



Does Innovative Capability Really Matter for the Profitability of Consumer Goods Companies in Developing Economies?

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Abstract

There has been a gradual change in consumer behaviour, and the business landscape with respect to buying practices, firm behaviour, distribution, and supply chain management, largely induced by COVID-19 in Africa. For businesses, low profitability, poor sales, and weak market share, including intense competition, are widespread within the business ecosystem and innovative strategy and technological change are some of the business decisions in recent times. The study therefore examined the effects of innovative capability on the profitability of selected consumer goods companies listed in Nigeria the most populous and largest economy in Africa. The study adopted a survey research design, with a population of 22,466 staff comprising regular employees, and top and middle-level managers of twenty consumer goods companies listed on the Nigeria Exchange Group (NGX). Seven (7) out of the twenty (20) listed consumer goods companies were selected from the population based on the capitalization criteria and consistent dividend payments filter. The Research Advisor Table was adopted in determining the sample size, which was given as 378 with a confidence level of 95% and a margin error of 5%. Due to non-response, adequate provision was considered and as a result, 113 which is 30% was added to arrive at a sample size of 491. The study used a proportionate stratified sampling technique to draw a convenient sample for the study. A total of 491 copies of the questionnaire were administered to the respondents with a response rate of 97.76%. Data collected were analyzed using descriptive and inferential statistics such as frequency distribution and percentage point and the hypothesis was analyzed with the use of regression analysis. Findings showed that innovative capability had a significant and positive effect on business profitability ($\beta = 0.887$, $t = 29.633$, $P < 0.05$). The study concluded that competitive strategies with sub-variables innovative capabilities, diversification capabilities, differentiation capabilities, and cost leadership capabilities had positive effects on their corresponding sub-variables profitability, sales growth, customer satisfaction, and business growth under business outcomes. The study recommended that the consumer goods companies often refer to Fast Moving Consumer Goods (FMCG) listed in Nigeria must have a market-development mind-set, invest in consumer education, and integrate an efficient supply chain management model.

Keywords: Competitive advantage; FMCG; Innovative strategies; Organizational performance

JEL Classifications: JEL D63; L24; M10; O55; Q0; L10; O30

Introduction

The novel coronavirus (COVID-19) has negatively affected the global economy and business ecosystem. The environment has been characterized by competition, industry volatility, and rapid technological advancements, resulting in fluctuating demand and posing a threat to the survival of businesses that are not

competitive. There has been a gradual shift in consumer behaviour and the business landscape in terms of purchasing practices, firm behaviour, distribution, and supply chain management, predominantly as a result of COVID-19 [1,2]. Recent global business outcomes have been negatively impacted by COVID-19 [3,4]. Recent business decisions have included competitive strategy, e-commerce, and technological advancement. The

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business ecosystem is rife with negative business outcomes, such as low profitability, poor sales, and low market share, as well as intense competition. In Nigeria like many other African countries seeking innovative ways of dealing with the situation has been weak while those who react may struggle with adapting to the changes, they need to make to remain profitable and resilient in these times because of lack of competitive strategies. Uncertainty around the possibility of generating profits in competitive marketplaces heightens the necessity for competitive strategies and a system of corporate governance practices that might result in favourable business outcomes and profitability [5]. The consumer goods sector in Nigeria is facing several challenges leading to a fall in patronage, sales growth, market share, turnover, and overall business growth as a result of limitations in the use of competitive strategies. In order for businesses to thrive, become more profitable, and increase their market share, businesses must develop plans and competitive strategies

Competition is fundamental and central to business profitability because it has a significant impact on firm behaviour, and overall performance [6-11]. Further asserts that the case of business failures are equally high and prevalent, which could be attributed to the changing landscape with the aftermath of the coronavirus pandemic, competitive environment, high inflation, poor supply chains, high exchange rate regime, severe and hostile business landscape and a host of other struggles are primarily responsible for the industry's escalating poor business outcomes. One of the challenges presented by these dynamic environments is increased competition. While empirical evidence indicated that innovative capability is one of the major determinants of business profitability and outcome, many consumer goods businesses were slow to demonstrate innovative capability in Nigeria post-COVID-19, and it has been noted that the performance of these companies has not been particularly impressive, possibly because of no or slow pace of innovation in the industry. There exists a research gap in the consumer goods sector, as it relates to innovative capability and profitability, hence this study is motivated by two key ideas: expanding sectoral coverage of prior related studies and introducing a rare measure of business outcomes of consumer goods companies in Nigeria. This study was motivated by the need to fill this gap in knowledge. Studies have been conducted on innovative strategies, capabilities and business outcomes in different countries but the different contexts in which these studies have been done varied [12-29]. Apart from the foregoing development, previous studies on competitive strategies and business performance largely concentrated on developed economies and under different environmental conditions and on small and medium-sized enterprises (SMEs) and manufacturing sector [30-39]. However none of these studies examined the effect of innovative capability on business profitability post-COVID-19 pandemic era and within the emerging nations like Nigeria. As a

result, the goal of this paper is to fill the gap by providing background information on competitive strategies and business outcomes, as well as examining the relationship in selected listed companies in Nigeria the most populous and the largest economy in Africa. Therefore the objective of this study is to investigate the effect of innovative capability on business profitability of selected listed consumer goods companies in Nigeria. The study also seeks to contribute to a greater understanding of the relationship between the two variables- independent (innovative capability) and dependent (business profitability). This study will measure business outcomes using subjective (non-financial) (profitability, sales growth, customer satisfaction, and business growth) while competitive strategies will be measured (innovative capability, diversification capability, differentiation capability and cost leadership capability). The focus of this study and the measures adopted for the variables will help the stakeholders of the consumer goods industry to relate to the findings easily and also make appropriate decisions whenever there is a change in the policy rate.

Literature Review

Historical context of the Nigerian consumer goods industry

According to data from the Nigerian Stock Exchange (NSE), the consumer goods sector is one of the most dynamic in Nigeria's economy. Prior to roughly fifty years ago, Nigeria's distribution channels for fast-moving consumer goods consisted of large foreign-owned wholesale and retail outlets (such as Leventis, Kingsway, G. B. Olivant, etc.) and small individual retailers operating in open-air markets. The sector has grown to become a colossal and significant portion of the national economy over time. The Nigerian consumer goods industry is comprised of numerous products that are frequently purchased and utilized on a daily basis. One of the factors that attract businesses to the sector is the country's large population. In addition, the sector has evolved to recognize and appeal to the diverse demographic characteristics of the consumer goods industry, which are available at varying income and preference levels. Additionally, the industry is one of the greatest employers in the country. Utilizing the country's population and extensive market space, businesses in this industry have consistently expanded into remote towns and villages in order to increase their market share and promote growth. Several other economic sectors, including agriculture, supply chain, and support industries such as packaging, media, etc., have also felt the sector's impact. Presently, the consumer goods industry in Nigeria is comprised of foreign companies, robust Nigerian companies, and a significant number of minor domestic companies. The consumer goods sector on the Nigeria Stock Exchange, now known as Nigeria Exchange Group Plc, is comprised of automobiles/auto parts, beverages brewers/distillers, beverages-non-alcoholic, food

products, food products-diversified, household durables, and personal/household products firms. As of the 31st of July 2023, the sector has twenty listed companies with a market capitalization of N4.69 trillion, representing 13.35% of the NSE market capitalization. The consumer products sector contributes significantly to Nigeria's manufacturing economy. As is the case with all other manufacturing industries, the consumer goods industry has a low production value added. According to numerous reports, the sector confronts a variety of challenges, including post-pandemic repercussions such as a lack of access to basic materials, foreign exchange scarcity, and costly bank fees. Given the scale of the Nigerian consumer goods sector, the dwindling opportunities, and the lack of infrastructure, it is necessary to examine strategies for enhancing the business outcomes of companies operating in the sector.

Innovative capability

Defined capability as “a set of competencies and unique skills that firms could deploy in their markets in the pursuit of their goals. “An innovation capability is a strategy for carrying out innovation”. In the search for higher business outcomes, companies have been argued to benefit from different strategic postures that enable the businesses to adapt to their changing operational environment and to renew themselves, innovation is largely part of it. Innovation is a crucial organisational capability for achieving and sustaining a sustainable competitive advantage, according to the Resource-Based View (RBV) theory [40]. Innovation is concerned with improving the market mix to serve the market better [41]. Innovation is defined as the management of all activities associated with the process of generating ideas, developing new technologies, and marketing a product, process, or new piece of equipment [42]. Businesses that can implement complex innovation strategies may achieve a greater competitive advantage in terms of performance compared to rivals that employ simple innovation strategies. Innovation is regarded as the only way for businesses to sustainably gain a competitive advantage and enhance their performance. To foster innovation, the company must establish an internal environment that fosters a culture of innovation characterized by adaptability and rapid change in order to seize new opportunities. Organizational innovation, process innovation, product innovation, and marketing innovation are the four types of strategic innovations acknowledged by The Organization for Economic Co-operation and Development (2017) as being necessary for businesses to stay in business. To have a successful innovation strategy, a firm needs to have a strong faith in its internal resources and environment, which are going to determine the competitiveness of the firm.

Profitability

The concept of profit is very important for a business or organization to ensure survivability. Profitability is defined as the organization's ability to generate revenue, while its inability to generate revenue constitutes a loss [43]. Profitability is a fundamental indicator of a business outcome or performance and a key component of its financial reporting. Profitability growth improvement is crucial for businesses, particularly manufacturing businesses; it helps businesses ensure their sustainability as going concerns, safeguards and improves stakeholder returns, and so on. The profitability of each company depends on the ability to choose the strategy that best fits the company [44]. Profit maximisation is an essential objective for a company's survival and ability to compete with other businesses in its industry. In the pursuit of improved profitability, it has been stated that consumer goods businesses might make income from various strategic stances that enable them to adapt to their changing operating environment and refresh themselves [45]. The profitability of consumer goods companies is influenced by their product innovation, competitive strategies or lack thereof. However, there are theoretically other determinants. These determinants are Cost of production, Inflation rates, tax regime and size of the company, among others [46].

Theoretical Review

Theory of competitive strategy

Competitive strategy is the pursuit of a favourable competitive position within an industry, the primary arena where competition occurs [47]. Because these barriers to imitation are continuously eroding, the company must continue to invest in maintaining or enhancing its positional advantage in order to ensure its continued viability. The choice of a company's competitive strategy will be determined by its capacity to generate and maintain a competitive advantage. Competitive advantage is the condition that enables a company to operate in a more efficient or otherwise superior manner than its competitors, resulting in advantages accruing to that company. Essentially, the strategy involves determining where you want your business to go and how to get there. A precise definition is based on competitive advantage, the objective of the vast majority of corporate strategies: The source of a firm's competitive advantage is when the value it creates for its customers exceeds its cost of creation. Superior value is achieved by offering lower prices than competitors for equivalent benefits or by providing distinctive benefits that more than compensate for a higher price. Cost leadership and differentiation are the two fundamental types of competitive advantage [48]. The relative position of a company within an industry is determined by its selection of competitive advantage (cost leadership versus differentiation) and competitive scope. Competitive scope distinguishes between businesses that target broad industry segments and those that target a narrow segment. Generic strategies

are advantageous because they define strategic positions at the most basic and general level. According to Porter, in order to achieve a competitive advantage, a company must choose the nature and scope of its competitive advantage. There are different risks associated with each generic strategy, but "being everything to everyone" is a surefire recipe for mediocrity — "getting stuck in the middle."

Empirical Review

Relationship between innovative capability and profitability

Extensive research by numerous scholars has yielded diverse interpretations for evaluating the effect of innovative capability and profitability [49]. Assert that the ability to innovate is regarded as one of the most significant sources of competitive advantage among businesses, and innovation is a crucial component of a company's capabilities. The business literature is advancing toward the study of innovative and business performance. Conducted a study on the effect of human resources accounting on the profitability of consumer goods companies in Nigeria [50]. Human resources accounting was measured using employee benefit while profitability was measured using return on equity and net profit margin while age of the company as used as a control variable. Secondary data was sourced from financial statements of ten (10) consumer goods in Nigeria listed on the Nigeria stock exchange [51]. Conducted a study on innovation and Export competitiveness in Flemish firms by analysing the impact of innovation on export intensity and growth utilising cross-sectional and panel data from 733 firms. The studies concluded that the implementation of innovations, particularly product innovations, had a strong positive correlation with firms' profitability. Evaluate the association between technology innovation, environmental sustainability and its impact on small business performance. Samples of 204 small businesses and hierarchical regression models were used in the analysis. The results of the survey show that technological innovation affects environmentally friendly owners who have a positive impact on the performance of the company. Successful companies that support environmental community projects and social well-being beyond their economic responsibilities can bring greater financial success. Prior studies have indicated that innovative capabilities appear to be gaining traction in modern organisations post-pandemic, but few researchers have examined their relevance to business profitability particularly in the COVID-19 pandemic era. Consequently, this study sought to bridge the gap and hypothesized thus:

H₀₁: There is no significant relationship between innovative capabilities on business profitability of selected companies listed in Nigeria post-pandemic.

Conceptual model

The model sheds light on the relationship between innovative capability and profitability, which is the research framework. The independent and dependent variables for this research are innovative capability (X) and profitability (Y) respectively (Figure 1).

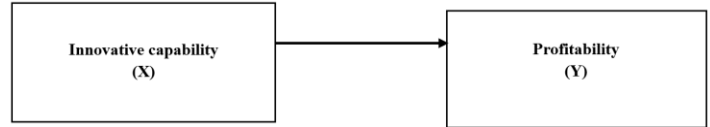


Figure 1: Author's Conceptual Model (2023).

Model specification

The model sheds light on the relationship between competitive strategies and business outcomes which is the research framework. Given, the mathematical derivative function which gives the value of the slope at any value (x-----x_n) since intuition explains that as Δx→0, then Δy→0. This can be deduced mathematically since a firm's business outcomes are a function of competitive strategies; Y=f(x₁-----x_n).

Hypothesis 1:

$$y_{1i} = \alpha_0 + \beta_{1x1} + \mu_i \dots \dots \dots \text{Regression equation (1)}$$

Methodology

The research context is the consumer goods companies listed and the study adopted the survey research design. The justification for adopting the survey is due to its usefulness in assessing the thoughts, opinions, and feelings of different groups of individuals and allowing them to give more valid and honest feedback on the area of study. This paper relied on the prior study methodology [52]. With cross-sectional have adopted this method in their respective studies and found it useful [53-62]. For the study population the regular employees, top and middle-level managers in the listed consumer goods companies on the Nigerian Stock Exchange which is now referred to as Nigeria Exchange Group (NGX) were considered. The study was contextualized to the consumer goods companies in Nigeria due to the fierceness of competition within the country, multinational operations, large population, and more because of data availability. Nigeria is also the continent's largest economy; the country's population accounts for twenty percent of Sub-Saharan Africa's overall population. For the purpose of this study, seven (7) out of the twenty (20) consumer goods companies listed on the Nigerian Stock Exchange which is now referred to as Nigeria Exchange Group were selected from the population. This is based on the capitalization criteria derived by multiplying the share price at the close of trading on the 31st of July 2023 by the number of shares in the issue and also the dividend payment trend. BUA Foods Plc, Nestle Nigeria Plc, Nigerian

Breweries, Dangote Sugar, Guinness Nig. Plc, Flourmills Nig. Plc, International Breweries, and Unilever Nig. Plc represents the seven (7) most capitalized consumer goods companies listed on the Exchange and the companies have been consistent with dividend payments. The justification for the selection was that the seven companies represent 93.08% of the sector’s total market capitalization of N4.69 trillion and that each of the companies has above N100 billion capitalization as of the cut-off date of 31st July

2023. The sampling units are the regular employees and top and middle-level managers of the selected consumer goods companies listed on the Nigerian Stock Exchange. The population comprised 22,466 staff of the market-leading consumer goods companies. The Research Advisors Table was adopted in determining the sample size, which gave 491 respondents, and proportionate sampling was used in arriving at the number of respondents per company (Table 1,2).

Table 1: Market Capitalization.

S/N	Name of company	Market Capitalization	Number of Staff
1	BUA foods Plc	₦2.44Tr	1,890
2	Nestle Nigeria Plc	₦ 793bn	2,194
3	Nigerian Brew Plc	₦375bn	2,740
4	Dangote Sugar Refinery Plc	₦ 327bn	2,253
5	Guinness Nig Plc	₦131bn	839
6	Flour Mills Nig Plc	₦116bn	11,964
7	International Brew Plc	₦116bn	586
Total Population			22,466

Source: Researcher’s computation (2023)

Table 2: Proportionate Sample Size.

Companies	No of Employees	Proportionate Sample Size	%
BUA foods Plc	1,890	42	8.4
Nestle Nigeria Plc	2,194	48	9.8
Nigerian Brew Plc	2,740	60	12.2
Dangote Sugar Refinery Plc	2,253	49	10.0
Guinness Nig Plc	839	18	3.7
Flour Mills Nig Plc	11,964	261	53.3
International Brew Plc	586	13	2.6
Total	22,466	491	99.97

Source: Researcher’s computation from annual reports (2022)

Data Analysis

Response rate is the percentage of people who responded and administered copies of the questionnaire in the survey. The researcher distributed 491 copies of the questionnaire to the respondents: From the 491 copies of the questionnaire distributed by the researcher and trained research assistants, a total of 480 copies of the questionnaire were filled and returned for analysis representing a response rate of 97.76%. The rest were either unreturned or had missing responses, the detail of the responses is shown in (Tables 3,4). A descriptive analysis of innovative capability in selected listed consumer goods companies in Nigeria. The findings revealed that 12.8% of the respondents had a Very High response that during the last five years, their organization has initiated new products in the last five years, while 51.0% High,

18.4% Moderately High, 4.5% Moderately Low, 11.9% Low, and 1.5% have Very Low that during the last five years, their organization have initiated new products. On average, the respondents agree that during the last five years, their organization has initiated new products (Mean= 4.44. Standard Deviation= 1.219). Further, 3.6% of the respondents representing 12 respondents gave a Very High response that in the last five years, their organization has embarked on new production methods in producing goods and services, 32.0% High, 39.5% Moderately High, 11.0% Moderately Low, 6.8% has Low and 7.1% has Very Low has response considering that in the last five years, their organization has embarked on new methods of producing goods and services. On average, the total response was Moderately High, and in the last five years, their organization has introduced and embarked on new methods of producing goods (Mean = 3.93,

Standard Deviation = 1.219). Also, 19.9% of the respondents gave a Very High response that during the last five years, their organizations have placed a premium on research and development business practices while 36.8% gave a High response, 19.0% Moderately High, 13.9% Moderately Low, 7.1% Low. And 3.3% gave a Very Low response that during the last five years, their

organizations have placed a premium on research and development business practices. On average, the respondents gave a Moderately High response that during the last five years, organizations have placed a premium on research and development business practices (Mean= 4.39, Standard Deviation= 1.391).

Table 3: Response Rate.

Response Rate	Frequency	Percentage
Fully filled and returned	480	97.76%
Incomplete or unreturned	11	2.24%
Total	491	100%

Source: Researcher’s computation (2023)

Table 4: Descriptive Statistics of Innovative Capability.

Statements	Very High	High	Moderately High	Moderately Low	Low	Very Low	Mean	Standard Deviation
New product initiation in the last five years	43	172	62	15	40	5	4.44	1.219
	12.80%	51.00%	18.40%	4.50%	11.90%	1.50%		
New production methods the last five years	12	108	133	37	23	24	3.93	1.219
	3.60%	32.00%	39.50%	11.00%	6.80%	7.10%		
Placing premium on research and development	67	124	64	47	24	11	4.39	1.318
	19.90%	36.80%	19.00%	13.90%	7.10%	3.30%		
Growth potentials	64	100	60	66	37	10	4.17	1.391
	19.00%	29.70%	17.80%	19.60%	11.00%	3.00%		
Grand Mean							4.23	1.287

Further, findings revealed that 19.0% of the respondents gave a Very High response that during the last five years, their company has experienced significant growth potentials, 29.7% with High response, 17.8% Moderately High, 19.6% Moderately Low, 11.0% Low and 3.0% have Very Low that during the last five years, their company has experienced significant growth potentials. On average, the respondents gave a Moderately High response, that during the last five years, their companies have experienced significant growth potentials (Mean = 4.17, Standard Deviation =

1.391). The overall aggregate mean score for this section stands at 4.23 and the standard deviation at 1.287. This implies that on average the respondents gave a Moderately High response on the factors of innovative capability that their organizations exhibit. The standard deviation is 1.287 which implies that the responses varied significantly.

Table 4 shows a descriptive analysis of firm profitability in selected listed consumer goods companies in Nigeria (Table 5). The findings revealed that 15.1% of the respondents gave a Very High

response on their organization's production capacity in the last five years, while 36.8% High, 31.2% Moderately High, 4.5% Moderately Low, 9.2% Low, and 3.3% gave Very Low response to their organization has increased its production capacity in the last three years. On average, the respondents gave Moderately High responses on their organization's production capacity in the last five years (Mean= 4.34, Standard Deviation= 1.251). Further, 5.3% of the respondents gave a Very High response when their organization's profit is compared to competitors in the last five years, 41.8% High, 29.4% Moderately High, 10.7% Moderately Low, 8.3% Low and 4.5% Very Low when their organization's profit is compared to competitors in the last five years (Table 6). On average, the respondents gave a Moderately High response when their organization's profit is compared to competitors in the last five years (Mean= 4.12, Standard Deviation= 1.209). Also, 20.2% of the respondents gave a Very High response on their organization's tendency to meet profit targets in the last five years. 37.4% High, 19.3% Moderately High, 13.1% Moderately Low, 7.70% Low, and 2.4% Very Low on their organization's tendency to meet profit targets in the last five years. On average, the respondents gave Moderately High responses on their organizations tendency to meet profit targets in the last five years (Mean = 4.42, Standard Deviation = 1.289). Further, findings revealed that 25.5% of the respondents gave a Very High response that their organizations broke even in business the last five years, 25.2% agree, 14.5% partly agree, 21.1% partially disagree, 10.4% disagree and 3.3% strongly disagree that they value long term growth potentials over short term growth potentials. On average, the respondents gave Moderately High responses on their organizations' ability to break even in business in the last five years (Mean = 4.25, Standard Deviation = 1.462). The overall aggregate mean score for this section stands at 4.28 and the standard deviation at 1.303. This implies that on average the respondents gave a Moderately High response on factors of firm profitability in their organizations. The standard deviation is 1.303 which implies that the responses varied significantly. Relating results in Table 4 together, the finding reveals that innovative capability and firm profitability have the same pattern of increase. According to the respondents, the most varied innovative capability used in selected listed consumer goods companies in Nigeria was during the last five years.

Restatement of Research Objective and Research Question

Objective: To investigate the effect of innovative capability on business profitability of selected consumer goods companies listed in Nigeria.

Research question: How does the effect of innovative capability affect business profitability of selected consumer goods companies listed in Nigeria?

Restatement of hypothesis (h₀₁): Innovative capability has no significant effect on the business profitability of selected consumer goods companies listed in Nigeria. In order to test the hypothesis, the researcher used linear regression analysis. The dependent variable is business profitability, while the independent variable is innovative capability. The results of the linear regression are presented in Table 4. In the analysis, the coefficient of determination (R square) was used as a measure of explanatory power to show how the independent variable explains the dependent variable. The F-statistics was used as a measure of the model goodness of fit. The regression coefficient was used to explain the nature of the effect of the independent variable on the dependent variable. These interpretations were used for the entire hypothesis with effect statement. The relevant regression results for hypothesis one are presented in Tables 4.

The result of the simple regression analysis conducted' as shown in Table 3 revealed that innovative capability has a significant effect on firm profitability in the selected consumer goods companies listed in Nigeria ($\beta = 0.887$, $t = 29.633$, $p < 0.01$). The t-value and the corresponding p-value were 29.633 and 0.001 which indicates that the result was statistically significant. As shown in Table 5, the correlation coefficient ($R = 0.851$) indicates a strong and positive relationship between innovative capability and firm profitability in selected listed consumer goods companies in Nigeria. The coefficient of determination was significant ($R^2 = 0.724$, $F = 878.103$, $p < 0.05$). This implies that innovative capability explained 72.4% of the variations in firm profitability of selected consumer goods companies listed in Nigeria. The other unknown variables explained the remaining 27.6. The analysis from the model had an F value of 878.103 with a p-value < 0.05 . The findings as reported above provided support for the idea of the influence of innovative capability, implying that innovative capability had a statistically significant effect on the firm profitability of selected consumer goods companies listed in Nigeria. The regression equation obtained from the output is:

$$FP = 1.816 + 0.887INC \dots \dots \dots \text{(eq.i)}$$

Where:

FP = Firm Profitability

INC= Innovative Capability

According to the regression equation established holding the innovative capability constant, the value of firm profitability was 1.816. Table 5 shows that the 'coefficient of innovative capability was 0.887. This indicates that a unit change in innovative capability would result in a 0.887 increase in the firm profitability in selected consumer goods companies listed in Nigeria. Based on a p-value of innovative capability ($\beta = 0.887$, $t = 29.633$, $p < 0.05$), it is clear that innovative capability was a significant predictor of firm

profitability in the selected consumer goods companies listed in Nigeria. Therefore, the null hypothesis one (H_{01}) which states that innovation capability has no significant effect on firm profitability

in the selected consumer goods companies listed in Nigeria, was hereby rejected.

Table 5: Descriptive Statistics of Firm Profitability.

Statements	Very High	High	Moderately High	Moderately Low	Low	Very Low	Mean	Standard Deviation
Production capacity in the last five years	51 15.1%	124 36.8%	105 31.2%	15 4.5%	31 9.2%	11 3.3%	4.34	1.251
Profit compared to competitors in the last five years	18 5.3%	141 41.8%	99 29.4%	36 10.7%	28 8.3%	15 4.5%	4.12	1.209
Tendency to meet profit target the last five years	68 20.2%	126 37.4%	65 19.3%	44 13.1%	26 7.7%	8 2.4%	4.42	1.289
Break even in business the last five years	86 25.5%	85 25.2%	49 14.5%	71 21.1%	35 10.4%	11 3.3%	4.25	1.462
Grand Mean							4.28	1.303

Source: Field Survey, 2023

Table 6: Summary of Regressive Analysis of Innovative capability and Firm profitability.

Model	Unstandardized Coefficients'		Standardized Coefficients	t	Sig.	
	B	Std." Error	Beta			
	(Constant)	1.816	0.523		3.470	0.001
	Innovative Capability	0.887	0.030	0.851	29.633	0.001
R = 0.851; R ² = 0.724; F (1, 335) = 878.103						
a. Dependent Variable: Firm profitability						

Discussion

The finding of hypothesis one revealed that innovative capability has a significant effect on firm profitability in selected consumer goods companies listed in Nigeria. Though extensive research by numerous scholars has yielded diverse interpretations for evaluating the effect of innovative capability and profitability [63]. The findings of the study revealed that the organizations have increased their production capacity and profitability in the last five years attributed to innovation capability. The findings are supported by differences in the mean scores and coefficient of variation for innovation capability and firm profitability. These findings correspond with the findings that innovation impacts firm growth in two ways, either by direct retort because a specific

innovation is introduced which may encourages the firm's motivation to regulate capacity to profit-maximizing levels or through indirect effects, which means adapting by learning and knowledge gathering which may lead to other types of innovations that can either strengthen or diminish the market reaction. The finding is congruent with assertion that productivity is higher among the innovating firms, meaning that innovating firms grow. For the product innovators group, demand is seen to drop for older products while the decrease is overtaken by increasing demand for new products. For those involved in process innovation, a little negative effect was noticed on employment. While in the service sector, there was no evidence found of displacement effects resulting from process innovation. The finding is supported by a study that demonstrated that the effect of R&D spending varies

across firms. Benefits from increased R&D expenditure are achieved only by strong growth performers, and it is subject to conditions such as access to an established external network. Predominantly, R&D is seen to matter mostly for a limited group of new high-tech and high-growth firms. Other studies support the prominent effects R&D has on firms that are in the category of high-tech sectors which are also showing strong growth [64-92].

Conclusion and Recommendation

The major findings of the study showed that innovative capability had a significant and positive effect on business profitability ($\beta = 0.887$, $t = 29.633$, $P < 0.05$). The finding of the study revealed that innovative capability has a significant effect on the profitability of consumer goods companies in Nigeria. Therefore the study recommends that products and services undergo continuous innovation, as this will secure the organizations' profitability and survival in the market environment. The findings of the study imply that management experts should emphasize competitive strategies in developing training programmes targeted at improving business outcomes. The study recommends that consumer goods companies should formulate and implement competitive strategies. More so, develop mind sets that will help the firms discover and exploit adequate competitive strategies to gain competitive advantage, thereby expanding their business. A supply chain management integration model is also necessary at the corporate strategy level so that there is a flow of information from suppliers to the consumer point of sale. This study recommends that the consumer goods industry work with universities, and other academic and research institutions for research on problems facing them so that the best solutions can be derived for strategic management. Existing and prospective businesses and organizations should consider the outcomes of this study by understanding and embracing the conclusions of this study. Consumer goods companies can grow their firms by employing competitive strategies to increase business outcomes and increase sales.

Limitations and Future Directions

The study focused on only consumer goods companies listed on the Nigerian Stock Exchange and this is a limitation, a focus on different industry segments within the listed companies might yield further insights. It is recognized that the findings and implications of this paper are situated within Nigeria, and primarily consumer goods companies were the focus, which may limit the generalizability of the findings. Therefore, the cross-sectional nature of the paper prevents the author from making strong claims of causality. The study could be expanded with similar studies conducted across large businesses or publicly traded companies in Nigeria or other countries. The sample size can be raised by

considering more respondents with innovative data-gathering techniques to achieve more generalizability and trustworthiness. Nonetheless, the limitations of this research, can be recognized as research gaps for future studies, and further replicated studies across different samples, regions, and countries are recommended.

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Author's contribution

The author proposed the research topic, model, and approach, and independently authored the paper

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Declaration of Competing Interest

There are no conflicting interests, according to the author. The author further declares that he has no known competing financial interests or personal relationships that might have influenced the work disclosed in this study.

Author's Biography

Dr. T.O. Olubiyi is a well-known author, researcher, and business expert. Dr. Timi Olubiyi, as he is affectionately known, is a seasoned professional of repute. He has relevant expertise in the Nigerian financial industry, and academia, including public service. His background includes stockbroking, fund management, consulting, and education. An affiliate of the Department of Business Administration and Marketing Babcock University Nigeria, an affiliate of Babcock Centre for Executive Development Ogun State, Nigeria, and facilitator and project supervisor at the Department of Business Administration National Open University of Nigeria. Dr. Timi Olubiyi has supervised the academic thesis of over thirty (30) Master's Degree (M.Sc., MBA) students, including Postgraduate Diploma and B.Sc. students. He has presented at many international conferences and published several papers and opinions in high-impact academic journals and several renowned newspapers worldwide, in his diverse area of research interests which cover small business, entrepreneurship, innovation, knowledge management, enterprise continuity, succession, strategy, policy and leadership. An academic and peer reviewer and member of the editorial board of many high-impact journals including Scopus and DOAJ-indexed.

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