The process of globalization makes it easier to transfer money, business information and knowledge, ignoring the boundaries and volume of the institution or country. Due to globalization, cash, labour, capital, technology, development transfer take place between countries and continents ignoring the size of a country (Siriginidi, 1996). Because of the limitless and complex process, this influence is beyond the borders of countries and continents. A number of scholars have recently suggested that being a multi-dimensional and compulsory process, globalization converts economic, cultural, political, and social borders of countries and continents (Shahabdi, Abdol, & Etemad, 2013). Markets, corporations, and organizations are becoming non-nationals or boundary-less institutions due to globalization, but this is harmful for the economic independence of institutions and economies. Worldwide economies of agents such as enterprises, banks, and finance companies are able to extend their services without any national base because of economic globalization (Gaburro & O'Boyle, 2003). Economic globalization discusses the internationalization of enterprises, banks, financial companies, intellectual property, stock market, money market, bond market, and the effect of internationalization of these instruments on the household, local, and world economy. In addition to economic globalization, political globalization, and cultural globalization are major topics of globalization

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DOI : <https://doi.org/10.17010/amcije/2021/v4i2-3/164695>

studies. The term '*global village*' is also closely related with this study because this term makes changes in the consumption habits and behaviors, scale of production, cultural barriers among social groups, political barriers, international businesses, and legal boundaries at national and international level. Information and communication technology effects are the major drivers of globalization and they speed up the globalization process. (Piasecki & Wolnicki, 2004). Information technology is the transmitter of the globalization process because several people and business institutions use it for business activities and general life. This became one of the skills of the community that leads to business competition while creating business opportunities, rapid development in technology, and digitalization of trade and economic-transaction system, and online purchasing and payment system. Information technology redefined standards of time, space and global, social, and political relationships (Castells, 2000). With this rapid development of technology, it is possible to interlink the world within seconds. These factors influence the economic growth of the world and development of business while creating world class opportunities. On the other hand, this process maximizes the risk of entrepreneurs and countries while contributing more opportunities.

Statement of the Problem

Under the problem statement, focus was given to discuss the effects of globalization on entrepreneur risk. This research considered identifying the types of risks that are transmitting from globalization and how these risks affect local entrepreneurs in minimizing or maximizing their business volume and profits.

(a) Research Questions

- ↳ Does globalization make an impact on entrepreneurs' risk?
- ↳ Are there different impacts of globalization of political crisis, economic crisis, information technology on entrepreneurial risk?
- ↳ Does globalization reflect positively or negatively on entrepreneurial risk?

(b) Objectives

The main objective of this study was to examine the impact of globalization on entrepreneurial risk.

Sub-objectives of the study included the following :

- (1)** Investigation of entrepreneur's risk perception in the context of information technology, political globalization, and global economic crisis.

Literature Review

(a) Globalization

There is lot of empirical literature on globalization as this is an old concept. Multinational companies are still largely confined to small and medium enterprises in their home territories in terms of their international business activity and it is a heavy threat to nationally embedded policies and procedures to take-up market share (Hirst & Thompson, 1995). This concept developed as globalization enabled the spread and expanse of international capital through multinational companies and foreign direct investment. Further, crucial aspect of globalization is the nature and power of multinational corporations. Such companies now account for over 70% of world output, and 66% world trade (Gray, Kittilson, & Sandholtz, 2006, p.293). Contrary to perspectives on globalization, some scholars presented a different approach, globalization eliminates the monopolistic behavior of the market and strengthens market competition using innovation, expansion, and privatization of international capital, and this impacts the financial and

economic safety and stability of countries while transferring great risk for entrepreneurs (Shangquan, 2000). In the same vein, Hitt, Ireland, Camp, and Sexton (2001) also examined and stated that globalization is the process which spread economic innovation around the world through political, cultural, socio-economic, and technology adjustment.

Reckoning the risk factors, recent researches have been conducted on the concept of globalization since a proportion of frequent changes occur in the field of technology, and shorter product cycles. Information communication and technology have evolved and have come together by means of privatization and liberalization of trade and investment to construct a global economy as a result of global competition. Localized recurrence of the downswing could get extended into a structural one (Rajan & Zingales, 1998). This concept was further developed as a worldwide phenomenon and globalization spreads the risk in ventures. Consequently, no one can prevent the risk due to interconnectedness (Lane & Milesi-Feretti, 2004). There is another argument about globalization regarding the integration of a nation through globalization as a process of rapid economic, cultural, and institutional integration among countries. This unification is driven by the liberalization of trade, investment, and capital flows, whereby technological advances put pressure on entrepreneurs for assimilation of international standards (Ali, 2005). Similarly, Aimuwu (2004) presented the concept of globalization as economic integration and interdependence of national economies across the globe through a rapid increase in cross-border movement of goods, services, technology, financial, and human resources facilitated by economic liberalization and information technology. Counter arguments against these concepts and theories have been raised in recent years. Globalization creates opportunity for cross-border movement of goods, services, technology, financial, and human resources through economic liberalization and information technology, and this causes dependency within economies. When any country suffers from the burden of a crisis, it reflects on others. Research scholars identify this process that spreads through different ways (Ali, 2005). There is a supportive argument presented by Deo (2013) that small and medium entrepreneurs are able to utilize comparative advantages to get advanced technologies, foreign capital flows, and business experiences under the process of globalization. As a result of globalization small and medium enterprises received new opportunities as well as many challenges and risks.

(b) Impact of Globalization on Sri Lankan Entrepreneurs

Globalization is a process of increasing connectivity where ideas, capital, goods, services, and people are transferred across country borders through connectivity, foreign direct investment, international monetary fund grants, and World Bank grants (Prus, 2001). Multinational companies are moving around the world and they are earning more profits while invading market share of domestic companies. Globalization paves the way to internationalize the local financial and non-financial entities because it is easier to access the world market through globalization. Brands such as Coca-Cola, Fonterra, Nestle, Nike, Adidas, Rap and rock music, Ferrari, Poshe, Lamborghini, that are popular worldwide became world-wide brands due to globalization. Through the high capacity of information technology, political economic system, and exchange rate multinational companies are able to acquire domestic market share and force local entrepreneurs towards bankruptcy. Globalization is reflecting in trading of goods and services and in movement of capital, labor, and employment environment. As a result, domestic economic development of developing countries is not determined entirely by domestic policies and market condition (Hartungi, 2006). Volatility of financial market causes inflation, market failure, and different types of economic crisis. This type of economic volatility causes economic downturn and the downturn affects local enterprises of the country because such kind of issues cause failure of the domestic market, affect the risk situation, and results in slow growth of the small and medium enterprises.

Multinational companies use political and technological powers to attain market share in foreign countries. This affects the risk of domestic small and medium level enterprises due to their competition with capital investment by multinationals. Multinationals are invading domestic marketshare through globalization strategies such as zero-sum game. Zero sum game is any interaction among players in which one player's gains directly correlate with the loss of others. In other words, winners win at the expense of the losers. Sri Lanka has suffered weakening of economic policies, has weak legal system, insecure information system, and its political institutions are more vulnerable to high levels of corruption and conflicts. Using these weak points, multinational and large firms invade the market shares

of domestic small and medium enterprises of developing countries which can't compete against these companies as they don't have advanced financial tools. Globalization causes trade liberalization from country to country because capitalist countries need to attain more powers for business and increase their power. Liberalization causes inefficient industries, which are mostly infant industries in developing countries, to close down as a result of pressure from international competition (Stiglitz, 2000). Multinational companies are operating with huge amount of capital and political powers to invade the market but infant or domestic industries are not able to fight them through advertisement or any other marketing strategies. Domestic companies do not have much strength to beat the immense strength of multinational companies. As smaller and medium companies are exploited, multinational companies expand and relocate their factories in the third world countries that can lead to loss of millions of jobs (Stiglitz, 2000). Multinational textile companies have arrived with huge capital in Bangladesh, Indonesia, Sri Lanka, Kenya, and the Dominican Republic and they invade the domestic small and medium garments market share (Open Yearbook, 2003, p.18). This situation reflected on most business organizations of developing countries. Traditionally, China and India had the competitive advantage to provide raw materials and full package of services in garment industries. This turned out to be a threat to the market share of small and medium enterprises of developing countries. They rely on their foreign exchange and employment mostly in the garments sector (International Textile Garment and Leather Workers Federation Report 2003, p.18) using land, labor force, raw materials, politics, trade. Global powers exploit the quota of developing countries.

(c) Theories of Entrepreneurship and Risk

Risk and entrepreneurship are closely related concepts in entrepreneurial studies. Risk has long been a central concept in entrepreneurship literature and entrepreneurial activities are constantly related and involved with risk taking (Smith, 1776). Knight (1921) suggested that it happens to be a risk when the outcomes are uncertain but can be predicted with the less probability and insurable uncertainty arises when the probability of outcomes cannot be calculated. Latest theories of entrepreneurship have been developed in more different angles than the above said theories. According to agency theory, relationship between risk taking and performance is explained considering the specific features of risk-taking in family firms. In family firms, there are overlaps between ownership and management because owners and management have paved the way for researches to suggest that agency costs are low in family firms. Fama (1980) argued that family firms had lower risks than blue chip companies. In order to challenge this argument, a theory emerged in 2002 that referred to manufacturing firms whereby manufacturing risk is spread by globalization within countries due to the process of manufacturing. It is not an isolated process and it needs participation of several countries associated with the import and export process. Entrepreneurs' previous duties also became very different from those now because development of globalization changed the process of manufacturing in every market (Giddens, 1991).

Research Methodology

This paper used the survey design. First, it explored background of an entrepreneur in relation to globalization and risk knowledge of the participants. Second, it identified the relationship status between globalization and impact of political crisis for business, impact of economic crisis for businesses, information technology for businesses, risk taking behavior of entrepreneurs, and risk minimizing methods. The survey focused on small and medium apparel businessmen and tourist restaurant owners or chief executive officers to work out their ideas on the impact of globalization on entrepreneurial risk. The data requirement of this study was attained from primary data source using structured questionnaire. Primary data were collected by surveying 300 respondents from Colombo district representing the total population of the district. The questionnaire consisted of five parts with demographic details. It comprised of 60 quantitative questions. For measuring the relative performance of the respondents, respondents were asked to rate questions on a seven-point Likert scale where (1=strongly disagree, 2=Mostly agree, 3=disagree, 4= neutral, 5=agree, 6= strongly agree, 7=strongly disagree). Non probabilistic sampling method was used to select

the sample for the research from January 15, 2018 to March 16, 2019 because there were more small and medium apparel factories and tourist restaurants in Colombo district. Canonical correlation and MANOVA methods were used for data presentation and analysis. SPSS and Microsoft Excel were used for data presentation and analysis.

(a) Conceptual Framework of the study

Figure 1 shows the conceptual framework of the study.

According to empirical literature, there are three major globalization measurements such as economic crisis, political effect, and information technology to measure the impact of globalization on entrepreneurial risk. Conceptual framework of this study presents the relationship of globalization and entrepreneurial risk. The independent variables economic crisis effect, political effect, information technology were used. Risk taking, investment, and entrepreneurship were used as dependent variables. The entire model explained whether there were relationships among globalization and entrepreneurial risk. Thus, the relationship between globalization and entrepreneurial risk was analyzed and discussed.

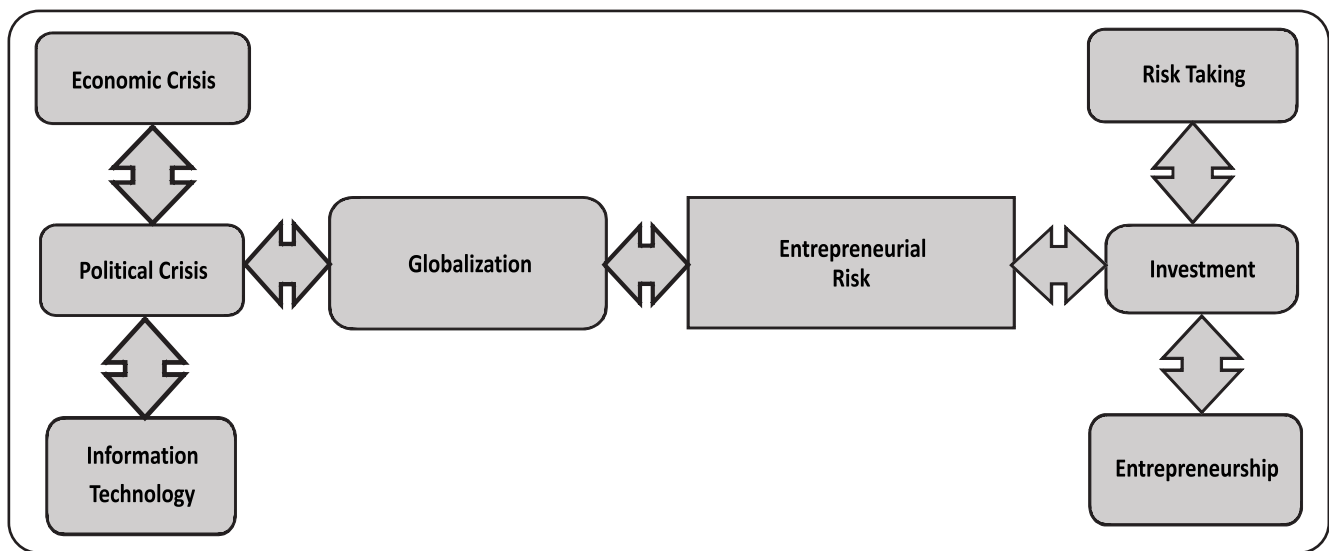


Figure 1. Conceptual Framework of the study

(b) Operationalizing the Variables

The study uses three dependent variables such as economic crisis, political crisis, and information technology to measure the impact of globalization on entrepreneurial risk. To measure the economic crisis, tariff barriers, quota reduction, export market decline, high price of imports, reduction of staff, joint venture/consolidation, restructuring/repositioning the market, exploring new market measurements were used. Effect of multinational companies, privatization, price level/exchange rate, foreign direct investment/loans, infrastructure facilities, and business opportunities measurements were used to measure the political crisis and to measure information technology. Underdeveloped technology or computers, emails, social media usage, enterprise resource planning (ERP), accounting software usage, bank details/internet Bank ID scam, computer and system security, undeveloped technical staff, and lack of technological knowledge were used. To evaluate the risk-taking behavior, knowledge of the risk, acceptance of different business opportunities were used. Awareness of different investment opportunities, and different practices of investment were used to evaluate investment knowledge. Entrepreneurial strategies, perception of opportunities were used to evaluate entrepreneurship.

Results and Discussion

(a) Data Presentation and Analysis

Out of three hundred 300 questionnaires, 250 were used for the analysis. Other 50 questionnaire copies had to be rejected as these were incomplete or the respondents were negligent.

(b) Analysis of the Apparel Sector

(i) Canonical Correlation : Canonical correlation analysis is the analysis of multiple X and multiple Y correlations. Canonical Correlation coefficient measures the strength of association between two Canonical Variates. Canonical correlation analysis is a method of exploring the relationships between two multivariate sets of variables, all measured for the same individual, and to measure the relationship of globalization and entrepreneurial risk canonical correlation is more accurate with MANOVA.

(ii) MANOVA : A MANOVA or multivariate analysis of variance is a way to test the hypothesis that one or more independent variables or factors have an effect on a set of two or more dependent variables. In this research, MANOVA is more suitable to measure relationship between globalization and entrepreneurs' risk.

According to MANOVA variables of the research are as follows :

$X1, X2, X3, X4$ are independent variables.

$Y1, Y2, Y3$ are dependent variables.

Independent Variables

$X1$: Globalization

$X2$: Economic crisis

$X3$: Political crisis

$X4$: Technology crisis

Dependent Variables

$Y1$: Risk taking

$Y2$: Investment

$Y3$: Entrepreneurship

Table 1 presents the total of distributed 300 questionnaires and 250 were duly filled and returned representing 83.3% response rate. 16.7% non-response rate is not sufficient to invalidate the survey outcome.

Table 1. Profile Characteristics of the Sample

SMEs	Questionnaire Distributed	Questionnaire Dully Filled in and Returned	Percentage (%)
Apparel	180	150	83.3
Restaurants	120	100	83.3
Total	300	250	83.3

Source : Survey Data (2018)

Table 2. Values of Correlation Coefficient Related to Variables in Apparel Sector

		x1	x2	x3	x4	y1	y2	y3
x1	Pearson Correlation	1	0.371**	0.329**	0.277**	0.252**	0.055	0.165*
	Sig. (2-tailed)		0.000	0.000	0.001	0.002	0.501	0.044
	N	150	150	150	150	150	150	150
x2	Pearson Correlation	0.371**	1	0.471**	0.078	0.354**	0.071	0.220**
	Sig. (2-tailed)	0.000		0.000	0.343	0.000	0.385	0.007
	N	150	150	150	150	150	150	150
x3	Pearson Correlation	0.329**	0.471**	1	0.068	0.329**	0.129	0.107
	Sig. (2-tailed)	0.000	0.000		0.408	0.000	0.116	0.192
	N	150	150	150	150	150	150	150
x4	Pearson Correlation	0.277**	0.078	0.068	1	0.173*	0.233**	0.288**
	Sig. (2-tailed)	0.001	0.343	0.408		0.035	0.004	0.000
	N	150	150	150	150	150	150	150
y1	Pearson Correlation	0.252**	0.354**	0.329**	0.173*	1	-0.006	0.146
	Sig. (2-tailed)	0.002	0.000	0.000	0.035		0.940	0.075
	N	150	150	150	150	150	150	150
y2	Pearson Correlation	0.055	0.071	0.129	0.233**	-0.006	1	0.064
	Sig. (2-tailed)	0.501	0.385	0.116	0.004	0.940		0.438
	N	150	150	150	150	150	150	150
y3	Pearson Correlation	0.165*	0.220**	0.107	0.288**	0.146	0.064	1
	Sig. (2-tailed)	0.044	0.007	0.192	0.000	0.075	0.438	
	N	150	150	150	150	150	150	150

Source : Survey Data (2018)

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

(iii) Pearson Correlation Method to Measure Correlation : The correlation between globalization and entrepreneurial risk was measured using seven variables. (globalization, economic crisis, political crisis, technology, risk taking, investment, entrepreneurship). Results were obtained using Pearson method of correlation, on the final sample for the study ($N=150$). The correlation coefficients and the percentage of overlap are presented in Table 1.

According to Table 2, there are two types of correlation between considered variables:

** Co-relation is significant at the 0.01 level (2-tailed)

* Co-relation is significant at the 0.05 level (2-tailed)

Co-relation Between the Globalization (X1) and Other Variables : Pearson co-relation coefficient (figures in brackets) indicates positive correlation between globalization and the following :

↳ Economic crisis (0.37)

↳ Political crisis (0.32)

↳ Technology (0.27)

↳ Risk taking (0.25)

- ↳ Investment (0.055)
- ↳ Entrepreneurship (0.16)

Co-relation between Economic Crisis (X2) and the following variables :

- ↳ Globalization (0.37)
- ↳ Political crisis (0.47)
- ↳ Technology crisis (0.078)
- ↳ Risk taking (0.35)
- ↳ Entrepreneurship (0.22)
- ↳ Investment (0.071)

Co-relation between Political Crisis (X3) and the following variables :

There was positive relationship between political crisis and the following variables :

- ↳ Globalization (0.32)
- ↳ Economic crisis (0.47)
- ↳ Technology crisis (0.06)
- ↳ Risk taking (0.32)
- ↳ Investment (0.12)
- ↳ Entrepreneurship (0.10)

Co-relation between Technology (X4) and other variables : There was positive relationship between technology and the following variables :

- ↳ Globalization (0.27)
- ↳ Economic crisis (0.07)
- ↳ Political crisis (0.06)
- ↳ Risk taking (0.17)
- ↳ Investment (0.23)
- ↳ Entrepreneurship (0.28)

Pillars test reveals that least sensitivity to violation of the assumption rejects the null hypothesis. Roy's test is the most acceptable tool to measure the deviation and covariance. Here, Roy's test reveals that there are 0.24 covariances

Table 3. Multivariate Test of Significance for Apparel Sector

Test Name	Value	Approximate F.	Hypoth. Df	Error. Df	Sig. of F
Pillars	0.335	4.83	12.0	435.00	0.00
Hotellings	0.44	5.23	12.0	425.00	0.00
Wilks Lamda	0.67	5.06	12.0	378.63	0.00
Roy's	0.24	0	0	0	0

Source : Survey Data (2018)

Table 4. Variance Independent Variables Explained by Canonical Variables for Apparel Sector

Canonical Variable	Pct Var Dep	Cum Pct Dep	Pct Var Cov ^a	Cum Pct Cov
1	38.10	38.10	9.17	9.17
2	71.58	71.58	3.68	12.86
3	28.41	100	0.061	12.92

Source : Survey Data (2018)

a.Pct Var Cov column reveals percentage of the covariance in the dependent variables explained by each independent variate

Table 5. Correlations Between Dependent Variables and Canonical Variables - Apparel Sector

Variable	Function Number		
	1	2	3
Y1	0.83	0.33	-0.42
Y2	0.073	-0.85	-0.51
Y3	0.65	-0.40	-0.63

Source : Survey Data (2018)

between the dependent variable and the independent variable. The commonly used test is Wilks's Lambda, but we find that all these tests are significant with $p < 0.05$. Wilk's Lambda (λ) and F value associated with it reveal the important 86 factors about the relationship of variables. Lambda is a measure of the percentage of variance in the dependent variable that is *not explained* by differences in the level of the independent variable. Lambda varies between 1 and 0, and we want it to be near 0. Here, Wilk's lambda is 0.67 and it has an associated F of 5.06, which is significant at $p < 0.001$. Table 3 explains the overall test for the canonical correlations and all tests suggest that these are significant.

Table 4 shows that 38.10% of the variability in dependent variables is explained by the dependent canonical variate. Also, 9.17% of the variability in the dependent variables is explained by the independent canonical variate. This result shows us how much of the variation in the dependent variables is explained by independent latent factors. Assess the explained variance for each of the significant variates. Typically, the first variate has by far the most explained variance. This is called redundancy and is the indicator of the strength of the causal relationship. On the other hand, this analysis works as an estimate of “goodness of fit” for the dependent latent factors. It tells us how much of the covariance in the dependent variables is accounted for by each dependent latent factor.

According to this, there is a positive correlation between dependent variables. These are the correlations between dependent variables and the variate for dependent variables. Contribution to the variate from highest to lowest was in the order y1, y3, and y2.

Table 6 shows that there is a positive correlation between y1, y2, y3, and x1, x2, x3, and x4 under Pearson correlation and this shows that there is positive or strong correlation.

Co-relation between Globalization (X1) and other variables : Pearson co-relation recorded positive correlation between globalization and the following :

- ↳ Economic crisis (0.28)
- ↳ Political crisis (0.17)
- ↳ Technology (0.11)
- ↳ Risk taking (0.10)

Table 6. Values of Correlation Coefficient Related to Variables in Restaurant Sector

		x1	x2	x3	x4	y1	y2	y3
x1	Pearson Correlation	1	0.28**	0.17	0.11	0.10	0.11	0.09
	Sig. (2-tailed)		0.004	0.09	0.26	0.28	0.25	0.34
	N	100	100	100	100	100	100	100
x2	Pearson Correlation	0.28**	1	0.35**	0.08	0.04	-0.04	0.05
	Sig. (2-tailed)	0.004	0	0	0.39	0.67	0.68	0.62
	N	100	100	100	100	100	100	100
x3	Pearson Correlation	0.17	0.35**	1	0.02	0.10	0.002	0.13
	Sig. (2-tailed)	0.090	0	0	0.78	0.30	0.90	0.17
	N	100	100	100	100	100	100	100
x4	Pearson Correlation	0.11	0.086	0.028	1	0.21*	0.08	0.11
	Sig. (2-tailed)	0.26	0.039	0.78	0	0.03	0.41	0.27
	N	100	100	100	100	100	100	100
y1	Pearson Correlation	0.10	0.04	0.10	0.21*	1	0.19	0.19
	Sig. (2-tailed)	0.28	0.67	0.30	0.03	0	0.058	0.05
	N	100	100	100	100	100	100	100
y2	Pearson Correlation	0.11	0.04	0.002	0.008	0.019	1	0.11
	Sig. (2-tailed)	0.25	0.68	0.98	0.41	0.058	0	0.26
	N	100	100	100	100	100	100	100
y3	Pearson Correlation	0.096	0.050	0.13	0.11	0.19	0.11	1
	Sig. (2-tailed)	0.32	0.62	0.17	0.27	0.05	0.026	0
	N	100	100	100	100	100	100	100

Source : Survey Data (2018)

** Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

↳ Investment (0.11)

↳ Entrepreneurship (0.09)

**Figures in brackets () are the Pearson Coefficients*

Co-relation between Economic Crisis (X2) and other variables : Table 6 shows the positive co-relation between economic crisis and the following :

↳ Globalization (0.28)

↳ Political crisis (0.35)

↳ Technology crisis (0.08)

↳ Risk taking (0.04), and

↳ Economic crisis and entrepreneurship (0.05)

Positive co-relation was recorded between X1 and Y2 investment (0.04).

**Figures in brackets () are the Pearson Coefficients*

Co-relation between Political Crisis and other variables : Co-relation between political crisis and other variables was also positive (0.17). There was positive co-relation between political crisis and globalization. There is positive co-relation between political crisis and the following :

- ↳ Economic crisis (0.35)
- ↳ Technology crisis (0.02)
- ↳ Risk taking (0.10)
- ↳ Investment (0.02)
- ↳ Entrepreneurship (0.13)

**Figures in bracket () are the Pearson Coefficient*

Co-relation between Technology and other variables : There is positive relationship between technology and other variables in the research. There is positive co-relation between technology and the following :

- ↳ Globalization (0.11)
- ↳ Economic crisis (0.08)
- ↳ Political crisis (0.028)
- ↳ Risk taking (0.21)
- ↳ Investment (0.08)
- ↳ Entrepreneurship (0.11)

Pillars test reveals least sensitivity to violation of the assumption and here it rejects the null hypothesis. Roy's test is the most acceptable tool to measure deviation and covariance. Here, Roy's test reveals that there is 0.85 covariance between the dependent variable and the independent variable. The commonly used test is Wilks's lambda, but we find that all of these tests are significant with $p < 0.05$. Wilk's Lambda (λ) and F value associated with it reveal important factors about the relationship of the variables. Lambda is a measure of the percentage of variance in the dependent variable that is not explained by differences in the level of the independent variable. Lambda varies between 1 and 0. Here, Wilk's Lambda is 0.89 and it has an associated F of 0.59, which is significant at $p < 0.001$. Table 7 explains the overall test for canonical correlations and all tests suggest that these are significant.

According to this, there is a positive correlation between dependent variables. These are the correlations between dependent variables and the variate for dependent variables. Contribution to the variate from highest to lowest is y_1, y_3, y_2 .

This chart shows that 42.99% of the variability in the dependent variables is explained by the dependent canonical variate. Also, 3.66% of the variability in the dependent variables is explained by the independent canonical variate. These results show how much of the variation in the dependent variables is explained by the independent latent factors.

Table 7. Multivariate Test of Significance ($S = 3, M = 0, N = 701/2$) : Restaurants Sector

Test Name	Value	Approx F .	Hypoth. df	Error df	Sig. of F
Pillars	0.10	0.85	12.0	285.0	0.59
Hotellings	0.11	0.85	12.0	275.0	0.59
Wilk's Lambda	0.89	0.85	12.0	246.35	0.59
Roys	0.85	0	0	0	0

Source : Survey Data (2018)

Table 8. Correlations Between Dependent Variables and Canonical Variables : Restaurants Sector

Variable	Function Number		
	Y1	Y2	Y3
Y1	0.86	0.077	0.50
Y2	0.40	-0.90	0.17
Y3	0.62	-0.29	-0.72

Source : Survey Data (2018)

Table 9. Variance in Dependent Variables Explained by Canonical Variables : Restaurants Sector

Canonical Variable	Dependent canonical variate	Independent canonical variate
1	42.99	3.66
2	30.02	0.43
3	26.99	0.12

Source : Survey Data (2018)

Assess the explained variance for each of the significant variates. Typically, the first variate has by far the most explained variance. This is called redundancy and it is the indicator of the strength of the causal relationship. On the other hand, this analysis works as an estimate of “goodness of fit” for the dependent latent factors. It tells us how much of the covariance in the dependent variables is accounted for by each dependent latent factor.

This shows that 42.98% of the variability in the dependent variables is explained by the dependent canonical variate. Also, 3.66% of the variability in the dependent variables is explained by the independent canonical variates.

Research Findings

The research found that globalization had significant positive impact on entrepreneurial risk. It inferred that there is a positive relationship between globalization and entrepreneurial risk. Second, positive relationship of globalization and information technology, political crisis, and economic crisis was identified. Further, the research revealed a positive correlation between globalization and risk-taking behavior, investment, and entrepreneurship. Finally, the research revealed that globalization and entrepreneur risk have a positive co-relation and there is a positive effect between risk and globalization.

Conclusion

This research reviewed and summarized previous research carried out by several researchers and academics covering both theoretical and the empirical literature related to the impact of globalization and entrepreneurial risk. Literature review is helpful for designing the conceptual framework, construction of questionnaires, and the development of research hypothesis. This research used most of the economic globalization theories to prove the relationship between globalization and entrepreneurial risk. The result of the analysis revealed that globalization has a positive and significant impact on entrepreneurial risk and economic crisis, political crisis, and information technology, investment, risk taking, and entrepreneurship.

According to the research results, entrepreneurs have to face risks of globalization and this situation has become unavoidable. Entrepreneurs use different kinds of short term and long-term business plans to mitigate risks. Most respondents agree with keeping adequate savings to make a buffer for business because savings help to avoid future

risks for business. Making proper investments is also a good risk mitigating strategy. Moreover, accepting the help of family members, joint venture, merger and consolidation are also desirable strategies for mitigating the risk.

Implications and Limitations of the Study

There are a number of limitations of this research. Limitations of secondary data became a major drawback for the research because Sri Lankan authorities don't maintain globalization sensitivity database or index to measure the impact of globalization on businesses. Lack of previous literature became huge limitation as globalization is a complex topic. It is not easy to generalize it to the small and medium level. Knowledge of participants became another limitation for the study because lot of participants have less knowledge about the research procedure.

Sri Lankan researchers have tried to generalize the impact of globalization for small and medium enterprises using secondary data in several attempts but no one has tried to find the impact of globalization using primary data. This research is the first research in Sri Lanka which attempts to measure the impact of globalization on SMEs using primary data. Sri Lankan SME related policy makers, researches, government and private institutions can get a clear vision of the impact of globalization for SMEs in Sri Lanka with this research. It will also help them accept the positive impact of globalization and reject its negative impacts.

Suggestions for Further Research Studies

This research measures the impact of globalization on small and medium entrepreneurs in Sri Lanka using apparel and tourist restaurants. Being an influential phenomena, globalization impacts every kind of entity without boundaries. Future researches should try to measure the impact of globalization on indigenous industries in Sri Lanka as they are affected negatively because of imported foreign goods that come in due to free trade agreements. This badly impacts employment of indigenous industries.

Acknowledgement

The author wishes to extend his sincere gratitude to his supervisor Tikiri Nimal Herath (Senior Professor in Economics) for his constructive comments on this paper.

Conflict of Interest

The author declares that there is no conflict of interest.

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