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INNOVATION AND CORPORATE SOCIAL RESPONSIBILITY (CRS) OF NIGERIAN MULTINATIONALS

Abstract

The study investigated the relationship between innovation and corporate social responsibility of multinational firms. The study made use of expo-facto research design to sample ten (10) multinational firms from quoted consumer goods and industrial goods firms for the period of 2014 to 2019 and employ descriptive statistics, correlation analysis and multiple regression technique in the analysis of data. The result showed that economic dimension of corporate social responsibility has a positive coefficient and significant relationship with innovative performance of multinational firm, humanitarian dimension of corporate social responsibility has a positive coefficient and significant relationship with innovative performance of multinational firm and firm size as a control variable has a negative coefficient and significant relationship with innovative performance of multinational firm at 1% level of significance. The study recommended that relevant stakeholders of multinational firms in Nigeria should pay much attention to corporate social responsibility in order to gain competitive advantage in the international market through innovation.

Keywords: *Corporate Social Responsibility, Economic Dimension, Humanitarian Dimension and Firm Size*

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1.0 INTRODUCTION

Business organisations operating in this present modern society makes greater demands on corporate organisations that carry out its business policies and actions towards achieving economically, socially, environmentally and development generally (Fernández-Guadaño & Sarria-Pedroza, 2018). Dimitrova (2021) asserted that Corporate Social Responsibility (CSR) of multinational firms is a driver of innovation performance by implementing policies that enhance competitive strategies. Multinational firms investing in CSR and sustainability reporting are great source of opportunities, innovation and competitive advantage for firms going international. Multinational corporations are a dynamic business environment where business organisations heavily in internationalization process for growth and expansion. Therefore, multinational corporations are business organizations which operate strategically on an international scale (Udoka, 2015).

Awareness of the engagements of multinationals business in developing and supporting the community in their operating environment increase the level of customer’ s loyalty to such business organizations and the trademark for doing such activities follows the business organizations (Kotler, Berger & Bickhoff, 2010). However, multinational firms face intensified competition and survival which can not only be based in identifying market opportunities.

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Multinational companies not paying much attention to CSR and sustainability activities witness low level of innovative drive (MacGregor, Spinach & Fontrodona, 2007). Multinational organizations that are involved in developing new products are expected to exhibit some high level of creativity and innovativeness which is consistent with their customer perception of product brand and company image (Hoyer, Chandy, Dorotic, Krafft & Singh, 2010).

Corporate Social Responsibility (CRS) enables multinational business organizations to build an image, create brand name or a niche that enhance the marketing and profitability of their business organizations. Corporate social responsibility is a commitment by multinational firms to improve the quality of life of the stakeholders and the society at large while improving the innovative performance (Asemah, Okpanachi & Edegoh, 2013). Adeyemi and Fagbemi (2010:169), "argued that stakeholders' theory takes account of a wider group of constituents rather than focusing on shareholders" .

Organization has to explore innovation by looking for suppliers with low cost advantage and quality materials in maintain balance in inventory management and becomes imperative for multinational organizations to effectively utilize the entire. Multinational firms are investing in technological with the tendency of attaining competitive advantages in the market place (Oluseye, Ayodotun & Adetowubo-King, 2014). The connection between innovation and corporate social responsibility has been given limited attention be scholars and researchers in Nigeria. This study filled the gap in research by employing how two dimensions of CRS (economic and humanitarian dimension) impact on innovation performance of multinational companies in Nigeria. These dimensions of CRS were adopted in this study because financial metrics were used to measure the variables.

1.1 Research Objectives

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The aim of the study was to investigate the relationship between innovation and corporate social responsibility of multinational firms. The specific objectives were to:

(i) Investigate the relationship between economic dimension of CRS and innovation performance of multinational firms.

(ii) Examine the relationship between humanitarian dimension of CRS and innovation performance of multinational firms.

1.2 Research Hypotheses

The hypotheses were formulated in a null form.

(i) Economic dimension of CRS investigate has no relationship with innovation performance of multinational firms.

(i) Humanitarian dimension of CRS has no relationship with innovation performance of multinational firms.

2.0 REVIEW OF RELATED LITERATURE

2.1 Innovation Performance of Multinational Firms

Innovative performance of multinational firm translates to the process through which limited resources at organization' s disposal are exploited effectively and efficiently in attaining the broad objective of the enterprise for both present and future opportunities (Yasser, Entebang & Abu Mansor, 2011). According to Omotola and Akrawah (2019, p. 224), "performance is the manner in which innovation enhance the resources of the organisation for achieving targeted goals and objectives in accordance with the multinational firm structure defined" , and innovation and creativity are regarded as essential for organizations' success and competitiveness. Dasí, Iborra and Safón (2015) argued that larger multinational companies with

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high level of reputation are often benchmarks for gaining acceptance in the international market and smaller firms with proven products and services possessed dynamic strengths in assessing and meeting customer demands. Besides, the accomplishment of the major multinational growth objective of market or customers' expectations and investors' expectations will most likely result in the overall expansion of the firm. Lampe and Hilgers (2015) added that innovative performance is a medium of approach for enhancing scare firm resources, productivity and economic value growth.

Innovativeness refers to technological processes firm employ in introducing new ideas, new products, novelty, experimentation and creative processes for organisational expansion (Olayemi, Olayemi & Okonji, 2016). Ogbeide and Akanji (2016) further explained that forms of innovations such as technological creativity or technological and marketing creativity may be factors in multinational performance. Stakeholders' value from the organisation can be increased through heavy investments on research and development and other issues in creativity capacity improvement. Al-Juboori, Singh, Mansor, Kakar, Zulfiga and Pitchy (2021) defined innovation as the capability and ability of firm to identify new ideas and knowledge, introducing new products/services that improve multinational performance. Abdi and Ali (2013) observed that level of innovativeness is an opportunity to develop the introduction of new products and services in organisations so as to increase organisational performance. Kiraka (2013, p. 16), asserted that innovation is as an idea of exploitation that is the main source of gaining competitive advantage for business organizations".

2.2 Corporate Social Responsibility

Corporate social responsibility initiatives influence the attitude of the societal behaviour towards the development of the operating environment (Trudel & Cotte, 2011). Sen and Bhattacharya

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(2001) are of the view that the corporate social responsibility matters addressed by a business organisation include the quality of its products, the consumers' personal support for the corporate social responsibility activities and the consumers' perceptions of congruence between them and that of the company in their reactions to its corporate social responsibility programmes and initiatives. Saleh, Ebeid and Abdelhameed (2015) are of the opinion that corporate social responsibility activities of a business organization will affect the consumer buying behaviour in a positive domension. Dahlsrud (2006:5), " defined corporate social responsibility as a medium of creating an obligation for the manufacturer, which is more than a commitment to shareholders and prescribed by the rules or agreements of the unions, and it's more than ownership. is that business corporations have an obligation to work for social betterment of the society.

2.3 Dimensions of Social Responsibility

Corporations and business organizations have always given more attention to their social responsibility through their four dimensions, economic, legal, ethical, and humanitarian (Eshra & Beshir, 2017).

2.3.1 Economic Dimension

The resources the firms need to adapt to any changes is said to be slack in nature which is often regarded as free resources or available resources used to achieve the firm' s specific goals. The effect of economic rationality seems to have held sway as the inducement to corporate social donations and its increasing growth especially within the context of voluntary corporate social responsibility (Farouk & Usman, 2013). According to Ndu and Agbonifoh (2014, p. 219), " economic dimension is seen as economic responsibilities relate more to production of goods and services needed for exchange and transaction purposes at fair prices for the satisfaction of corporate profit objectives as obligation to investors, through the satisfaction of identified target

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market” . The economic dimension of corporate social responsibility is very paramount because it enables firm to embark on economic responsibility such as society and community relation, employee relation, and environmental performance due to the availability of slack resources from the improved financial performance. Besides, economic dimension of corporate social responsibility is the profitability and viability of a business organization (Carroll, 1991). Bansel (2005) is of the view that many companies that have managed to prosper followed a strategy that includes the three principles of sustainable corporate development which are environmental integrity by means of corporate environmental management, social equity through CSR and economic prosperity by creating value.

2.3.2 Humanitarian Dimension

Corporate social responsibility in the area of humanitarian is one of the controversial areas of debate that continues to be of great concern to corporations, researchers, analysts, communities, investors and even the entire public (Abdulraman, 2014). Humanitarian dimension is a concept that entails the practice whereby corporate entities voluntarily integrate both social and environment upliftment in their business philosophy and operations. The levels of humanitarian responsibility made by corporate organizations have been given favaourable prospect nowadays in terms of principle and practice because they play a significant role in company’ s relationship with stakeholders and the business communities (Godfrey, 2005). The role of corporate social donations reporting takes on increasing importance as a mechanism to undertake such duties of accountability (Gray, Owen & Adams, 1996). Therefore, corporate social responsibility donation is also regarded as humanitarian or philanthropic responsibility of business organizations. Wissink (2012) claimed that “ humanitarian responsibility is based on social responsibility in terms of economic, societal and environmental reporting” . Bruch and Walter (2005:51), “ stated

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that corporate humanitarian focuses on the company' s voluntary offering and voluntary work of the employees towards the achievement of societal goals and objectives" . However, for a given organisation to contribute immensely to the development of the business community in operating environment, "it is very important for the company to join in resolving some social problem through investment in the protection of the community building socially needed objects, grant scholarships for individuals and groups," (Đurović & Ranđić; 2011, p. 9).

2.3.3 Legal Dimension

Legal dimension of corporate social responsibility is the process of complying with laws and regulation (Rahim, Jalaludin & Tajuddin, 2011). Ndu and Agbonifoh (2014:220), "opined that legal responsibilities impose obligations to respect statutes and regulations of governments" . Conchius (2006) see legal dimension of responsibility in business organization context as the process of complying with consumer and product laws, environmental laws and employment laws while also adhering to laws and regulations governing competition in the marketplace. Multinational organizations are expected to take a proactive role in the environmental protection process with the advent of liberalization, remove of trade barriers makes it logical that the costs of environmental degradation due to industrial activities should be internalized in corporate account to the extent possible, that is why environmental accounting and reporting therefore is of paramount importance today (Buskirk, Green & Rodgers, 1998). The modern environment law regulates and often forcefully restrains environmental abuses. Hence, international and local regulatory instruments are geared toward attaining the crucial balance between the exploitation of the earth' s resources and protection of the components of the ecosystem such as air, water, land, humans and other living things from pollutants and other hazards (Iwata, & Okada, 2011).

2.3.4 Ethical Dimension

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Ethical dimension of corporate social responsibility simply refers to the treatment of workers, environmental issues, gender and racial discrimination and human rights issues (Michletti, 2003). Ethical consumption pattern of the consumer enhance their buying decision activities in promoting ethical corporate practices. Therefore, the ethical dimension of corporate social responsibility not only focuses on individual but social goals, ideals and values (Uusitalo & Oksanen, 2004). Ethical dimension of responsibility is based on the organisations' operation that goes beyond the laws to do the right thing in fair and just ways. Ethical responsibilities reflect new trend in values and norms that society expects business organisation to meet, even though they may exhibit a higher standard of performance than that currently required by law. Therefore, " ethical responsibilities expect businesses to acknowledge and observe to meet other societal expectations that are not expressly stated as part of documented law," (Ndu & Agbonifoh, 2014:218). However, " ethical dimension of social responsibilities involves the range of norms, standards, and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, to protection moral rights" (Singh, & Singh, 2013:19). Mujtaba (2015:7), " maintained that ethical dimension of social responsibility requires the business organisation to act in conformity with its values, promises, and obligations to all stakeholders in carrying out business operation within the social environment" .

2.4 Control Variable

2.4.1 Firm Size

Firm size is one of the widely use variable serving as a control variable. The influence of size in the corporate environment cannot be overemphasized in Nigeria business environment especially in the area of corporate social responsibility and innovation. Ali, Noor, Khurship and Mahmood

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(2015:13), " opined that the firms that are large in size have more funds to utilize the best technology and expertise to generate in time financial information to public" . Leftwich, Watts and Zimmerman (1981) maintain that firm size is a comprehensive variable, which can proxy a number of cooperate attributes, such as competitive advantage, information production costs and political costs. Millet (2000) added that " green" businesses, irrespective of size, enjoy a competitive advantage in that their customers are less likely to migrate to competing firms. Therefore, environmentally conscious customers are often willing to pay premium prices for environmentally friendly goods and services.

2.5 Empirical Reviews

Wali, Amadi and Andy-Wali (2015, p. 85), " carried out a comparative study on the impact of corporate social responsibility practices on marketing performance in the Nigerian and UK financial industry, and " the results showed that corporate social responsibility practices had significant impact on marketing performance of the Nigerian financial sector". This means that corporate social responsibility positively influences market share. In same vein, Mittal, Sinha and Singh (2008, p. 1437), " studied the relationship between corporate social responsibility and organizational profitability" , and found out that corporate social responsibility had a significant positive relationship organisational performance and profitability in terms of economic value added (EVA) and market value added (MVA). Hossein, Kamran, Mostafa and Hossein (2012, p. 853), ' carried out an empirical study on the impact of corporate social responsibility activities on company performance" , and found out mixed results between corporate social responsibility and organisational performance. Gatsi and Ameyibo (2016, p. 53), " examined the significant relationship between corporate social responsibility and performance in United Kingdom" . They

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used working capital (liquidity) to measured performance” , and documented that there is no significant relationship between corporate social responsibility and performance measured by working capital (liquidity). Similarly, Munyoki and Benjamin (2013) studied the relationship between corporate social responsibility practices and organisational performance in Kenya. They used market share as measure of organisational performance. The results revealed that there is a positive correlation between corporate social responsibility practices and organisational performance. Khan and Majhid (2013) examined the impact of corporate social responsibility on profitability and market share in Parkistan cement companies. It would be revealed from the empirical evidence that corporate social responsibility has a significant positive impact on profitability as well as market share. Uwuigbe (2011) carried a study on corporate environmental reporting practice in Nigeria and found that there is a significant positive relationship between company size and the level of corporate environmental disclosures among selected firms in Nigeria. This therefore means that increase in company size will lead to increase in corporate environmental disclosures in Nigeria quoted companies. Ngwakwe (2009) conducted a study on environmental responsibility and firm performance in Nigeria. The firms were categorized into two, environmentally ‘ responsible’ and ‘ irresponsible’ firms. He found that sustainable practices of the ‘ responsible’ firms are significantly related with firm performance.

2.6 Theoretical Review

The stakeholder theory was used to anchor the study.

2.6.1 Stakeholder Theory

The stakeholder theory was proposed by Freeman (1984) developed. The theory categorized the stakeholder in to customers, employees, suppliers, political action groups, environmental groups, local

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communities, the media, financial institutions, governmental groups, and more. Deegan, Rankin and Tobin (2002) claim that the ethical aspect of the stakeholder theory that the organisation need to be fair to the all the stakeholders. To solve the intense stakeholders pressure firms are facing the need to employee environmental management is very important. This implied that powers to the stakeholders are not relevant. Stakeholder theory contends that the pressures exercised on organizations by different stakeholders' condition firm behaviour. Chenhall (2003:127), " argues that organisation is facing intense pressure and there is need to develop structure for effective control mechanism and hence adopt organic system" . In the view of Fernández-Guadaño and Sarria-Pedroza (2018:2), " stakeholder theory is regarded as a positive theory which sees corporate social responsibility as a concept that is used to understand and maximize the interest of stakeholders". Stakeholders' value from the organisation can be increased through heavy investments on research and development and other issues in creativity capacity improvement. Park, Chidlow and Choi (2014) argued that the concept of stakeholder emphasizes that organizational growth, stability and survival builds not only on meeting the needs of the owners of the business organisations but must revolve round all relevant corporate stakeholders of the business. The value created by innovations is shown in new ways of doing things or new products and processes that contribute to wealth which the core value of the shareholder.

3. METHODOLOGY

3.1 Research Design

The study adopted expo-facto research design to investigate the relationship between sustainability and innovative performance of multinational enterprises in Nigeria. The population consisted of quoted multinational companies as at 31st December, 2019 in the Nigeria Stock Exchange (NSE, 2019). The quoted companies must possess the status of multinational

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corporations among the twenty-one (21) Consumer Goods Firm and fourteen (14) Industrial Goods Firm in Nigeria Stock Exchange. Each multinational company in the population must have finished its obligation in delivering annual reports for six (6) consecutive years (2014-2019). Nevertheless, in order to avoid bias, simple random sampling technique was used to select ten (10) consumer goods and industrial good companies that status of multinational corporations in Nigeria.

3.2 Model Specification and Measurement of Variables

In this study, multiple regression technique was specified as shown below:

$IPM_{it} = \beta_0 + \beta_1 ECRS_{it} + \beta_2 HCRS_{it} + \beta_3 FS_{it} + \varepsilon$…………………………………………….. (1)

Where;

B_1-β_2 = coefficient of the variables

i,t = firm i, time t

IPM_{it} = Innovative performance of multinational firm

$ECRS_{it}$ = Economic dimension of corporate social responsibility

$HCRS_{it}$ = Humanitarian dimension of corporate social responsibility

FS_{it} = Firm size

The measurement of the variables was presented in table 1 below:

Table 1: Measurement of Variables

S/N	Variables	Measurement	Apriori sign
1.	Innovative performance (dependent variable)	Innovative performance was measured by net profit margin.	
2.	Economic dimension of	Economic dimension of corporate	+

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	corporate social responsibility (independent variable)	social responsibility was measured by returns on equity (ROE).	
3.	Humanitarian dimension of corporate social responsibility (independent variable)	Humanitarian dimension of corporate social responsibility was measured by corporate social donation	+
4.	Firm size (control variable)	Firm size was measured by logarithms of total assets	+

Researcher' s Compilation (2021)

3.3 Method of Data Analysis

This study adopted multiple regressions technique to examine the significant relationship between innovative and CRS of multinational firms in Nigeria. Descriptive statistics and correlation analysis were also conducted. The study analysis was conducted using EViews 9.0 econometric software.

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4.0 DATA PRESENTATION AND ANALYSES OF RESULTS

The presented of results begin with, descriptive statistics, correlation analysis and multiple regression techniques.

4.1 Descriptive Statistics

The descriptive statistics was used to describe the nature of the data. The result revealed that innovative performance of multinational firm (IPM) on the average was 18.27 which were above the median value of 6.57. This indicates that multinational firms perform above the average with a standard deviation value of 29.91. Economic dimension of CRS (ECRS) on average was 19.15 with a corresponding standard deviation value of 23.19. This implies that economic dimension of CRS was above the median value of 14.15. Humanitarian dimension of CRS (HCRS) on average was N300348.6 million with a corresponding standard deviation value of 617325.3. This implies that humanitarian dimension of CRS was above the median value of N18676 million. Firm size (FS) as a control variable on the average was 7.88 and a standard deviation value of 0.77. The Jargue Bera statistics coefficient values show that all the variables were normally distributed at 1% level except firm size which as abnormally distributed. The result is presented in the Table below;

Table 2: Descriptive Statistics

	IPM	ECRS	HCRS	FS
Mean	18.27407	19.15584	300348.6	7.884104
Median	6.578200	14.89850	18676.00	8.025600
Maximum	140.8151	100.2754	2572000.	9.240900
Minimum	-12.26660	-11.56640	633.0000	6.353100
Std. Dev.	29.91553	23.19315	617325.3	0.778712
Skewness	2.383375	1.667702	2.383088	-0.074853
Kurtosis	8.730193	5.892386	7.891186	2.215533
Jarque-Bera	118.0587	41.41800	99.11028	1.355327
Probability	0.000000	0.000000	0.000000	0.507802
Sum	931.9777	976.9477	15317778	402.0893
Sum Sq. Dev.	44746.93	26896.11	1.91E+13	30.31963
Observations	51	51	51	51

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4.2 Correlation Analysis

The Pearson correlation is a statistical technique which measures the degree of association between corporate social responsibility and innovation. The result of the correlation coefficient revealed that economic dimension of corporate social responsibility (ECRS) was positive and moderately correlation with innovative performance of multinational firm (IPM=0.2476). This therefore means that presence of economic dimension of corporate social responsibility might positively lead to improve innovative performance. The result also revealed that humanitarian of corporate social responsibility (HCRS) was positive and weakly correlation with innovative performance of multinational firm (IPM=0.0831). This therefore means that increase in humanitarian dimension of corporate social responsibility might positively lead to improve innovative performance. The correlation coefficient result revealed firm size as a control variable (FS) was negative and moderately correlation with innovative performance of multinational firm (IPM=-0.3510). This therefore means that decrease in firm size might positively lead to improve innovative performance. Since none of the explanatory variables were perfectly correlation, it indicates there is absence of multicolinearity among the explanatory variables. The correlation result was presented in table 3 below;

Table 3: Relationship between CRS and innovation

	IPM	ECRS	HCRS	FS
IPM	1.000000	0.247636	0.083119	-0.351074
ECRS	0.247636	1.000000	0.044758	0.129089
HCRS	0.083119	0.044758	1.000000	0.687308
FS	-0.351074	0.129089	0.687308	1.000000

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4.3 Multiple Regression Analysis

In order to test the individual significance of the variables, multiple regression techniques was adopted and the result was presented in table 4 below;

Table 4: Significant Relationship between CRS and innovation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	253.6291	44.78920	5.662729	0.0000
ECRS	0.421301	0.143857	2.928608	0.0052
HCRS	3.11E-05	7.38E-06	4.217062	0.0001
FS	-32.06085	5.892820	-5.440663	0.0000

R-squared	0.427246	Mean dependent var	18.27407
Adjusted R-squared	0.390687	S.D. dependent var	29.91553
S.E. of regression	23.35160	Akaike info criterion	9.214393
Sum squared resid	25628.98	Schwarz criterion	9.365909
Log likelihood	-230.9670	Hannan-Quinn criter.	9.272292
F-statistic	11.68656	Durbin-Watson stat	0.750522
Prob(F-statistic)	0.000008		

It would be observed from table 4 that the coefficient of determination (adj. R^2) value of 0.390687 that about 39% of the systematic variations in innovative performance were jointly explained by CRS dimensions. This means that the model overall was good for statistical prediction. The F-statistic value of 11.68 its associated p-value (0.000008) showed that there was a significant linear relationship between CRS and innovative performance of multinational firm. It was observed that economic dimension of corporate social responsibility (ECRS) has a positive coefficient (0.42) and significant relationship with innovative performance of multinational firm (IPM=0.00) at 1% level of significance. The positive coefficient value of economic dimension of CRS (0.42) accounted for 42% increase in innovative performance of multinational firm but was statistically significant. Humanitarian dimension of corporate social responsibility (HCRS) has a positive coefficient (3.11) and significant relationship with

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innovative performance of multinational firm (IPM=0.00) at 1% level of significance. The positive coefficient value of humanitarian dimension of CRS (3.11) accounted for 311% increase in innovative performance of multinational firm but was statistically significant. The control variable, firm size (FS) has a negative coefficient (-32.06) and significant relationship with innovative performance of multinational firm (IPM=0.00) at 1% level of significance. The negative coefficient value of firm size implies a decrease in innovative performance of multinational firm but was statistically significant.

4.4 Discussion of Findings

Economic dimension of corporate social responsibility has a positive coefficient and significant relationship with innovative performance of multinational firm. The result was consistent with the findings of Wali, Amadi and Andy-Wali (2015) and Mittal, et al, (2008). Humanitarian dimension of corporate social responsibility has a positive coefficient and significant relationship with innovative performance of multinational firm. The result was consistent with the findings of Hossein, et al, (2012) and Munyoki and Benjamin (2013) that CRS and innovative performance was significantly related. The control variable, firm size has a negative coefficient and significant relationship with innovative performance of multinational firm at 1% level of significance.

5.0 CONCLUSION AND RECOMMENDATIONS

Corporate Social Responsibility (CSR) of multinational firms is a driver of innovation performance by implementing policies that enhance competitive strategies. Multinational firms investing in CSR and sustainability reporting are great source of opportunities, innovation and competitive advantage for firms going international. Multinational corporations are a dynamic business environment where business organisations heavily in internationalization process for

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growth and expansion. It was revealed from the regression results that corporate social responsibility had a direct relationship with innovative performance of multinational firms in Nigeria. Firms making much financial commitment towards corporate social responsibility experience higher level of innovative performance.

5.1 Recommendations

(i) Since economic dimension of CRS is positively related to innovative performance, investors and shareholders of multinational firms should consider economic dimension of CRS as a potential driver of innovation.

(ii) Management of multinational firms should embark more on humanitarian service rendering as a medium of improving the innovative performance of the firm.

(iii) The study recommended that relevant stakeholders of multinational firms in Nigeria should pay much attention to corporate social responsibility in order to gain competitive advantage in the international market through innovation.

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