

## Environmental Munificence And Service Firm Performance: The Moderating Role Of Management Innovation Capability

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### Abstract

Based on the narratives of environmental munificence perspective, RBV and contingency theory, this study investigates how management innovation capability influence the functional relationship between environmental munificence and service firm performance. Employing a cross-sectional survey-based sample of 162 employees of four mobile telecommunication firms in Lagos State, Nigeria. A moderated regression analysis to test two-way interaction hypotheses was conducted, and the results show that environmental munificence has a significant positive effect on market share ( $R^2 = 0.273$ ,  $F(1,160) = 60.060$ ,  $p < 0.05$ ). However, it failed to significantly influence profitability ( $R^2 = 0.008$ ,  $F(1,160) = 1.250$ ,  $p > 0.05$ ). Further analysis shows that environmental munificence explained the variation in service firm performance for both market share ( $\Delta R^2 = 0.154$ ,  $p < 0.05$ ) and profitability ( $\Delta R^2 = 0.159$ ,  $p < 0.05$ ) with the introduction of management innovation capability as a moderator. This finding suggests that managers of service firms should invest in developing an innovative high-level capability that would help their firms to identify and take advantage of the opportunities for growth in a dynamic environment. This study contributes to innovation and environmental munificence literature. First, contrary to prior studies which position environmental munificence as a moderator, this study employs environmental munificence as a first-order predictor variable of firm performance and suggest under which condition firm performance can be enhanced. Finally, this study further corroborates the position of the RBV which posit that firm can achieve superior performance in a fast-changing environment as long as it can deploy its core resource and unique competencies.

**Key words:** Environmental munificence, Service performance, Management innovation capability, Environmental contingency theory, Resource Based-view



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### INTRODUCTION

The Nigerian telecommunication sector going by National Communication Commission (NCC) 2018 report, has experienced stalled growth during the second half of 2016 leading to delays or deferrals of expansions and upgrades to networks and this trend has continued into Q2'17. The GDP Q2'17 result showed that the telecommunications sector contracted by 1.92%. Other challenges facing the sector that have contributed to this poor overall performance (hindered growth) includes; weak consumer purchasing power given the economic realities in the country, increasing customer complaint leading to low customer satisfaction, low level of brand loyalty, currency movements (given CBN regulations) and the recent loss of global investors in Etisalat (NCC, 2018). Moreover, the challenges in accessing forex resulted in the weak macroeconomic situation; resulting in shutdowns that led to weak labour market dynamics (high unemployment and underemployment), reduced disposable income and poor corporate performance. Also, the number of subscribers is on the decrease with consumers switching to other product categories (NCC, 2018).

However, despite the harsh operating environment presented by Nigeria's economy (Akinmulegun & Oluwole, 2013), which made a handful of companies to close down, yet some others including new entrants like Hayat Kimya, Kellogs Nigeria, Olam, Rite Foods limited, Dufil Prima, are achieving positive run of results (Euromonitor market report, 2017). How do we explain these contradictions? Perhaps, holding unto the suppositions of the RBV perspective would provide a theoretical explanations for this contradictions experienced. In the face of the challenges in the external environment, the proponents of

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the RBV argued in favour of using firm-specific capabilities to manage external issues confronting the firm (Barney, 1991). As such how well a firm deploys these resources to a large extent determines their success and one of such firm-specific capabilities needed to adapt to a changing environment and achieve competitive advantage is innovation capability (Abiodun, 2017; Lee, Lee and Garret, 2017, Tuan, Nhan, Giang and Ngoc, 2016).

Several scholars who studied environmental turbulence (Augustie, & Saad, 2019; Binti & Bin Zainuddin, 2016; Lai, Wong, & Lam, 2015; Tsai, & Yang, 2012, 2013a, 2013b; Turulja, & Bajgoric, 2019) often use it as a moderating variable, suggesting that they are proponents of environmental contingency theory (ECT). The reason for this is because the assumption of ECT posit that the ability of a firm to achieve the desired performance is contingent on the fit between the organization and its environment. However, another perspective that has received less attention in recent research is how organizational capability can moderate the relationship between environmental turbulence and firm performance. Interestingly, this is what goes on with every establishment (at least for the existing firms). More so, this is one of the arguments of the internal-organization view; which suggest that firms must be able to deploy and muscle internal organizational resources to manage and take advantage of external organizational dynamics. While scholars like Jaworski and Kohli's (1993) dimensions of environmental turbulence does not suggest the macro environment possess opportunities for growth, Dess and Beard (1984) posit that the macro environment presents both threats and opportunities (munificence). Many scholarly (as shown above) work has been done to position the effect of market, complexity, technological turbulence on firm performance directly or indirectly, however, studies focusing on the direct functional relationship between environmental munificence and firm performance is scarce. Hence suggesting a need for this study.

Furthermore, a lot of empirical studies have been conducted mainly on innovation capability, its association and effect on firm performance in diverse economy, industry and sector around the world (Abiodun, 2017; Adeoye, Agbawodikeizu, & Egwakhe, 2019; Akroush, & Awwad, 2018; Anning-Dorson, 2018; Binuyo, Ekpe, & Binuyo, 2019; Fouad, Tourabi, & Lakhnati, 2018; Jin, Shu, & Zhou, 2019; Namusonge, Muturi & Olawoye, 2016; Srinivasan, & Lilien, 2018; Tuan, Nhan, Giang & Ngoc, 2016; Ukpabio, Oyebisi, & Siyanbola, 2017). A good number of these studies confirmed the existence of a functional relationship between innovation capability and firm performance (Abiodun, 2017; Adeoye et al., 2019; Anning-Dorson, 2018; Binuyo et al., 2019; Mohammed, Norshahrizan, & Wan-Ahmad, 2017; Ukpabio et al., 2017).

However, scholars have paid little attention to studies that consider the adoption of innovation capability as an intervening variable that can enhance the performance of an organization in a turbulent environment. The few (for example, Rodriguez & Wiengarten, 2017) that did were carried out in developed and emerging economies, more so in manufacturing industries. Although the findings of the study is not in any way unreliable; however, noting the contextual differences between these economies mentioned above and a developing country like Nigeria suggests a different outcome. More so studies focussed solely on examining the moderating effect of innovation capability (management innovation) on the relationship between environmental turbulence (measured as, environmental munificence) and firm performance in the Telecommunication industry in Lagos State, Nigeria is scant, warranting another reason for this study.

To fill this gap, this study examines the moderating effect of innovation capability (management innovation) on the relationship between environmental munificence and service performance in the telecommunication industry in Lagos State, Nigeria. To achieve this, a cross-sectional survey-based sample of 162 employees of four mobile telecommunication firms in Lagos State, Nigeria and a two-way interaction hypotheses was developed and tested. The remainder of the article is in four sections. Section two which follows after this introduction is the literature review. Section three addressed the methodology. Section four focused on data analysis and section five incorporate discussions of findings, conclusion and recommendations.

## LITERATURE REVIEW

### Theoretical Framework and Hypotheses Development

A number of studies have been done to appraise existing theories and to enhance the understanding of environmental munificence and management innovation capability (Abiodun, 2017; Anning-Dorson, 2018; Augustie, & Saad, 2019; Azubuikwe, 2013; Binti & Bin Zainuddin, 2016; Fallah et al., 2018; Lai et al., 2015; Mohammed et al., 2017; Najafi-Tavani et al., 2018; Ngo, Bucic et al., 2017; Prange, & Pinho, 2017; Shinkle, & McCann, 2013; Tsai, & Yang, 2013b; Turulja, & Bajgoric, 2019; Ukpabio et al., 2017; Zaidi, & Othman, 2015). However, this study draws on three perspectives; environmental munificence, resource based-view (RBV) and contingency theory, to substantiate the effect of environmental munificence on service firm performance and assess the moderating roles of management innovation. These three perspectives are of specific relevance to this study.

First, environmental munificence perspective, posit that resource abundance (or lack of it), is critical for the survival and growth of the firms operating within such environment (Boyne, & Meier, 2009; Dess & Beard, 1984; Pfeffer & Salancik, 1978; Randolph & Dess, 1984; Tushman & Anderson, 1986). By implication, this perspective suggest that the volume of availability of resources within the macro environment influence the survival and prosperity of firm sharing such an environment and that these resources have the potentials of influencing new firms to enter such environment (Randolph & Dess, 1984). Second, according to the proponents of RBV, a firm's desire to achieve superior performance is a direct correlate to its ownership of internal capabilities: knowledge, skill and ability which are unique, very difficult to copy and cannot be substituted, and its ability to make use of them (Barney, 1991a; Fidel, Schlesinger, & Cervera, 2015; Zhang & Hartley, 2018). Third, the contingency perspective which is an extension of the system theory "is guided by the general orienting hypothesis that organizations whose internal features best match the demands of their environments will achieve the best adaptation (Monday, Akinola, Ologbenla, & Aladeraji, 2015; Nwonu, Agbaeze, Obi-Anike, 2017; Titus & Anderson 2016)... the best way to organize depends on the nature of the environment to which the organization relates" (Scott 2005, p. 89).

The central idea of these perspectives provide the bases for explaining the variables under study. Basically this study propose that where economic resource abound (or the potentials for business growth), firms can grow within such environment but that it takes more than the availability of resources in the environment for firms to grow. Hence proposing that the possession of innovation capability been a dynamic capability and the ability to deploy it (acting as a moderator) may enhance the performance of a firm operating in a munificence environment.

### Environmental Munificence and Service firm performance

Not much empirical findings has been presented with respect to the first-order-effect of environmental munificence on service firm performance. This is surprising despite the submission of Staw and Szwajkowski's (1975), who argued in support of environmental munificence as a crucial variable affecting many organizations. The authors emphasized that a study investigating environmental munificence as a predictor (first-order) variable is needed (Staw & Szwajkowski, 1975). Also the paucity of findings may not be unconnected to the use of environmental turbulence as a moderating variable by many scholars (Augustie & Saad, 2019; Binti & Bin Zainuddin, 2016; Lai, Wong & Lam, 2015; Tsai & Yang, 2012, 2013; Turulja & Bajgoric, 2019; Wang, Dou, Zhu & Zhou, 2015; Zaidi & Othman, 2015). That is, the first-order-effect of EM on service firm performance is contrary to many prior studies. However, the theoretical arguments on environmental munificence resonate strongly with evidence that abundant resources are associated with better performance for organizations (Boyne, 2003). The implication of Boyne (2003) submission is that organizations will perform better in an environment that holds abundance of resources, growth potential, low environmental hostilities, enabling economic policies and improved economic wellbeing. This study aligns with this position that environmental munificence would have significant effect on service firm performance.

### The Moderating Effect of Management Innovation Capability

A good number of prior scholarly work on management innovation examined its first-order effect on firm performance (Abiodun, 2017; Atalay, Anafarta & Sarvan, 2013; Azubuike, 2013; Lee, Lee & Garrett, 2017; Ukpabio et al., 2017; Mohammed et al., 2017). Another category of scholars investigated its second-order effect on the relationship between firm capabilities and performance (Anning-Dorson, 2018; Camisón & Villar-López, 2014; Fallah, Jafariyan & Savabieh, 2018; Najafi-Tavani, Najafi-Tavani, Naudé, Oghazi & Zeynaloo, 2018; Ngo, Bucic, Sinha, & Lu, 2019; Prange & Pinho, 2017) and found that innovation significantly enhance the performance of firms both on financial and non-financial measures (Anning-Dorson, 2018; Mohammed et al., 2017; Ngo et al., 2019; Turulja & Bajgoric, 2019). However, the moderating (second-order) effect of MIC on the association between environmental munificence and firm performance, have receive little attention from innovation scholars. Hence the need to find theoretical justification to substantiate the possibility of an interaction. Drawing from contingency perspective, the success of a firm is contingent on its strategic fit with the environment. Specifically, contingency theory states that it is the fit between a firms internal features and the business environment that determines business performance (Donaldson, 2001). In addition, the environment that firms operate in, can influence their strategic decisions, growth potentials, costs of production and performance. This is particularly vital in traded sectors such as high-value services (Eifert, Gelb & Ramachandran, 2008; Okafor, 2017). The primary argument put forward by the contingency theory of fit-as-a-moderator, is that an interaction exists when the functional relationship between two variables is enhanced by a third variable. This study aligns with this line of thought that the performance effect of environmental munificence will be positively moderated by the deployment of management innovation.

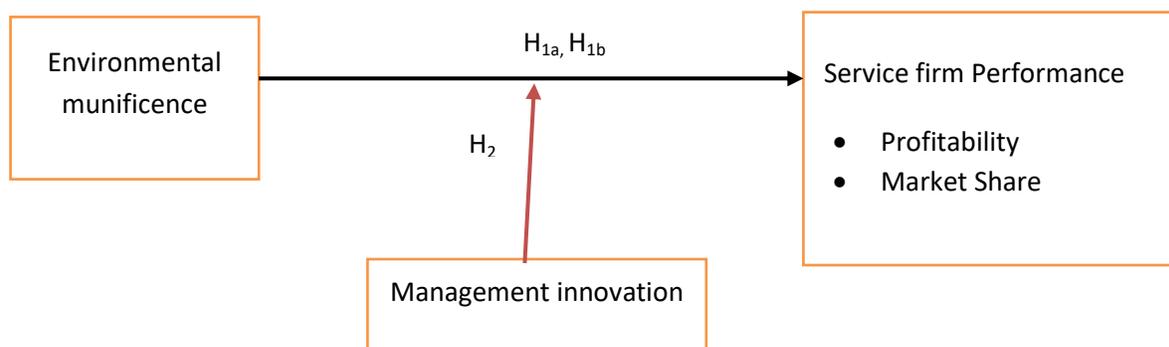


Figure 1: Research framework

### METHODS

This study is empirical as it is based on primary data, explanatory because it examines effect-relationships, deductive because it tests hypotheses and quantitative because it includes the analysis of quantitative data collected with the use of a structured questionnaire. This study employed a cross-sectional survey design and, it involves studying a subset of a population at a point in time and determining functional relationship within the time of the study. The advantage of this method is that it is cheaper, less time consuming than a longitudinal design (Udegbe & Udegbe, 2013). Studies found cross-sectional design appropriate in specific circumstance for example when examining the functional relationship between the independent and dependent variable at a point in time (Anning-Dorson, 2018; Davis, Horváth, Gretry & Belei, 2019; Mohammad et al., 2017; Mukhtar, et al., 2017; Nwonu, Agbaeze, & Obi-Anike, 2017; Ogbechi et al., 2018).

### The Study Context, Sampling and Data collection

The population of this study comprised of 240 employees of MTN, Globalcom, Airtel and 9mobile telecommunication service provides in Lagos State Nigeria. Four branches of each telecom firms in Lagos

state were captured in this study making the total number of branches visited sixteen. The branches visited was done to ensure a representative data with regards to each telecommunication service providers in Lagos. The category of staff that made up the population are those in the top management level, middle management level, and the operational management level. More so, the categories of staff have been employed by the selected telecommunication firm in Lagos State within fifteen years. Given the small population, the researcher employed the total enumeration technique.

The research instrument for data collection was a structured questionnaire. The use of questionnaire is relevant because it helps in collecting feedback based on the perception and opinion of the respondents, more so, it is suitable for collecting data from respondents in a short time on current issues, and it is an enabler of quantitative data analysis. The items in the questionnaire were adapted. The adapted questionnaire was a standardized scale that has been used by authors on the subject matter of this research in another research context. The response options provided in this study's questionnaire followed the 6-point Likert type scale (1 = strongly disagree, 6 = strongly agree), consistent with (Binuyo et al., 2019).

To enhance the quality of response obtained, the researcher included a question in the bio-data section which requested respondents to rate their knowledge of the overall organizational activities and performance of their company on a scale of 1-10. Hence respondents who ticked below five were not used because it suggested average knowledge of the organization's activities and performance while six above suggested adequate knowledge hence considered appropriate. A similar procedure has been used by scholars to improve the reliability of response obtained for their study (Skarmas, Zeriti & Argouslidis, 2017; Sop & O'Cass, 2015).

The administration and retrieval of the questionnaire took six weeks. The researcher after three weeks was able to collect 120 questionnaires from ten branches and after several calls to the contact person in the each of the branches for another three weeks, 87 additional questionnaires were collected making a total of 207. After collating the questionnaires, the researcher then screened the questionnaires in such a way that respondents who picked five below on the scale of 1-10 to show their knowledge of the organizational activities and performance, were removed from the lots. In the end, 162 questionnaires were usable representing 67.5% response rate.

### **Measurement of Variables**

Drawing from this study's research framework, the following dependent (profitability, market share), independent (environmental munificent), and moderating (management innovation) variables were discussed taking cognizance of their measurement in extant literature.

#### **Dependent**

Firm performance (FP)

Existing literature shows that authors mainly applied multi-item measures for each variable, to increase the probability of valid results as well as their predictive validity (Anning-Dorson, 2018; Awolusi, 2013; Bendig et al., 2018). For instance, prior studies on organizational performance measured the variable by incorporating both financial, and non-financial dimension on a multi-item scale. The justification for this approach lies in the argument; that using either of the two measure, possess inherent weakness, as such to make up for the drawbacks of each measure and all involving (robust) measure of organization performance that reflect the organizational realities, it became essential to use both dimension as a measure of organizational performance.

In concomitance with these prior studies, this study measures organizational performance by incorporating both the financial and non-financial performance measure. Also, all of the firms investigated are private companies, and this poses a challenge in obtaining objective (secondary data) measure of performance. Therefore as established in extant literature (see Anning-Dorson, 2018; Awolusi, 2013; Dahms, 2017; Najafi-Tavani et al., 2018), this study follows the practice of using self-reported performance measures, which are considered as good as objective measures. The service firm performance items considered in this study includes; market share, and profitability. Market share and

profitability were measured using Likert scale, consistent with empirical studies (such as Bendig et al., 2018; Kadic-Maglajlic, Boso & Micevski, 2018; Vorhies & Morgan, 2005).

### Independent

Environmental munificence (EM)

Dess and Beard (1984) measure environmental munificent as a dimension of environmental turbulence. Which suggest the potential for opportunities and growth within a dynamic environment. The items were measured using a Likert scale consistent with the work of Dess and Beard (1984).

### Moderating

Management innovation capability (MIC)

Prior studies on Innovation capability measured the variable by incorporating both technical and management innovation (Ngo & O' Cass, 2013). However this study's focus is on management innovation which involves the application of knowledge and skills to engage in innovative work practice, service operation and the development of new services operations (Camisón & Villar-López, 2014). This construct was measured using a Likert scale by scholars (such as Camisón & Villar-López, 2014; Foroudi et al., 2016; Ngo & O' Cass, 2013). Overall, this study follow similar procedures used by earlier scholars to measure all the variables identified in this study.

### Data Analysis

The study employed a regression analysis to first establish the functional relationship between environmental munificent and firm performance and subsequently assessed the moderating effect of management innovation capability on the relationship using hierarchical regression analysis.

### Model Specification

$$Y = f(X)$$

Y = Dependent variable: Firm performance

X = Independent variables: Environmental Munificence

Z =

Moderating variables: Management innovation capability

$$Y = f(XZ)$$

$$Y = \beta_0 + \beta_1 X_i + \beta_2 Z_i + \beta_3 XZ_i + \mu_i$$

$$FP = \beta_0 + \beta_1 EMS_i + \beta_2 MIC_i + \beta_3 EM_i * MIC_i + \mu_i \text{-----research model}$$

For the purpose of this study, the above models were used.

Where:

$\beta_0$  = the intercept expected value of y when x is equal to zero.

$b$  = the Coefficient of the independent variable (it is the rate of change in y with respect to x).

$\mu$  = the error term to accommodate the effect of other variables that can influence organizational performance, but which were not included in the model.

## ANALYSIS AND RESULT

### Validity and Reliability Test

Given that the questionnaire used was adapted to fit the peculiarity of this study, the researcher conducted exploratory factor analysis (EFA) to ascertain the overall adequacy and validity of the instrument. A Kaiser-Meyer-Olkin (KMO) statistic greater than 0.72 confirmed the suitability of the items for factor analysis since KMO values greater than 0.60 can be considered as adequate for applying factor analysis (Hair, Anderson, Tatham & Black, 1998). The factor loadings of these items were used to establish the Average Variance Extracted (AVE). All the constructs have an AVE value above the threshold 0.5. The construct, convergent validity and reliability result is presented in Table 2 below. To substantiate the numbers of items (3) per variable after the factor analysis, Hair, Black, Babin and Anderson (2010) suggested that each construct should at least be measured by three items.

**Table 1: Validity and Reliability test for measurement items.**

Latent variables	Notations	Items	Loadings	CA	CR	AVE
<b>Management Innovation (IC)</b>	IC2	Innovate Service processes	0.884	0.746	0.868	0.626
	IC4	Support Service unit	0.895			
	IC6	Quality management system	0.746			
	IC3	Innovate business process	0.605			
<b>Environmental munificence</b>	ET10	Enabling regulatory policy(s)	0.855	0.808	0.86	0.607
	ET8	Environmental hostility	0.805			
	ET9	Economic wellbeing	0.750			
	ET6	Technological diversity	0.697			
<b>Profitability</b>	FP4	Net profit margin	0.935	0.794	0.866	0.688
	FP5	Return on Investment	0.884			
	FP3	Gross profit margin	0.639			
<b>Market share</b>	MS3	Desired sales growth	0.881	0.771	0.854	0.664
	MS1	Acquire new customers	0.835			
	MS4	Open new market	0.720			

Note CA= Cronbach Alpha, CR= Composite reliability, AVE= Average variance explained  
Source: Author's computation using SPSS V23

**Table 2: Mean, Standard Deviation and Correlation for all Variables**

Variable	Mean	SD	Market share	Profitability	Environmental munificence	Management Innovation
Market share	4.642	.938	1	.358**(0.000)	.522**(0.000)	.471**(0.000)
Profitability	4.920	1.046		1	.088(0.265)	0.408**(0.000)
Environmental munificent	4.706	1.045			1	0.162*(0.039)
Management innovation	4.868	.886				1

Source: Author's computation using SPSS V23 \*\* at 1%

### Hypotheses Testing

**Table 3: Hierarchical Regression Result**

DEP VAR	Model	Predictors	R <sup>2</sup>	Adj R <sup>2</sup>	Δ R <sup>2</sup>	Change Statistics			
						Δ F	df1	df2	Sig. F
MKT-Share	1	EM	.273	.268	.273	60.060	1	160	.000
	2	EM * MIC	.427	.419	.154	42.579	1	159	.000
Profitability	1	EM	.008	.002	.008	1.250	1	160	.265

2	EM * MIC	.167	.156	<b>.159</b>	30.379	1	159	.000
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Source: Author's computation using SPSS V23

In the first step (Model 1), the effect of environmental munificence on firm performance measures (market share and profitability) were examined respectively. In the Second step (Model 2), the moderating effect of management innovation capability on the interaction between environmental munificence and firm performance measures (market share and profitability) were examined respectively and discussed in two paragraphs below.

#### Market share

It was discovered that environmental munificence accounted for 27.3% of the variance recorded in market share ( $R^2 = 0.273$ ,  $F(1,160) = 60.060$ ,  $p < 0.05$ ). When the interaction term management innovation was added to the regression model (MODEL 2), there was an additional significant increase in market share by 15.4% ( $\Delta R^2 = 0.154$ ,  $p < 0.05$ ) because  $R^2$  increased from 0.273 to 0.427. This result shows that Management Innovation has an enhancing (moderating) effect on the relationship between environmental munificence and market share.

#### Profitability

Environmental munificence has no significant effect on profitability as the former accounted for only 0.8% of the variance observed in profitability ( $R^2 = 0.008$ ,  $F(1,160) = 1.250$ ,  $p = 0.265$ ). On the contrary, the addition of the moderator management innovation to the regression model, brought about a significant increase in profitability ( $\Delta R^2 = 0.159$ ,  $p < 0.05$ ) because  $R^2$  increased from 0.008 to 0.167. This result shows that Management Innovation has an enhancing (moderating) effect on the relationship between environmental munificence and profitability.

Table 4: coefficients

Model		Unstandardized Coefficients	t	Sig.		
		B	Std. Error			
Market share	1	(Constant)	2.435	.292	8.345	.000
		EM	.469	.061	7.750	.000
	2	(Constant)	.658	.376	1.748	.082
		EM	.411	.055	7.525	.000
		MIC	.421	.064	6.525	.000
			B	Std. Error		
Firm Profitability	1	(Constant)	4.605	.288	15.975	.000
		EM	.067	.060	1.118	.265
	2	(Constant)	3.075	.384	8.015	.000
		EM	.017	.056	.306	.760
		MIC	.362	.066	5.512	.000
			B	Std. Error		

Source: Author's computation using SPSS V23

## DISCUSSION AND CONCLUSION

The study investigates the influence of environmental munificence on firm performance and the moderating effect of management innovation on the relationship between environmental munificence and firm performance.

The findings partially corroborate the hypothesis one formulated, and completely align with the hypothesis two formulated hence providing important implications for theory and practice. The first hypothesis suggested that environmental munificent would positively influence firm performance. Our research shows that environmental munificence significantly influenced market share but show contrary result for it influence on profitability. This suggest that by merely operating in a munificence environment does not guarantee profitability.

This result aligns with Dess and Beard (1984) and Boyne, (2003) suggestion of a munificent environment presenting opportunity for firm growth. Although the first-order influence on profitability was not significant, however its influence on market share affirm Boyne's (2003) submission. What the second-order analysis suggested is that the path between munificence and profitability can become positive and significant when management introduce some innovative activities. This significant performance effect of innovation capability has been established in prior empirical studies (such as, Anning-Dorson, 2018; Mohammed et al., 2017; Ngo et al., 2019; Turulja & Bajgoric, 2019) and this study's result affirm these submissions.

The second hypothesis strengthens the narrative of both the resource based-view and contingency theory. The RBV which is an inside-out organizational perspective promote the ideology that firms desirous of achieving superior performance must own, develop and deploy unique competencies. Our result aligns with this theories because the deployment of management innovation potentially improves service firm performance. By this result, the contingency perspective is strengthened in the sense that where the strength of the interaction between two variables is enhanced by the introduction of a third variable (in this case management innovation) then a contingency theory of fit-as-a-moderator holds. This study strongly affirm this position with its result.

### Contribution

The contribution of this study to knowledge is in many ways. First, it is a response to the suggestion of Staw and Sz wajkowski (1975) who emphasised the need to conduct a research that considers munificence as a predictor of firm performance. Second the study developed a conceptual model that expressed the functional relationships between environmental munificent and firm performance. The model further showed the moderating role of management innovation capability on the established effect of environmental munificent on firm performance. Third, the empirical results showed that management innovation significantly enhanced the interaction between environmental munificence on firm performance. More so, studies focused on developing country (Nigeria) with regards to this empirical findings are limited; hence this study adds to the sparse literature on this subject matters. Fourth, this study further corroborates the position of the contingency perspective and RBV. That is, the firm can achieve superior performance in a fast-changing environment as long as it can deploy its core resource and unique competencies that are valuable, unique, very difficult copy and has no substitutes.

### Managerial Implication

The findings of this study, suggest the need for managers in telecommunication industry to imbibe innovative management practices. This is because such innovation capability can serve as a coping strategy to weather fast-changing external environment conditions as well as a strategy to take advantage of the opportunities presented by environmental munificence. Because employees usually do not like to change, and innovation suggests continuous changes, it is imperative for management to be seen as apostles of innovation and the commitment to innovate should be enshrined in the organization's culture and structure. It should also be communicated and adopted in a seamless manner suggesting nothing is a sudden change to work and work designs. This approach to innovation can enhance employees to buy

into the decisions management makes regarding innovation. When done correctly, it can lead to an engaged employee who is happy to drive the innovation process.

### Limitations and Future research

Just like many research, this study has limitations which must be acknowledged to provide opportunities for future studies. First of all, the study focused only on telecommunication service providers in Lagos, Nigeria. Lagos is the commercial capital of the country, and it boasts of all the head office of all the telecommunication companies in Nigeria. As with any single industry studies, the findings of this study is more appropriate for managers in this line of business. The adoption of a cross-sectional survey design equally suggests that the study is unable to provide explanations of the changes in the dependent variable attributable to the independent and moderating variable over a long period. Also, the study focused on one dimension of environmental turbulence (environmental munificent), and innovation capability (management innovation).

Future studies may consider incorporating other service industry like hospitality, logistics firms, marketing agencies and quick-service restaurants in the country to enhance this study's findings. In other to provide explanations to the cause and effect relationship between the variables over time, future studies may consider a longitudinal study. With regards to environmental turbulence and innovation capability, future studies may incorporate other dimensions of both variables to see their effect on organizational performance. Furthermore, studies that would bring in other firm-specific capabilities for example marketing capability in addition to innovation capability to see the joint moderating effect on organizational performance and or determine which variable can better help organizations cope and prosper in a dynamic macro environment. Despite these limitations, this study provides important empirical, theoretical and practical implications for managers regarding the deployment of firm-specific capability (management innovation) needed to improve organizational performance in a dynamic market.

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