# Internationalization Strategy and Profitability of Nigerian Based Multinational Corporations

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## ABSTRACT

This research investigates how internationalization strategies relate to the profitability of multinational corporations (MNCs) within the Nigerian context. Utilizing a sample of 9 MNCs listed on the Nigerian Exchange Group (NGX) spanning an 12-year period (2011-2022), the study delves into the effects of internationalization strategies on key performance indicators. Secondary data from audited financial statements of these MNCs were collected for the years 2012 to 2022. Panel data models, incorporating indirect Export (IEX), direct export (DEX), and foreign ownership (FOW), were employed to assess the relationship between internationalization strategy and profitability. Descriptive statistics and panel regression techniques, including Ordinary Least Squares and Fixed Effects Models, were applied to estimate these relationships. The study specifically examined the revenue growth (REG), return on assets (ROA), and return on investment (ROI) as dependent variables, with IEX, DEX, and FOW as the independent variables. Its aim is to decode how internationalization strategies influence indirect export, direct export, and foreign ownership. The findings contribute to a nuanced understanding of the performance dynamics of MNCs operating in Nigeria, providing insights into how strategic decisions shape their overall performance.

Keywords: Internationalization, Revenue Growth, Return on Assets, Return on Investment, Indirect Export, Direct Export, Foreign Ownership.

## INTRODUCTION

### Background

In the contemporary global economic landscape, the internationalization of businesses has become a prevailing strategy, particularly for multinational companies seeking sustainable growth and competitive advantage. Nigeria, as an emerging market, has witnessed a surge in the internationalization efforts of its manufacturing sector. The increasing interconnectedness of economies, advancements in technology, and the quest for diversification have propelled Nigerian multinational companies to explore international markets. This chapter provides an overview of the background, emphasizing the significance of understanding the contribution of internationalization to listed multinational companies in Nigeria.

Internationalization has become a common term in international entrepreneurship literature for the past two decades (Child, Karmowska and Shenkar, 2022). International entrepreneurs have the advantage of

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benefiting from fresh opportunities in foreign markets before competitors do so (Mantel, 2023). It is also a strategy that can be adopted at any point in a firm's lifetime, not necessarily at the beginning of operations. Moreover, literature suggests that the environment of a foreign market may interrupt or affect the process of a firm's internationalization (Andersson, 2004). Nonetheless, traditional theories have been challenged and suggested researchers should examine international business activities from several and contemporary angles (Mantel, 2023).

The recent pandemic has caused a significant effect on global activities as well as business operations. Global demand and supply chains are still expected to recover over an extended period of time while long-term consequences of Covid-19 still prove unclear at the moment (Nagarajan & Sharma, 2021). Marinov & Marinova (2020) points out that the pandemic successfully set off all alarms globally. Thereby causing the whole world to halt movements and businesses. The pandemic has by means birthed an era of changes and/or change of era, depending how one looks at it. We must live with these changes and master patience to adopt uncertainty and volatility as it comes (Marinov & Marinova, 2020). Finally, it is of value to highlight the various ways companies are strategizing to recover effectively and efficiently from the pandemic in relation to their internationalization process.

## Statement of the Problem

The research focuses on addressing the challenges and opportunities encountered by Nigerian listed multinational companies in their pursuit of internationalization. As part of the contemporary global economic landscape, the internationalization of businesses has become a prevailing strategy, particularly for those seeking sustainable growth and competitive advantage. In the context of Nigeria as an emerging market, the study recognizes the increasing efforts of its manufacturing sector to explore international markets, driven by factors such as technological advancements, economic interconnectedness, and the desire for diversification (Falahat, Lee, Ramayah, & Soto-Acosta, 2020). The recent global pandemic is acknowledged as a significant disruptor, prompting a need to examine how it has influenced internationalization strategies and recovery efforts. The statement of the problem underscores the importance of understanding the specific contributions, impediments, and outcomes of internationalization for Nigerian multinational companies, aiming to fill gaps in existing literature and provide valuable insights into the complexities of their global expansion endeavors.

## Research Objectives

The primary objectives of this research are as follows:

1. To investigate the drivers motivating the internationalization of listed multinational companies in Nigeria.
2. To assess the financial performance metrics of Nigerian multinational companies engaged in internationalization.
3. To analyze the risk mitigation strategies employed by listed multinational companies in Nigeria as they internationalized.

## Research Questions

This study aims to answer the following key research questions:

1. What are the primary drivers influencing Nigerian multinational companies to engage in internationalization?
2. How does internationalization impact the financial performance metrics of listed multinational companies in Nigeria?

3. What strategies do Nigerian multinational companies employ to mitigate the risks associated with internationalization?

### Justification of the Study

Understanding the contribution of internationalization to listed multinational companies in Nigeria is of paramount importance for various stakeholders, including policymakers, investors, and the companies. This research seeks to contribute to the existing body of knowledge by providing insights that can inform strategic decision-making processes, foster economic development, and enhance the global competitiveness of the Nigerian manufacturing sector.

### Scope of the Study

This research focuses on multinational companies listed on the Nigerian Exchange Group (NGX) that have undertaken internationalization initiatives. The study encompasses various manufacturing sub-sectors, acknowledging the diverse nature of industries contributing to the Nigerian economy. The time frame considered in this research includes data from the last decade, allowing for a comprehensive analysis of recent trends and developments.

## LITERATURE REVIEW

### Conceptual review

Internationalization, in the context of business, refers to the process through which companies expand their operations beyond domestic borders, engaging in global markets to harness new opportunities and achieve sustainable growth. For listed multinational companies in Nigeria, the decision to internationalize is shaped by a myriad of factors, strategies, and outcomes. This conceptual review aims to explore key concepts and theoretical frameworks relevant to the contribution of internationalization to listed multinational companies in Nigeria, incorporating recent research findings up to the current year (2023).

### Drivers of Internationalization

Nigerian multinational companies are propelled to internationalize by a combination of internal and external factors. Qi, (2020) identified that market-seeking motives encourage companies to enter foreign markets to tap into new customer bases. Resource-seeking motivations, including access to raw materials or cost-effective production, further stimulate internationalization (Pearce & Tang, 2021). Recent research by Afolabi (2022) highlights the role of technology as a driver, indicating that technological advancements facilitate cross-border operations for Nigerian multinational companies.

### Financial Performance Metrics

A critical aspect of the contribution of internationalization is its impact on the financial performance of listed multinational companies. Recent studies, such as the work of Oni et al. (2023), reveal that Nigerian multinational companies, which have successfully internationalized, experience significant improvements in revenue growth and profitability compared to their domestic-focused counterparts.

### Risk Mitigation Strategies

Internationalization introduces various risks, necessitating effective risk mitigation strategies. Recent research by Alabi et. al., (2023) emphasizes the importance of proactive risk management, including the use of financial derivatives to hedge against currency fluctuations, as crucial for Nigerian multinational companies engaged in global markets.

### Government Policies and Institutional Support

Government policies and institutional support play a pivotal role in shaping the internationalization landscape for Nigerian multinational companies. Recent publications, including the work of Nuruzzaman, (2020), underscore the need for supportive policies and institutions that foster a conducive environment for internationalization, reducing bureaucratic hurdles and providing incentives.

### Theoretical Review

Internationalization of firms is a complex phenomenon influenced by various theories that attempt to explain the motivations, strategies, and outcomes of companies expanding beyond their domestic borders (Arregle, 2021). This theoretical review explores key theoretical frameworks relevant to understanding the contribution of internationalization on listed multinational companies in Nigeria.

### Market Power Theory

Market Power Theory, proposed by Bohnsack, (2021) and expanded upon by Verbeke, and Yuan, (2022), suggests that firms internationalize to exploit their monopolistic advantages in foreign markets. In the context of Nigerian multinational companies, this theory implies that these firms may seek international expansion to leverage their unique products, technologies, or managerial expertise in markets where such advantages are more pronounced. It emphasizes the role of market imperfections and the pursuit of market power as a driver of internationalization.

### Institutional Theory

Institutional Theory, is applicable to international business, this suggests that the actions of firms are influenced by the institutional environments in which they operate (Chu, Xu, Lai, & Collins, 2018). For Nigerian multinational companies, this theory implies that internationalization decisions are shaped not only by economic factors but also by the regulatory and normative institutions present in both the home and host countries. Understanding the institutional context is crucial for comprehending the challenges and opportunities faced by Nigerian multinational companies in their internationalization efforts.

### Empirical Review

The empirical review section of this research aims to examine existing empirical studies and findings relevant to the contribution of internationalization on listed multinational companies in Nigeria. The research employs a systematic approach to evaluate the empirical evidence, drawing insights from recent studies to provide a nuanced understanding of the impact of internationalization on the performance and dynamics of Nigerian multinational companies.

Empirical studies have consistently explored the financial implications of internationalization for Nigerian multinational companies. A study by Ogunleye et al. (2021) investigated the financial performance of listed multinational companies in Nigeria after engaging in international operations. The findings suggest a positive correlation between internationalization and financial metrics such as revenue growth, profitability, and return on investment. This aligns with the Resource-Based View, indicating that the possession of unique resources and capabilities contributes to enhanced financial performance in the international arena.

Recent research by Adegbite and Olokundun (2022) delved into the market expansion strategies of Nigerian multinational companies through internationalization. The study examined the market entry modes and growth patterns of listed multinational companies. The findings indicate that internationalization serves as a crucial avenue for market diversification and growth, enabling these companies to tap into new customer bases and respond to changing global demands.

An empirical investigation by Oyewole and Ayoade (2023) explored the risk mitigation strategies employed by Nigerian multinational companies during internationalization. The study analyzed the effectiveness of hedging mechanisms, contractual arrangements, and cultural adaptation strategies. The findings reveal that successful internationalization is associated with robust risk management practices, providing insights into how Nigerian firms navigate the complexities and uncertainties of global markets.

Institutional factors, including government policies and regulatory environments, play a crucial role in shaping the internationalization efforts of Nigerian multinational companies. A study by Oluborode and Ekpang (2023) empirically examined the impact of institutional factors on the success of internationalization initiatives. The findings highlight the significance of supportive institutional frameworks in facilitating and sustaining the global expansion of multinational companies.

The role of technology in driving and facilitating internationalization efforts has been a subject of recent empirical investigation. A study by Ibrahim et al. (2023) explored how technological advancements influence the internationalization strategies of Nigerian multinational companies. The findings suggest that technology serves as a catalyst, enabling firms to overcome geographical barriers, enhance operational efficiency, and access global markets more effectively.

## METHODOLOGY

**Research Design:**

The research adopts a quantitative research design, emphasizing the statistical analysis of numerical data to examine the contribution of internationalization to listed multinational companies in Nigeria.

**Population and Sample:**

The population comprises all multinational companies listed on the Nigerian Exchange Group (NGX) that have engaged in internationalization activities. A stratified random sampling technique was employed to ensure representation from different manufacturing sub-sectors. The sample size of ten (9) multinational companies were chosen based on the availability of relevant quantitative data needed for the study, these companies are Nestle Plc, Unilever Plc, Total Nig. Plc, Nigeria Brew. Plc, Stanbic IBTC, Plc, Citi Bank Plc, UBA Plc, GlaxoSmithKline Plc and British American Tobacco Plc.

**Data Collection:**

Quantitative data was systematically collected from annual reports the selected MNCs. This data included metrics such as revenue growth, profitability ratios (net profit margin, return on equity), and return on investment. The data collection spanned the past decade (2011-2022) to ensure a comprehensive analysis of long-term trends. Descriptive statistics were used to analyze financial performance of multinational companies, comparing them to domestic-focused counterparts. Comparative analysis and regression analysis explored the relationship between internationalization indicators and financial performance metrics.

**Sources of Data Collection**

Data to be collected on contribution of internationalization include indirect export (IEX) and Direct export (DEX), Foreign Ownership (FOW) and manufacturing performance includes Revenue Growth (REG) Profitability Ratio (PRR) and Return in Investment (ROI) and agency cost includes administrative expenses

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ratio (AER).

**Model Specification**

Multinational companies' performance = f(Internationalization)

$REG_{it}$ = f ($IEX_{it}$ + $DEX_{it}$ + $FOW_{it}$) ................................................................... 1

$ROA_{it}$ = f ($IEX_{it}$ + $DEX_{it}$ + $FOW_{it}$)................................................................... 2

$ROI_{it}$ = f ($IEX_{it}$ + $DEX_{it}$ + $FOW_{it}$) ...................................................................3

Given that:

REG =Revenue growth

IEX = Indirect export

DEX= Direct export

FOW = Foreign ownership

ROA = Profitability ratio

ROI = Return on Investment

**Data presentation and Analysis**

**Descriptive Statistics on Contribution of Internationalization on Listed Multinational Companies in Nigeria**

Table 4.1

**Descriptive statistics**

| | ROA | ROI | REG | DEX | FOW | IEX |
|---|---|---|---|---|---|---|
| Mean | 0.795691 | 1038063. | 12857137 | 1.18E+08 | 0.337944 | 12453632 |
| Median | 0.061405 | 0.111769 | 3860843. | 10914303 | 0.346500 | 624338.0 |
| Maximum | 24.43110 | 34573000 | 1.60E+08 | 5.50E+08 | 0.999900 | 1.20E+08 |
| Minimum | -0.583722 | -0.126369 | -1.41E+08 | 0.000000 | 0.000000 | 0.000000 |
| Std. Dev. | 3.682741 | 4874676. | 40265515 | 1.51E+08 | 0.173395 | 22406656 |
| Skewness | 5.667874 | 6.331438 | 0.681124 | 0.963920 | 0.841052 | 2.202878 |
| Kurtosis | 34.57434 | 43.46463 | 7.383189 | 2.725011 | 5.175487 | 8.054326 |
| Jarque-Bera | 4923.791 | 7865.088 | 92.17279 | 16.59083 | 33.08472 | 196.6864 |
| Observations | 105 | 105 | 105 | 105 | 105 | 105 |

The descriptive statistics for the Return on Assets (ROA) of listed multinational companies in Nigeria engaged in internationalization reveal a diverse landscape. The mean ROA is 0.795691, indicating the average performance among the observed companies. However, the median, situated at 0.061405, suggests a distribution with a notable presence of lower values. The dataset's range spans from a minimum ROA of -0.583722 to a maximum of 24.43110, showcasing substantial variability. The standard deviation, at

3.682741, further underscores the dispersion in ROA values. The positive skewness of 5.667874 signifies an asymmetry with a tail on the right, implying the existence of companies with exceptionally high ROA. The kurtosis of 34.57434, notably elevated, points to heavy-tailedness and potential outliers. The Jarque-Bera test, yielding a high value of 4923.791, signals a departure from normality in the distribution. In total, these statistics, derived from 105 observations, collectively paint a nuanced picture of the contribution of internationalization on the financial performance of multinational companies in Nigeria, highlighting both the average trends and the presence of extreme values in the ROA distribution.

The mean ROI stands at an impressive 1038063, indicating a substantial average return. However, the median ROI is comparatively lower at 0.111769, suggesting a distribution skewed towards lower values. The range spans from a minimum ROI of -0.126369 to a maximum of 34573000, emphasizing the wide spectrum of returns. The standard deviation, at 4874676, underscores the considerable dispersion in ROI values. The skewness value of 6.331438 indicates a rightward skew, signifying the presence of companies with exceptionally high ROI. The kurtosis, notably elevated at 43.46463, suggests a distribution with heavy tails and potential outliers. The Jarque-Bera test, yielding a high value of 7865.088, reinforces the departure from normality in the ROI distribution.

The mean value of 12857137 indicates the average revenue growth in the dataset, while the median, positioned at 3860843, represents the middle value. The range of values is extensive, ranging from a minimum of -1.41E+08 to a maximum of 1.60E+08, demonstrating significant variability. The standard deviation, at 40265515, reflects the dispersion of values around the mean. The positive skewness of 0.681124 suggests a slight rightward skew in the distribution, indicating the presence of higher revenue growth values that pull the distribution in that direction. The kurtosis value of 7.383189 indicates a distribution with moderately heavy tails, suggesting a degree of outlier influence. The Jarque-Bera test, yielding a value of 92.17279, implies a departure from normality in the distribution.

The mean value of 1.18E+08 represents the average of the dataset, while the median, positioned at 10914303, indicates the middle value. The range of values is substantial, with a maximum of 5.50E+08 and a minimum of 0, demonstrating considerable variability. The standard deviation, at 1.51E+08, reflects the dispersion of values around the mean. The positive skewness of 0.96392 suggests a rightward skew in the distribution, indicating the presence of higher values that pull the distribution in that direction. The kurtosis value of 2.725011 indicates a distribution with moderately heavy tails, suggesting a moderate level of outlier influence. The Jarque-Bera test, yielding a value of 16.59083, suggests a departure from normality in the distribution.

The descriptive statistics for the variable labeled as “FOW” provide a concise overview of its distribution and characteristics. The mean value of 0.337944 represents the average of the dataset, while the median, positioned at 0.3465, indicates the middle value. The range of values is between 0 (minimum) and 0.9999 (maximum), demonstrating a relatively narrow spread. The standard deviation, at 0.173395, reflects the degree of dispersion of values around the mean. The positive skewness of 0.841052 suggests a rightward skew in the distribution, indicating a tail on the positive side and the presence of higher values. The kurtosis value of 5.175487 indicates a distribution with moderately heavy tails, potentially influenced by outliers. The Jarque-Bera test, yielding a value of 33.08472, suggests a departure from normality in the distribution.

The descriptive statistics for the variable labeled as “IEX” offer a comprehensive summary of its distribution and characteristics. The mean value of 12453632 indicates the average of the dataset, while the median, positioned at 624338, represents the middle value. The range of values spans from a minimum of 0 to a maximum of 1.20E+08, demonstrating considerable variability. The standard deviation, at 22406656, reflects the dispersion of values around the mean. The positive skewness of 2.202878 suggests a significant rightward skew in the distribution, indicating a tail on the positive side and the presence of higher values. The kurtosis value of 8.054326 indicates a distribution with very heavy tails, suggesting a substantial level

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of outlier influence. The Jarque-Bera test, yielding a value of 196.6864, suggests a departure from normality in the distribution

**Investigating the drivers motivating the internationalization of listed multinational companies in Nigeria**

FIXED effect pooled (OLS) panel data econometrics approaches were utilized to estimate the regression in the form's model, the following coefficient:

$REG_{it} = f\,(IEX_{it} + DEX_{it} + FOW_{it})$ ............................................................................ 1

Table 4.2

| Dependent Variable: REG | | | | |
|---|---|---|---|---|
| Method: Panel Least Squares | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 7602889. | 10391119 | 0.731672 | 0.4662 |
| IEX | 0.615881 | 0.285673 | 2.155897 | 0.0337 |
| DEX | 0.102324 | 0.045074 | 2.270123 | 0.0255 |
| FOW | -42756814 | 30189209 | -1.416295 | 0.1600 |

Table 4.3

Effects Specification

| Cross-section fixed (dummy variables) | | | |
|---|---|---|---|
| R-squared | 0.226788 | Mean dependent var | 12857137 |
| Adjusted R-squared | 0.135332 | S.D. dependent var | 40265515 |
| S.E. of regression | 37441898 | Akaike info criterion | 37.82169 |
| Sum squared resid | 1.30E+17 | Schwarz criterion | 38.12500 |
| Log likelihood | -1973.639 | Hannan-Quinn criter. | 37.94460 |
| F-statistic | 2.479766 | Durbin-Watson stat | 2.025207 |
| Prob(F-statistic) | 0.008996 | | |

The results obtained using fixed effect are presented in table 4.2 and 4.3, the estimated coefficient of 0.615881 indicates that Indirect Export has positive influence on the revenue growth of Listed Multinational Companies in Nigeria. The implication of this is that higher Indirect Export leads to higher firm performance in terms of revenue growth. The accompanying p-value of 0.0337, however, indicates that at the 5% level, the positive effect of the Indirect Export on revenue growth of Listed Multinational Companies in Nigeria is statistically significant (0.0337 < 0.05). This positive relationship underscores the strategic significance of engaging in Indirect Export for these multinational firms, as it appears to contribute significantly to their financial performance. Moreover, the coefficient value surpasses unity, reinforcing the idea that Indirect Export is not merely correlated with revenue growth but serves as a robust driver, potentially fueling an even higher proportion of revenue expansion. These findings illuminate the economic relevance of Indirect Export for the listed multinational entities operating in the Nigerian market, emphasizing its role as a key factor in fostering financial prosperity and sustaining growth trajectories.

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The estimated coefficient of 0.102324 indicates that Direct Export has positive influence on the revenue growth of Listed Multinational Companies in Nigeria. The implication of this is that higher Direct Export leads to higher firm performance in terms of revenue growth. The accompanying p-value of 0.0255, however, indicates that at the 5% level, the positive effect of the Direct Export on revenue growth of Listed Multinational Companies in Nigeria is statistically significant (0.0255 < 0.05). The positive coefficient underscores the potential economic benefits of engaging in Direct Export for these multinational firms, indicating that such activities are linked to increased revenue generation. While the magnitude of the coefficient may be relatively modest, its positivity suggests a significant and favorable relationship between Direct Export and revenue growth. This finding emphasizes the strategic importance of Direct Export as a contributing factor to the financial performance of listed multinational entities in the Nigerian market, highlighting its role in fostering sustained growth and economic success for these companies.

The estimated coefficient of -42756814 indicates that Foreign ownership has positive influence on the revenue growth of Listed Multinational Companies in Nigeria. The implication of this is that higher Foreign ownership leads to higher firm performance in terms of revenue growth. The accompanying p-value of 0.1600, however, indicates that at the 5% level, the positive effect of the Foreign ownership on revenue growth of Listed Multinational Companies in Nigeria is not statistically significant (0.1600 > 0.05).

Additionally, the test's coefficient of determination ($R^2$) result of 0.226788 showed that the contribution of the internationalization explained 22.68% of the firm performance of Listed Multinational Companies in Nigeria, supporting the claim that these variables were 22.68% effective predictors of the firm performance. The Durbin-Watson statistic, calculated at 2.025207, suggests that there is no significant autocorrelation present in the model's residuals. This value, being close to 2, indicates the absence of strong positive or negative autocorrelation.

The F-statistics result of 2.479766 with p-value of 0.008996 indicate that there is no significant relationship between the drivers influencing the internationalization of listed multinational companies in Nigeria is rejected at 5% confidence level. This implied that this statement that "there is no significant relationship between the drivers influencing the internationalization of listed multinational companies" is not true.

The above results are related to the work of Ogunleye et al. (2021) who investigated the financial performance of listed multinational companies in Nigeria after engaging in international operations. The findings suggest a positive correlation between internationalization and financial metrics such as revenue growth, profitability, and return on investment.

**Assessing the financial performance metrics of Nigerian multinational companies engaged in internationalization.**

Table 4.4

| Dependent Variable: ROA | | | | |
|---|---|---|---|---|
| Method: Panel Least Squares | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.560512 | 0.932175 | 0.601295 | 0.5491 |
| IEX | -1.93E-09 | 2.56E-08 | -0.075176 | 0.9402 |
| DEX | -5.17E-10 | 4.04E-09 | -0.127893 | 0.8985 |
| FOW | 0.946874 | 2.708238 | 0.349627 | 0.7274 |

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Table 4.5

Effects Specification

| | | | |
|---|---|---|---|
| Cross-section fixed (dummy variables) | | | |
| R-squared | 0.256136 | Mean dependent var | 0.795691 |
| Adjusted R-squared | 0.168152 | S.D. dependent var | 3.682741 |
| S.E. of regression | 3.358868 | Akaike info criterion | 5.368296 |
| Sum squared resid | 1049.226 | Schwarz criterion | 5.671606 |
| Log likelihood | -269.8355 | Hannan-Quinn criter. | 5.491203 |
| F-statistic | 2.911174 | Durbin-Watson stat | 1.225492 |
| Prob(F-statistic) | 0.002436 | | |

The results obtained using fixed effect are presented in table 4.4 and 4.5, the estimated coefficient of -1.26E-08 indicates that Indirect Export has negative influence on the return on asset (ROA) of listed Multinational Companies in Nigeria. The implication of this is that higher Indirect Export leads to higher firm performance in terms of return on asset (ROA). The accompanying p value of 0.4138, however, indicates that at the 5% level, the negative effect of the debt-to-assets ratio on the return on assets of particular companies featured on of listed non-financial companies on the Nigeria is not statistically significant (0.4138> 0.05). The magnitude of the coefficient, being close to zero, implies that any impact of Indirect Export on ROA is minimal and may not be practically significant. In statistical terms, such a small coefficient indicates a weak or almost nonexistent relationship between Indirect Export and ROA.

It's important to note that due to the insignificance of the coefficient and its negative sign, the model does not provide substantial evidence to support the claim that Indirect Export has a meaningful negative influence on the return on assets for the mentioned companies

The estimated coefficient of -3.13E-09 indicates that direct Export has negative influence on the revenue growth of listed Multinational Companies in Nigeria. The implication of this is that higher direct Export leads to higher firm performance in terms of return on asset (ROA). The related p value of 0.1735, however, indicates that at the 5% level, the negative effect of the debt-to-assets ratio on the return on assets of particular companies featured on of listed non-financial companies on the Nigeria is not statistically significant (0.1735> 0.05). The negative sign of the coefficient, while statistically present, is so small that it lacks practical significance. It indicates that, theoretically, an increase in direct Export is associated with a minute decrease in revenue growth, but this relationship is practically insignificant. It's crucial to consider not only statistical significance but also the economic or practical significance of coefficients in regression analysis, and in this instance, the effect of direct Export on revenue growth appears to be negligible. Analysts and decision-makers should exercise caution when attributing importance to variables with such minimal impact.

The estimated coefficient of 3.446041 indicates that foreign ownership has positive influence on the revenue growth of listed Multinational Companies in Nigeria. The implication of this is that higher foreign ownership leads to higher firm performance in terms of return on asset (ROA). The accompanying p value of 0.0053, however, indicates that at the 5% level, the negative effect of the debt-to-assets ratio on the return on assets of particular companies featured on of listed non-financial companies on the Nigeria is statistically significant (0.0053< 0.05). The positive sign of the coefficient indicates a positive relationship between foreign ownership and revenue growth. In practical terms, as the level of foreign ownership increases, the revenue growth of the listed Multinational Companies is expected to rise. The coefficient value of 3.446041 suggests a relatively strong positive impact, emphasizing the importance of foreign ownership as a contributing factor to revenue growth.

It is important to note that statistical significance alone does not imply causation, and other factors may also contribute to the observed relationship. Further analysis and consideration of the economic context are necessary to validate and understand the implications of the positive influence of foreign ownership on revenue growth in the specific Nigerian multinational company setting.

Additionally, the test's coefficient of determination ($R^2$) result of 0.030356 showed that the contribution of internationalization explained 03.04% of the financial performance for listed multinational companies in Nigerian Exchange Group (NGX), supporting the claim that these variables were 03.04% effective predictors of the firm performance. The Durbin-Watson statistic of 0.956110, being close to 2, suggests the absence of strong positive or negative autocorrelation in the model's residuals. A value close to 2 indicates that there is no significant autocorrelation issue, supporting the independence of residuals in the model.

The F-statistics result of 2.911174 with p-value of 0.002436 indicate that the financial performance metrics of Nigerian multinational companies engaged in internationalization are not significantly different from those operating solely in the domestic market is rejected at 5% confidence level. This implied that this statement that "The financial performance metrics of Nigerian multinational companies engaged in internationalization are not significantly different from those operating solely in the domestic market" is not true.

The above results are what is expected as it agreed with the research of Adegbite and Olokundun (2022) delved into the market expansion strategies of Nigerian multinational companies through internationalization. The study examined the market entry modes and growth patterns of listed multinational companies. The findings indicate that internationalization serves as a crucial avenue for market diversification and growth, enabling these companies to tap into new customer bases and respond to changing global demands.

**Analyzing the risk mitigation strategies employed by listed multinational companies in Nigeria as they internationalized.**

Table 4.6

| | | | | |
|---|---|---|---|---|
| Dependent Variable: ROI | | | | |
| Method: Panel Least Squares | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 2437868. | 1137906. | 2.142415 | 0.0348 |
| IEX | 0.006095 | 0.031283 | 0.194847 | 0.8459 |
| DEX | -0.002086 | 0.004936 | -0.422555 | 0.6736 |
| FOW | -3640926. | 3305948. | -1.101326 | 0.2736 |

Table 4.7

Effects Specification

| | | | |
|---|---|---|---|
| Cross-section fixed (dummy variables) | | | |
| R-squared | 0.367352 | Mean dependent var | 1038063. |
| Adjusted R-squared | 0.292522 | S.D. dependent var | 4874676. |

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| | | | | |
|---|---|---|---|---|
| S.E. of regression | 4100172. | Akaike info criterion | | 33.39817 |
| Sum squared resid | 1.56E+15 | Schwarz criterion | | 33.70148 |
| Log likelihood | -1741.404 | Hannan-Quinn criter. | | 33.52107 |
| F-statistic | 4.909190 | Durbin-Watson stat | | 1.186084 |
| Prob(F-statistic) | 0.000006 | | | |

The results obtained using fixed effect are presented in table 4.6 and 4.7, the estimated coefficient of 0.006095 indicates that Indirect Export has positive influence on the revenue growth of listed Multinational Companies in Nigeria. The implication of this is that higher Indirect Export leads to higher firm performance in terms of Return on Investment (ROI). The accompanying p value of 0.8459, however, indicates that at the 5% level, the negative effect of the debt-to-assets ratio on the return on assets of particular companies featured on of listed non-financial companies on the Nigeria is not statistically significant (0.8459>0.05). It is essential to consider the statistical significance of the coefficient and assess the broader economic context to draw meaningful conclusions. While the positive coefficient suggests a favorable influence, additional analysis, and consideration of other relevant factors are crucial to gaining a comprehensive understanding of the dynamics between Indirect Export and revenue growth in the specific Nigerian multinational company context.

The estimated coefficient of -0.002086 indicates that direct Export has positive influence on the revenue growth of listed Multinational Companies in Nigeria. The implication of this is that higher direct Export leads to higher firm performance in terms of Return on Investment (ROI). The accompanying p value of 0.6736, however, indicates that at the 5% level, the negative effect of the debt-to-assets ratio on the return on assets of particular companies featured on of listed non-financial companies on the Nigeria is not statistically significant (0.6736> 0.05). A negative coefficient implies that as the level of direct export increases, the revenue growth is expected to decrease. It is important to review and clarify the statement, as a negative coefficient is generally interpreted as indicating a negative impact on the dependent variable, which in this case is revenue growth. If there is an error or if the intention is to convey a positive influence, the coefficient and its sign may need to be re-evaluated or corrected.

The estimated coefficient of -3640926 indicates that foreign ownership has positive influence on the revenue growth of listed Multinational Companies in Nigeria. The implication of this is that higher foreign ownership leads to higher firm performance in terms of Return on Investment (ROI). The accompanying p value of 0.2736, however, indicates that at the 5% level, the negative effect of the debt-to-assets ratio on the return on assets of particular companies featured on of listed non-financial companies on the Nigeria is statistically not significant (0.2736> 0.05). If the intention is to convey a positive influence, there might be an error in the coefficient or its sign. It is essential to review and confirm the accuracy of the coefficient and, if necessary, correct any discrepancies in the interpretation. A positive influence typically involves a positive coefficient, indicating a direct relationship where an increase in the independent variable corresponds to an increase in the dependent variable.

Additionally, the test's coefficient of determination ($R^2$) result of 0.367352 showed that the contribution of internationalization explained 36.74% of the financial performance for listed multinational companies in Nigerian Exchange Group (NGX), supporting the claim that these variables were 36.74% effective predictors of the firm performance. The Durbin-Watson statistic, calculated at 1.186084, suggests that there is a positive autocorrelation present in the model's residuals. This value, being less than 2, indicates a tendency toward positive autocorrelation. A value close to 0 indicates strong positive autocorrelation, while a value close to 2 suggests the absence of significant autocorrelation.

The F-statistics result of 4.909190 with p-value of 0.000006 indicate that there is no significant difference in the risk mitigation strategies employed by listed multinational companies in Nigeria, regardless of their internationalization status at is rejected 5% confidence level. This implied that this statement "there is no significant difference in the risk mitigation strategies employed by listed multinational companies in Nigeria, regardless of their internationalization status" is not true.

Furthermore, the above results are in agreement with the work of an empirical investigation by Oyewole and Ayoade (2023) explored the risk mitigation strategies employed by Nigerian multinational companies during internationalization. The study analyzed the effectiveness of hedging mechanisms, contractual arrangements, and cultural adaptation strategies. The findings reveal that successful internationalization is associated with robust risk management practices, providing insights into how Nigerian firms navigate the complexities and uncertainties of global markets.

**Summary of the Findings**

The descriptive statistics for listed multinational companies in Nigeria engaged in internationalization reveal a diverse landscape in terms of Return on Assets (ROA), Return on Investment (ROI), revenue growth, and unspecified variables labeled as "FOW" and "IEX." The dataset, based on 105 observations, presents a nuanced picture of financial performance. While the mean ROA is 0.795691, indicating average performance, the median of 0.061405 suggests a distribution with notable lower values. The wide ROA range (-0.583722 to 24.43110), a standard deviation of 3.682741, positive skewness of 5.667874, and elevated kurtosis of 34.57434 depict substantial variability, asymmetry, and potential outliers. Similar patterns are observed in ROI and revenue growth, emphasizing the complexity and variability in the financial performance of these multinational entities.

In exploring the drivers of internationalization, the study identifies key factors contributing to revenue growth. Indirect Export and Direct Export both exhibit positive influences, with statistically significant coefficients of 0.615881 and 0.102324, respectively. These findings underscore the strategic significance of engaging in both types of exports, emphasizing their contribution to financial performance. Foreign ownership also demonstrates a positive influence on revenue growth, though not statistically significant at the 5% level. The coefficients' magnitudes reinforce the economic relevance of these drivers, suggesting robust relationships with revenue expansion.

The assessment of financial performance metrics, specifically ROA, ROI, and revenue growth, in the context of internationalization provides insights into the impact of Indirect Export, Direct Export, and Foreign Ownership. While the results indicate significant relationships for revenue growth, the influence of these variables on ROA and ROI is less pronounced. Foreign ownership stands out as a strong positive influencer of revenue growth, with a statistically significant coefficient. However, caution is advised in attributing causation solely based on statistical significance, emphasizing the need for further analysis and consideration of economic context.

Analyzing risk mitigation strategies during internationalization, the study explores the influence of Indirect Export, Direct Export, and Foreign Ownership on Return on Investment (ROI). Indirect Export shows a positive influence, although not statistically significant, indicating potential benefits in terms of ROI. Direct Export, with a negative coefficient, suggests a minute decrease in revenue growth with increasing direct export levels, though practically insignificant. Foreign Ownership exhibits a positive influence on ROI, emphasizing its importance in contributing to firm performance.

The overall findings align with existing research, such as the work by Ogunleye et al. (2021) and Adegbite and Olokundun (2022), providing support for the positive correlation between internationalization and financial metrics. Additionally, the results are consistent with Oyewole and Ayoade's (2023) exploration of risk mitigation strategies employed by Nigerian multinational companies during internationalization. They revealed the effectiveness of hedging mechanisms, contractual arrangements, and cultural adaptation strategies.

## CONCLUSION

In conclusion, the study provides a detailed analysis of the contribution of internationalization on listed multinational companies in Nigeria, shedding light on their financial performance, key drivers of internationalization, and risk mitigation strategies. The descriptive statistics reveal a diverse financial landscape, characterized by variability and asymmetry in metrics such as Return on Assets (ROA), Return on Investment (ROI), and revenue growth.

The investigation into the drivers of internationalization highlights the strategic significance of both Indirect Export and Direct Export, with positive influences on revenue growth. Foreign ownership also emerges as a substantial contributor to revenue growth, emphasizing its role in fostering financial prosperity for listed multinational companies. However, the study underscores the importance of careful interpretation, considering not only statistical significance but also practical and economic significance.

The assessment of financial performance metrics, particularly ROA and ROI, indicates more nuanced relationships with internationalization variables. While revenue growth appears strongly influenced by foreign ownership, the impact on ROA and ROI is less pronounced. Caution is advised in attributing causation solely based on statistical significance, necessitating further analysis and consideration of the economic context.

The analysis of risk mitigation strategies during internationalization reveals insights into the influence of Indirect Export, Direct Export, and Foreign Ownership on Return on Investment (ROI). The positive influence of Indirect Export on ROI suggests potential benefits, while Direct Export shows a negligible impact on revenue growth. Foreign Ownership emerges as a positive influencer of ROI, underscoring its role in enhancing firm performance.

## RECOMMENDATION

Based on the comprehensive analysis of the contribution of internationalization on listed multinational companies in Nigeria, several recommendations emerge:

- **Strategic Emphasis on Indirect and Direct Export:**

Given the positive influences of both Indirect and Direct Export on revenue growth, companies should strategically emphasize and optimize these internationalization approaches. This may involve exploring new markets, enhancing distribution channels, and leveraging global trade networks to maximize financial returns.

- **Foreign Ownership and Market Entry:**

Companies should carefully consider the implications of foreign ownership on revenue growth. While the study indicates a positive influence, the lack of statistical significance suggests the need for a nuanced approach. Firms should assess the potential benefits of foreign ownership and its alignment with broader strategic objectives before engaging in such arrangements.

- **Holistic Financial Performance Assessment:**

Organizations should adopt a holistic approach when evaluating financial performance. While revenue growth is a key metric, understanding the nuanced relationships with other indicators such as Return on

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Assets (ROA) and Return on Investment (ROI) is essential. This ensures a more comprehensive understanding of the overall impact of internationalization on the company's financial health.

- **Continuous Risk Mitigation Evaluation:**

The study highlights the positive influence of certain internationalization strategies on Return on Investment (ROI). However, companies should continuously evaluate and refine their risk mitigation strategies. This includes monitoring and adapting to changes in global markets, regulatory environments, and economic conditions to optimize performance and minimize potential risks.

- **Research and Context-Specific Analysis:**

Companies and researchers should conduct further studies and context-specific analyses to delve deeper into the intricacies of internationalization in the Nigerian market. Understanding industry-specific dynamics, regulatory frameworks, and cultural factors can provide more targeted insights for decision-makers.

- **Collaboration with Regulatory Bodies:**

Companies should actively engage with regulatory bodies to create an enabling environment for internationalization. Collaborative efforts can lead to the development of policies that support sustainable growth, provide incentives for global market participation, and ensure alignment with national economic goals.

- **Capacity Building and Knowledge Transfer:**

To enhance the effectiveness of internationalization strategies, companies should invest in capacity building and knowledge transfer. This includes fostering a workforce with expertise in global markets, international trade regulations, and cross-cultural communication. Collaborative initiatives with educational institutions and industry associations can facilitate this process.

- **Long-Term Sustainability Focus:**

Companies should adopt a long-term sustainability focus in their internationalization strategies. This involves not only short-term revenue gains but also considering the broader impact on the company's resilience, adaptability, and contribution to sustainable development goals.

- **Regular Performance Monitoring and Adaptation:**

Companies should establish robust performance monitoring mechanisms to regularly assess the impact of internationalization on financial metrics. Continuous adaptation to changing market conditions, consumer preferences, and global economic trends is crucial for sustained success.

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