Intellectual Capital Disclosure and Performance of Consumer Goods Firms

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By

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This book is dedicated to Almighty Allah (S.W.T) for sparing our lives, and for giving us the opportunity and ability to successfully write it.

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DESCRIPTION

Business executives and managers are increasingly working in a highly competitive environment where identifying the main drivers of performance is vital for the survival of firms. Intellectual capital is a crucial matter for firms worldwide, and the disclosure of intellectual capital has been identified as one of the major drivers of performance. This book examines the impact of intellectual capital disclosure on the performance of listed firms adopting the Balanced Scorecard approach. The book is the product of a research study that offers innovative analysis and proves that managers of firms can use the disclosure of intellectual capital to boost performance. It revealed how using the Balanced Scorecard as a measurement tool for intellectual capital disclosure can drive the performance of firms. Students on postgraduate programmes, members of academia as well as business executives and managers, will find this book an essential guide to maximizing intellectual capital disclosure to boost performance.

PREFACE

Intellectual Capital Disclosure and Performance of Consumer Goods Firms is a textbook designed for stakeholders and students in universities, polytechnics, and colleges of education interested in intellectual capital disclosure and its impact on the performance of firms, especially those adopting the Balanced Scorecard approach.

The book consists of nine chapters. Chapter one focuses on the introductory aspect, which deals with the background, statement of problem, objectives, scope, and significance of the book, as well as the materials and methods that were adopted for the research study. Issues such as the research design, population, sample, data collection, and analysis techniques were all discussed in this chapter. Chapter two discusses the conceptual review of concepts used in the study. Concepts related to intellectual capital, the Balanced Scorecard and performance were discussed in this chapter. Chapter three deals with the review related to intellectual capital and market performance. Chapter four further deals with the review related to intellectual capital and sales performance. While chapter five deals with the review related to intellectual capital and financial performance.

Furthermore, chapter six discusses issues related to the theoretical review of theories related to and relevant to the study. Chapter seven further deals with the presentation and discussion of data for the study. Chapter eight addresses the findings and implications of the study. While the final chapter nine examines the conclusion and recommendations of the study.

Finally, suggestions and constructive criticism for the improvement of the book from stakeholders are welcome and shall be accepted and incorporated in subsequent editions.

LIST OF ACRONYMS

ANOVA- Analysis of Variance
ASEAN - Association of Southeast Asian Nations
ATO - Average Turnover
B2C - Business to Customer
BM - Bursa Malaysia
BSC - Balanced Scorecard
C2C - Customer to Customer
DIC - Direct Intellectual Capital Method
DIS - Discretionary Information System
EPS - Earnings per Share
FV - Firm Value
GLS - Generalized Least Square
HC - Human Capital
HCD - Human Capital Disclosure
IAS - International Accounting Standard
IASB - International Accounting Standard Board
IC - Intellectual Capital
ICD - Intellectual Capital Disclosure
MCAP - Market Capitalization
MFIS - Mandatory Financial Information System
NSE - Nigerian Stock Exchange
NYSE - New York Stock Exchange
OLS - Ordinary Least Square
PAT - Profit after Tax
QGS - Quantitative Grading System
RC - Relational Capital
RCD - Relational Capital Disclosure
ROA - Return on Asset
ROE - Return on Equity
ROI - Return on Investment
SC - Structural Capital
SCD - Structural Capital Disclosure
SPMS - Strategic Performance Management Systems
TQ - TobinQ
TS - Total Sales Revenue
VAIC - Value Added Intellectual Capital
VIF - Variance Inflation Factor

OPERATIONAL DEFINATION OF TERMS

Market: Market referred to the financial stock market.

CHAPTER ONE

INTRODUCTION, MATERIALS AND METHODS

1.1 Background to the study

The performance of firms is very vital, as it shows the survival or failure of the firm. This is particularly true, especially with consumer goods firms whose performances are mainly tied to the sale of products, market value, and financial returns. When a firm loses the capability to maintain profit and financial solvency, it becomes unhealthy, with the danger of business failure leading to total extinction (Akintoye 2008, 178–191; Wu 2010, 2371–2376; Kwarbai 2019, 15–22; Isa and Dandago 2021, 139–149; Isa, Murtala and Isa 2022, 307–324). Therefore, the growth of a firm rests on the ability of the management to think outside the box for measures of enhancing sales, market, and financial performance. The performance of consumer goods firms is reported or communicated to the providers of capital and other stakeholders through the financial reports. Thus, diverse measures that can yield higher performance are important subjects to be discussed. This is because information demanded by investors is used to assess the timing and certainty of future cash flows to determine the level of growth over a given period of time. This means that accounting information is relevant and can influence a decision-maker to form predictions about the outcome of present events (Akintoye 2008, 178–191; Shehu and Ahmad 2013, 47–63; Kwarbai 2019, 15–22; Isa and Dandago 2021, 139–149). Hence, the extent to which consumer goods firms can increase their performance by reporting their book and market value performance drivers is a factor that influences the business performance and growth of the business organization's (Ojeka, Mukoro, Dick, and Kanu 2015, 1–13; Hermawan, Nurasik, Eva, Rahayu, et al. 2020, 1–13; Isa and Dandago 2021, 139–149; Isa, Murtala and Isa 2022, 307–324).

There is a growing call for adequate full financial reporting disclosures so that financial reporting meets the information needs of stakeholders. This is particularly true in a knowledge economy characterized by a rapidly emerging emphasis on Intellectual Capital (hereinafter referred to as IC). The future of corporate reporting is more important than ever before, owing to the fact that companies are competing in complex business environments, such that understanding and harnessing the drivers of performance is vital. Research has shown that firms are employed to think outside the box for alternative ways of survival and enhancing performance without necessarily incurring additional expenses or costs (Henry 2008, 84–101; Abeysekera 2011, 319–338; Gijsel 2012, 1-98; Isa and Dandago 2021, 139–149). There has been a need for the recognition, harnessing, measurement, and disclosure of IC by firms. ICs basically constitute performance drivers, which, when properly harnessed, can be converted into monetary terms and ultimately into profits for firms. ICs are important and considered to have economic value that drives the profitability and sustainability of a firm (Anaso, Hussaini, and Kumshe 2017, 186–194; Rayahu, Mus, Semmaila, and Lamo 2021, 1–12) because IC represents the difference between the market value and book value of a company (Luu, Wykes, Williams, and Weir 2001, 1; Ousama, Al-Mutairi, and Fatima 2019, 22–35; Isa and Dandago 2021, 139–149; Isa, Murtala and Isa 2022, 307–324).

There is a need for more extensive research on IC as it is still considered a poorly understood concept (Guthrie, Ricceri and Dumay 2012, 68–82). Research aimed at the reporting and disclosure of IC is vital to companies as it aids them in realizing their true value because competitive success in this knowledge-based economy depends less on the strategic allocation of physical and financial resources and more on the strategic management of IC. The key to competitive success in a globally networked economy is the ability to visualize, create, and leverage the phenomenon called IC (Evangelia 2006, 1–109; Isa and Dandago 2021, 139–149). IC mainly comprises three components: Human Capital (hereafter referred to as HC), Structural Capital (hereafter referred to as SC), and Relational Capital (hereafter referred to as RC). A company may have a good product, but it might be worth little unless accompanied by a reliable HC of loyal and committed employees, a strong SC that has an effective distribution network with innovative ideas, and a powerful RC encompassing a strong brand name that translates into customer satisfaction. This dynamic combination of the three components of IC is often the recipe for success in companies where the value of their IC is greater than the sum of their individual parts. The three IC components collectively create value for a company (Tseng and Goo 2005, 187–201; Maesaroh and Mulya 2020, 1–15; Isa and Dandago 2021, 139–149).

In view of the above importance and benefits of IC to firms, especially consumer goods firms, it becomes expedient that IC be disclosed in their books of reports. Intellectual Capital Disclosure (hereafter referred to as

ICD) constitutes an information construct that provides value-relevant information to users of financial reports about a firm's long-term sustainability. These disclosures are of paramount importance for stakeholders who want to make an informed decision about trading stocks. Failure to disclose information regarding IC can give rise to agency problems by allowing insiders to take advantage at the expense of outsiders (Farooq and Nielsen 2012, 142–156). Disclosure of IC can lead to a substantial reduction in the risk of exploitation as it reduces information asymmetries (Arvidsson 2011, 277–300; Farooq and Nielsen 2012, 142–156; Isa and Dandago 2021, 139–149).

Owing to the absence of provisions in accounting standards and imperfections in traditional accounting practices about IC, disclosure of IC has become more of a voluntary act by firms (Abubakar, Ahmad, Kaoje and Abdulazeez 2016, 26–33; Ajibolade and Oyewo 2017, 43–64; Oyewo, Olowo, and Obanor 2021, 1-32). Firms employ one or several approaches to voluntarily disclosing their IC; thus, in order to aid in conceptualizing, harnessing, measuring, and reporting IC, several models have been developed by various scholars, such as the Balanced Scorecard (Kaplan and Norton 1992, 71–79), the Skandia Intellectual Capital Report Model (Edvinsson 1997, 366-373), the Intangible Asset Monitor Approach (Sveiby 2001, 125–167), and the Value-Added Intellectual Coefficient (hereafter referred to as VAIC) Model (Pulic 2000, 702-714). Among these models, the Balanced Scorecard (hereafter referred to as BSC) model has been put into widespread use and has been widely adopted by academics and practitioners as a method to reflect the IC of corporations (Kaplan and Norton 1997, 5–11; Oyewo, Olowo, and Obanor 2021, 1-32; Isa and Dandago 2021, 139–149; Isa, Murtala and Isa 2022, 307–324).

The BSC is a useful measurement and codification tool prominent in examining each sub-item of the IC. This is done by generating indicators for IC in order to balance the need to report on IC. The BSC model involves a qualitative approach to measuring IC by identifying the various components of IC and generating indicators. Thus, the BSC provides stakeholders with crucial information on both the value creation process and the strategic position of the organization (Kaplan and Norton 1996, 75–85). In addition, the model is the ideal measurement model to examine the value of IC as it includes all areas, including the strategic position of the business. The BSC explains the links between employees' growth and development and effective business processes, which translate to relational capabilities for firms. For this reason, BSC has formed the basis for the universal IC reports in countries (Kaplan and Norton 1997, 5–11; Pattanant 2012, 134–147; Isa and Dandago 2021, 139–149).

The BSC constitutes four perspectives: three non-financial perspectives and a financial perspective (Kaplan and Norton 1992, 71–79). The three non-financial perspectives are aimed at complementing the financial perspective. The rationale behind the BSC is to develop three leading perspectives: the learning and growth perspective, which relates to the HC component of IC; the internal business process perspective, which relates to the SC component of IC; and the customer perspective, which relates to the RC component of IC (Kaplan and Norton 1992, 71–79). These three perspectives are predictive in nature and aid in a futuristic outlook towards achieving the firm's goals. The lagging perspective of BSC (financial perspective) is historical in nature and shows outcomes by telling what has happened that uniquely depicts a firm’s strategy in attempting to create a competitive advantage (Kaplan and Norton 1992, 71–79; Ibrahim 2015, 62–70; Ibrahim and Murtala 2015, 71–80). Hence, the BSC model is adopted by studies (Kaplan and Norton 1992, 71–79; Etim and Agara 2011, 66–69; Malgwi and Dahiru 2014, 1–10; Owolabi, Adetula, and Taleatu 2014, 4552–4561; Ibrahim and Murtala 2015, 71–80; Oghuvwu and Omoye 2016, 1–11; Maduekwe and Kamala 2016, 46–55; Abubakar, Ahmad, Kaoje, and Abdulazeez 2016, 26–33; Ajibolade and Oyewo 2017, 43–64; Oyewo, Olowo, and Obanor 2021, 1-32; Isa and Dandago 2021, 139–149) to provide qualitative (narrative) disclosure index items on IC that are content analyzed in the annual reports of firms.

In view of the above, ICD provides stock market participants with more value-relevant information about firms because ICD is expected to enhance stock market liquidity, increase demand for companies’ securities, and specifically increase sales performance. Market, sales, and financial performance are natural results of business operations involving the use of both physical capital and IC. Physical capital refers to tangible assets such as land, machinery, and monetary capital. IC refers to intangible assets in the form of knowledge, creativity, skill, innovation, corporate culture, and organizational relationships with external parties (Suraj and Bontis 2012, 262-282). IC are the key value drivers to competitive advantage that determine the performance of any organization in this knowledge-based economy (Kaplan and Norton 1992, 71–79; Gijsel 2012, 1-98; Suraj and Bontis 2012, 262-282; Rahaman 2020, 60–78). Consequently, ICD aids in the stock market participants' understanding of a firm’s overall value-creating activities and the associated risks, making stock prices more efficient and allowing stock market participants to trust the information revealed through prices, thereby leading to a reduction in stock price volatility. In addition, ICD also increases stakeholders' trust in a firm, which results in an increase in sales revenue as well as higher financial returns (Suraj and Bontis 2012, 262-282; Rahaman 2020, 60–78; Isa and Dandago 2021, 139–149; Isa, Murtala and Isa 2022, 307–324).

IC are increasingly viewed in the literature as being crucial to company performance, especially in times of financial and economic crises, as consumer goods firms cannot be successful on the market without a strong customer base (Kaplan and Norton 1992, 71–79; Gijsel 2012, 1-98; Suraj and Bontis 2012, 262-282; Sharabati and Fuqaha 2014, 668–687; Anaso, Hussaini, and Kumshe 2017, 186–194; Isa and Dandago 2021, 139–149). The long-term survival of consumer goods companies is dependent upon meeting market needs through a long-term value creation process (Sim and Koh 2001, 18–27). It is expected that firms, especially consumer goods firms with high ICD, have an effective and efficient HC of loyal and committed employees. A good and strong HC serves as a driver that guides the firm's management to position themselves to better equip their employees with skills and knowledge in order to increase sales and sustain competitiveness. Effective and efficient HC reflects in the company's market share in terms of dedicated employees, which translates into higher units of goods sold. A strong and high market share reflects the satisfaction level of customers, resulting in customer satisfaction and loyalty, which leads to sustainable sales performance and higher financial returns. This further translates to lower uncertainty regarding the firm's future market prospects (Sim and Koh 2001, 18–27; Isa and Dandago 2021, 139–149; Isa, Murtala and Isa 2022, 307–324).

The SC, in terms of strong policies, procedures, systems, databases, and other infrastructure facilities that enable HC (employees) to make use of their acquired knowledge and skills towards wealth creation. Thus, SC is equally vital to consumer goods firms, and the increase in research and development, as well as innovations in product development, are aimed at creating sustainable competitiveness (Bchini 2015, 783–791; Isa and Dandago 2021, 139–149). Thus, a good and strong SC process serves as a driver that guides the firm's management to position themselves for a more efficient and effective manufacturing process. This is achieved through research and development as well as innovations in product development in order to decrease wastage, increase delivery time, and promote and implement efficient manufacturing policies, thereby increasing sales and sustaining competitiveness (Bchini 2015, 783–791). Effective and efficient SC reflects in the company's market share in terms of a decrease in waste and an increase in delivery time, which translates into higher units of goods sold. As a strong and high market share reflects the satisfaction level of customers, resulting in customer satisfaction and loyalty, this leads to sustainable sales performance and lower uncertainty regarding the firm's future market prospects as well as higher financial returns (Sim and Koh 2001, 18–27; Bchini 2015, 783–791).

Also, it is expected that firms, especially consumer goods firms with high ICD, will have more loyal customers. Thus, consumer goods firms should aim to focus on specific strategic RC measures that can please their existing customers and attract new customers because delighting customers and creating a loyal customer base are two of the most critical components of a successful consumer goods company's performance (Bchini 2015, 783–791). RC reflects issues such as customer dissatisfaction resulting often from customer complaints, which leads to a reduction in the firm's market share by a reduction in units of goods sold. Hence, an effective customer-focused consumer goods company sees customer complaints as an opportunity and strategy for improvement. The feedback or complaints from the customers, when adequately and promptly addressed, results in customer satisfaction, profits, and overall performance (Sim and Koh 2001, 18–27; Bchini 2015, 783–791; Isa and Dandago 2021, 139–149).

However, in the past, RC was not a focal point in a firm's management decision-making, as literature posits that product performance and technology were the backbones of business success (Umar 2015, 177–184; Bchini 2015, 783–791). Though research has shown an increasing realization of the importance of good RC in business (Chabrow 2002, 20–22; Holloway 2002, 80; Needleman 2013, 6). Companies are charged in this new competitive era with an increasing need to meet sophisticated customer demand, especially consumer goods firms in the manufacturing industry. As a result, companies are geared not just to meet but to exceed the needs of their customers, and this is feasible with good and strong RC customers (Ittner, Larcker, and Meyer 2003, 725-758; Saccani, Songini, and Gaiardelli 2006, 259–283). Consumer goods firms should invest in becoming customer-focused and market-driven so that they eventually create efficient organizational routines and processes through dedicated, loyal employees that service their clientele well, and this is feasible with a good and strong IC framework (Bontis, Keow, and Richardson 2000, 85–100; Isa and Dandago 2021, 139–149). Hence, the study focuses on the impact of ICD on the performance of listed consumer goods firms in Nigeria using the BSC approach.

1.2 Statement of the Problem

The performance of consumer goods firms is disclosed to the providers of capital and other stakeholders through the financial reports. This, in turn, makes it expedient that the disclosed performance of consumer goods firms reflects the potential for growth and survival in these competitive business environments. Hence, IC is tremendously important to firms operating in this competitive era, as it provides an avenue for firms, especially consumer goods firms, to enhance their performance and sustainability. Research (Chen, Cheng, and Hwang 2005, 159–176; Tseng and Goo 2005, 187–201; Isa and Dandago 2021, 139–149) has shown that firms tend to hold more IC compared to physical assets. As such, disclosure of IC within a firm is equally important as it aids in minimizing the huge difference between the market value of the company and the book value of the company as reported in the financial statements. Nonfinancial performance drivers, when disclosed, enhance performance, as literature (Dumay 2009a, 190–210; Dumay 2009b, 489–503; Andrikopoulos 2010, 180–197; Kong and Ramia 2010, 656–676) posits that there is a clear disconnect between the theoretical abundance of IC literature and the practical implementation of this phenomenon. Therefore, due to the grave importance of IC and ICD by companies the world over, it has been a subject matter that is intensively studied in accounting research. In view of the above, problems still persist in the literature that necessitated the current study.

The fundamental problem is the paucity of literature from developing countries, particularly Nigeria. Studies have been conducted on the impact of ICD on performance (Orens, Aerts, and Lybaert 2009, 1536–1554: EU Countries; Abdulrahman, Hamid, and Rashid 2011, 85–101: Malaysia; Talaromi and Hasan 2013, 3368–3383: Iran; Carla 2015, 486-499: South Africa, Bogdan, Sabău, Beleneşi, Burja, et al. 2017, 125–143: Romania; Ali 2018, 156-167: Jordan, Nurlis 2018, 126-133: Indonesia; Alfraih 2018, 266-281: Kuwait; Subaida, Nurkholis and Mardiati 2018, 125-135: Indonesia; Muryanti and Subowo 2018, 56-62: Indonesia; Luthan, Ayu and Ilmainir 2018, 421-428: Indonesia; Vitolla, Raimo and Rubino 2019, 245-255: Europe; Gomes, Hatane and Devie 2019, 27-35: Indonesia; Widarjo, Rahmawati, Widagdo and Sudaryono 2019, 1-32: Indonesia; Wijayanti, Purwanto and Dwijayanti 2019, 87-103: Indonesia; Astiti, Ratnadi, Putra and Gayatri 2019, 1759-1764: Indonesia; Gultom and Gunawan 2020, 1-15: Association of Southeast Asian Nations (hereafter referred to as ASEAN); Rahman, Sobhan and Islam 2020, 119-129: Bangladesh; Indaryanti, Lestari and Fitriah 2020, 151: Indonesia; Hermawan, Nurasik, Eva, Rahayu, et al. 2020, 1-13: Indonesia; Maesaroh and Mulya 2020, 1-15: Indonesia;

Rahaman 2020, 60-78: Bangladesh, Hatane 2020, 276-304: ASEAN; Rayahu, Mus, Semmaila and Lamo 2021, 1-12: Indonesia). Overall, these studies are based in developed and developing countries, and the results cannot be comparable to those in Nigeria owing to the differences in regulations, data, and economy, thereby necessitating a Nigerian-specific study. Studies (Ahmed and Mubaraq 2012, 184-209; Oba and Bature 2013, 65-80; Ibikunle and Damagum 2013, 65-75; Mubaraq and Ahmed 2014, 144-163; Anifowose, Abdul Rashid, and Annuar 2017, 369-398; Nwaiwu and Nwaekpe 2018, 75-98; Ofurum, Onuoha, and Nwaekpe 2018, 1-24) were conducted in Nigeria but are inadequate. This gap in literature thereby necessitates studies to be conducted more in Nigeria using the BSC approach.

Another germane issue that motivated this study is the existence of sparse empirical research on the impact of ICD on market, sales, and financial performance adopting the BSC approach, as empirical studies adopted mainly the VAIC approach, a self-constructed disclosure index, or a survey approach (Ahmed and Mubaraq 2012, 184–209; Ofurum, Onuoha, and Nwaekpe 2018, 1–24; Ofurum and Aliyu 2018, 24-46; Hatane 2020, 276-304; Rahaman 2020, 60–78; Rayahu, Mus, Semmaila, and Lamo 2021, 1–12). This constituted a research problem because the proxies from the VAIC approach are not substitutes for the BSC approach, as the variables are not the same. Practically, market, sales, and financial performance are very vital indicators of a firm's performance, and more studies will aid firms in understanding the impact of ICD on market, sales, and financial performance by adopting the BSC approach.

Also, most of the studies were conducted in other sectors of the economy (Ahmed and Mubaraq 2012, 184-209: Banking sector; Bogdan, Sabău, Beleneşi, Burja, et al. 2017, 125–143: Knowledge Industries; Astiti, Ratnadi, Putra and Gayatri 2019, 1759–1764: Financial, telecommunications, and pharmaceutical industry companies; Indaryanti, Lestari, and Fitriah 2020, 151: Coal mining subsector companies; Hermawan, Nurasik, Eva, Rahayu, et al. 2020, 1–13: Financial sector and telecommunication companies; Rahaman 2020, 60–78: Pharmaceutical companies; Hatane 2020, 276-304: Industrial technology; Olanrewaju and Msomi 2021, e06712: Insurance companies). As such, the findings from these studies cannot be generalized or adopted in the consumer goods sector owing to the peculiar nature of the disclosure index items.

Finally, most of the previous studies covered an average of a five-year timeframe (Orens, Aerts, and Lybaert 2009, 1536–1554; Abdulrahman, Hamid, and Rashid 2011, 85–101; Carla 2015, 486-499; Ali 2018, 156–167; Vitolla, Raimo, and Rubino 2019, 245-255; Hermawan, Nurasik, Eva, Rahayu, et al. 2020, 1–13; Maesaroh and Mulya 2020, 1–15; Rahaman 2020, 60–78; Rayahu, Mus, Semmaila, and Lamo 2021, 1–12). As such, they failed to assess the impact of ICD over a longer period of time to reveal if the disclosures or impact waned or strengthened over time.

From the foregone, it can be observed that there were gaps to be filled in the existing literature. This study assessed the impact of ICD on the market, sales, and financial performance of listed consumer goods firms in Nigeria, using the BSC approach to address these gaps. In light of the above, this study was aimed at answering the main question: what impact does ICD have on the performance of listed consumer goods firms in Nigeria using the BSC approach? More specifically, the study was aimed at answering the questions: what impact does Human Capital Disclosure (hereafter referred to as HCD), Structural Capital Disclosure (hereafter referred to as SCD), and Relational Capital Disclosure (hereafter referred to as RCD) have on the performance of listed consumer goods firms in Nigeria using the BSC approach?

1.3 Objectives of the Study

The main objective of the study was to assess the impact of ICD on the performance of listed consumer goods firms in Nigeria using the BSC approach. The specific objectives of the study included to:

i. Examine the impact of HCD on the market performance of listed consumer goods firms in Nigeria.
ii. Assess the impact of SCD on the market performance of listed consumer goods firms in Nigeria.
iii. Evaluate the impact of RCD on the market performance of listed consumer goods firms in Nigeria.
iv. Examine the impact of HCD on the sales performance of listed consumer goods firms in Nigeria.
v. Assess the impact of SCD on the sales performance of listed consumer goods firms in Nigeria.
vi. Evaluate the impact of RCD on the sales performance of listed consumer goods firms in Nigeria.
vii. Examine the impact of HCD on the financial performance of listed consumer goods firms in Nigeria.

viii. Assess the impact of SCD on the financial performance of listed consumer goods firms in Nigeria.
ix. Evaluate the impact of RCD on the financial performance of listed consumer goods firms in Nigeria.

1.4 Research Hypotheses

In line with the objectives of the study, the following hypotheses were hereby formulated for testing:

H_{01}: HCD had no significant impact on the market performance of listed consumer goods firms in Nigeria.

H_{02}: SCD had no significant impact on the market performance of listed consumer goods firms in Nigeria.

H_{03}: RCD had no significant impact on the market performance of listed consumer goods firms in Nigeria.

H_{04}: HCD had no significant impact on the sales performance of listed consumer goods firms in Nigeria.

H_{05}: SCD had no significant impact on the sales performance of listed consumer goods firms in Nigeria.

H_{06}: RCD had no significant impact on the sales performance of listed consumer goods firms in Nigeria.

H_{07}: HCD had no significant impact on the financial performance of listed consumer goods firms in Nigeria.

H_{08}: SCD had no significant impact on the financial performance of listed consumer goods firms in Nigeria.

H_{09}: RCD had no significant impact on the financial performance of listed consumer goods firms in Nigeria.

1.5 Scope of the Study

This study was limited to the impact of ICD on the performance of listed consumer goods firms in Nigeria. In line with the above aim, the study covered only the consumer goods firms listed on the Nigerian stock exchange (hereafter referred to as NSE). Consumer goods firms listed on the NSE were chosen alone to enable a sector-specific approach. This approach allowed for control over differences in ICD requirements. This was so because firms competing in a given sector need similar IC assets, employees with similar skills and abilities, and will reflect the same basic ratios. As a result, analysis can be performed on ICD and its impact on performance without worrying about huge variations in HCD, SCD, and RCD indicators (Oyewo, Olowo, and Obanor 2021, 1-32). Furthermore, the consumer goods sector was chosen because they are more prone to seeking alternative ways of enhancing their performance to gain a competitive advantage (Ojeka, Mukoro, Dick, and Kanu 2015, 1–13). Moreover, the nature of business and the format of the financial statements in the consumer goods sector provide ease for ICD because there will be uniformity in the BSC disclosure indicators within the sector.

In terms of the period covered, the study covered a ten-year period in Nigeria ranging from 2009 to 2018. The base year of the 2009 time period was chosen in line with the International Accounting Standard Board (IASB) 2009 proposal. Furthermore, the ceiling year of 2018 was chosen in line with the available current data within the study period. It was, however, important to note that consumer goods firms not listed on the NSE as of December 31, 2009 were not included in this study. Thus, the study employed the BSC approach for disclosure measures for IC. This was achieved by adapting the BSC qualitative (narrative) disclosure index items on IC that were content-analyzed in the annual reports of the sampled consumer goods firms. Therefore, this study examined the impact of ICD on the market, sales, and financial performance.

1.6 Significance of the Study

This study was mainly significant as it added to the body of available literature. This was important because there was limited research undertaken that assessed the impact of ICD on the performance of listed consumer goods firms in Nigeria using the BSC approach. Thus, the research expanded the frontiers of learning in accounting, particularly with regards to disclosure, application, and management of IC. Furthermore, a study on the impact of ICD on the market, sales, and financial performance of listed consumer goods firms in Nigeria using the BSC approach was significant in filling identified gaps in the literature. This was due to the important role that listed consumer goods firms play in the financial system of the country by providing goods for consumption and contributing significantly to the growth of the economy. In addition, the findings of this study are of particular interest to several parties, among which are regulatory bodies, researchers, management teams, business analysts, and users of financial reports.

The findings of the study contributed immensely to both the practical and theoretical aspects of the ICD in annual accounts and reports of firms, especially the listed consumer goods firms in Nigeria. In the theoretical aspect, quite a number of issues were examined relating to prescriptive and emergent theories underpinning ICD, especially the method of reporting, as well as the divergent views relating to the treatment of ICD. Also, the practical significance of this research is manifold. This research was beneficial to employees of listed consumer goods firms because it helped them be better informed regarding the level of ICD by their respective organizations. This gave employees clues as to the level of commitment management has regarding the ICD and allowed them to see vividly any benefit(s) that result from the ICD. The study came up with recommendations that reduce, to the barest minimum, the problems faced in ICD by listed consumer goods firms.

The study provided a better insight into the need for a standard for disclosure of IC. Thus, the study was useful to stakeholders like the International Accounting Standard Board (hereafter referred to as IASB), the International Financial Reporting Standard (hereafter referred to as IFRS), and the Financial Reporting Council (hereafter referred to as FRC). The research also facilitated more debate on the accounting treatment and reporting for IC. The findings of the study were of great interest to users of annual reports, such as investors, financial analysts, customers, creditors, Chief Economic Officers (CEOs), managers, the government, the general public, and a broad range of internal and external stakeholders. For instance, creditors, investors, and other stakeholders determine the non-financial strength of Nigerian consumer goods firms through their level of ICD. Financial analysts also found the findings of the study beneficial, as the study enabled them to know whether consumer goods firms disclose IC or not.

Hence, this research assisted the preparers of financial information to identify ways to report the importance and value of IC in both financial and corporate reporting. In addition, the research also contributed to the work of corporate annual report preparers, standard setters, academics, and students. Also, the findings of this study went a long way toward encouraging prospective investors to pursue the shares of listed consumer goods firms in the Nigerian capital market. Similarly, this study was greatly beneficial to researchers in academia, especially in the areas of policy, as accounting research results have been very fascinated by how intangible assets indicate the magnitude of the performance of consumer goods companies. It aided in further explaining how ICD impacted the market, sales, and financial performance of consumer goods firms in Nigeria using the BSC approach.

1.7 Research Design

The study aligns itself with the positivist paradigm. The positivist paradigm was dependent on quantifiable observations that led to statistical analysis through quantitative data collection and interpretation to establish what was without any form of human interaction within the study. This study thus employed a positivist approach that required problem identification, literature review, research hypothesis development, and application of scientific methods to come up with the results (Creswell and Creswell 2018, 1-275). The study further adopted panel secondary data for ten financial years (2009–2018) from the annual reports and accounts of 16 listed consumer goods firms in Nigeria for performance and content analysis for ICD by using a self-constructed disclosure index based on the disclosure requirement of the BSC approach consistent with prior research (Sunita and Vinita 2013, 35–42; Aminu, Ahmed, and Moutari 2015, 163–166; Ajibolade and Oyewo 2017, 43–64; Oyewo, Olowo, and Obanor 2021, 1-32). The quantitative grading system (hereafter referred to as QGS) index consistent with Kantudu (2006, 1-187) was adapted to measure the extent of ICD. In addition, robustness tests, descriptive statistics techniques, correlation, and multiple regression analyses were applied to assess the impact of ICD on the market, sales, and financial performance of listed consumer goods firms in Nigeria.

In choosing a research design for research work, it was usually based on the nature and problem of the research and how best the research objectives were achieved. The study, therefore, adopted the ex-post facto research design, sometimes referred to as the causal comparative design or the after-fact design. The ex-post facto research design is a research design in which the investigation starts after the fact had occurred without interference from the researcher (Creswell and Creswell 2018, 1-275). It was often applied as a substitute for true experimental research. It tests hypotheses about cause-and-effect relationships or in situations in which it was not practical or ethically acceptable to apply the full protocol of a true experimental design. Lack of direct control of the independent variable and non-random selection of participants are the striking differences between ex-post facto research design and true experimental research design. The independent variable had already occurred when the study was carried out, and for that reason, it was not manipulated by the researcher. The control of the independent variable was made through statistical analysis rather than by direct control of the participants of an experimental research design or by having limitations such as the placebo effect in surveys (Creswell and Creswell 2018, 1-275). The ex-post facto research design was considered appropriate because it identified possible causes and relationships between the dependent variables and the independent variables (Creswell and Creswell 2018, 1-275). The second reason to justify the use of ex-post facto design was that ICD occurred naturally. Thus, it was not practical or possible to ask firms to falsely disclose ICD in their annual reports and accounts, or even if it was possible, such manipulation was ethically unacceptable. Thus, the ex-post facto design was used to establish a relationship between ICD and performance by listed consumer goods firms in Nigeria.

1.8 Population of the Study

The population of the study consisted of the entire 21 listed consumer goods firms on the NSE as of December 31, 2018. The choice of the consumer goods firms was informed by the fact that IC was highly relevant to the consumer goods industry. Also, the industry was selected because of its volume of activities, as it was the only sector to declare above-4% profits despite the recession during the studied year. In addition, it was the 3rd largest contributor to the Nigerian economy (Isa and Dandago 2018, 139–149).

The population table included the consumer goods firms listed on the NSE as of December 31, 2021, as well as their ticker, date of listing, and year of incorporation. Firms listed on the floor of the NSE after December 31, 2018 are hereby not included in the population. The detailed list of consumer goods firms that made up the population is presented in Table 1.1.