



# Breaking Barriers: How Do the Marketing Capabilities of Emerging-Market Micro-Multinationals Drive Social Innovation?

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## Abstract

Despite the increasing importance of social innovation, research seeking to illuminate how firms engage in social innovation in emerging markets is limited. Utilizing survey data from 143 Pakistani micro-multinational firms operating in other emerging markets, this study examined how these firms undertook social innovation practices in host emerging markets. The findings indicate that the social innovation practices of these firms in host emerging markets are influenced by dynamic marketing capabilities. Furthermore, this influence is mediated by social embeddedness in the host market. Moreover, this mediated influence is positively moderated by a socially supportive culture of the host market. The impact of marketing capabilities on value creation in host emerging markets involves the serial mediation of social embeddedness and social innovation practices. The study demonstrates how resource-constrained emerging-market micro-multinational firms can generate value in host emerging markets, thereby validating the efficacy of dynamic marketing capabilities in the context of social innovation in emerging markets. The study also discusses practical and policy implications.

**Keywords** Emerging market · Marketing capabilities · Micro-multinationals · Social embeddedness · Social innovation · Socially supportive culture · Value creation

## 1 Introduction

Social innovation refers to organizational activities or initiatives developed to address the social needs of societies (Crupi et al., 2022; Mulgan, 2006; Nguyen et al., 2023; Phillips et al., 2015). Sometimes, social innovation is subsumed as a form of corporate social responsibility (Adomako & Tran, 2022; Phillips et al., 2015), focusing on how for-profit and non-profit organizations can create value by

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improving social outcomes for a particular community or stakeholder group. For instance, the Community Fridge project in the United Kingdom establishes networks of fridges in community spaces across the country, bringing together businesses such as Tesco and Sainsbury's to supply surplus food to people in need (see <https://www.hubbub.org.uk/the-community-fridge>). In light of the Sustainable Development Goals program of the United Nations (UNDP, 2015), practitioners and policy-makers increasingly advocate for creating social impact beyond economic benefits. Although social innovation practices are more prevalent in developed societies (see systematic reviews by Foroudi et al., 2021; Phillips et al., 2015), they are equally, if not more, important for emerging countries.

Developing countries typically face critical social problems, such as economic inequality, corruption, and poor quality of life. For example, World Vision (2023), a global humanitarian aid and development organization, recently reported that close to 20% of the world's population (about 1.2 billion people) in 111 developing countries lived in multidimensional poverty, including living below the poverty line of USD 2.15/day and lacking access to basic amenities, such as clean water and electricity. Scholars and practitioners assert that social innovation can play a crucial role in addressing such social challenges and creating societal impact by improving standards of living (Babu & Pinstrup-Andersen, 2007; Cezarino et al., 2022).

According to the World Economic Forum (2016), businesses often use social innovation as a means to enter developing markets; one way to do this is by re-designing products to cater to the unique needs of low-income consumers. Therefore, social innovation in emerging markets may involve developing innovative and creative solutions that differ from traditional approaches to innovation (Adomako & Tran, 2022). However, such innovations require suitable and adequate resources, which businesses may not possess. This issue is particularly poignant for micro-multinational corporations (hereafter, mMNCs) from specific emerging markets that operate in other emerging markets; mMNCs are typically resource-constrained and concerned about compromising value creation because they internationalize primarily for growth and profit-maximizing motives.

Despite more research on social innovation and social responsibility practices being undertaken in the internationalization context (Dionisio & de Vargas, 2020; Napier et al., 2023; Rao-Nicholson et al., 2017), scholars lament that research into social innovation by multinational corporations has received little attention (Foroudi et al., 2021; Rygh, 2020). This knowledge gap is even wider in the context of emerging market mMNCs that operate in emerging markets beyond their own country. Yet, mMNCs from emerging markets may possess capabilities useful to operate in emerging market settings (Henisz & Zelner, 2012; Mingo et al., 2018). Emerging economies offer a rich learning and experience context for emerging-market multinationals (Pattnaik et al., 2021). Similarly, arguments are presented in the literature that emerging market MNCs typically handle similar settings or less distant markets better (Hernandez & Guillén, 2018). In particular, a clear omission in research concerning emerging market firms operating in other emerging host markets is the role of the marketing capabilities of a firm in social innovation. This omission is surprising, given that the efficacy of marketing capabilities in driving value creation is well established in other related domains, such as environmental innovation (Yu et al.,

2017). Hence, this study sought to address a research question that relates to the way the marketing capabilities of mMNCs drive social innovation in emerging markets.

Furthermore, research suggests that social embeddedness—the extent to which firms are connected with other actors that may participate in or influence the activities of the firm—may drive social innovation (Adomako & Tran, 2022; Lashitew et al., 2020). Marketing capabilities are described as important dynamic capabilities that enable firms to develop social networks, tap knowledge and competence, and access the resources they lack (Dhanaraj et al., 2004; Heidenreich, 2012). Nordin and Ravald (2023) assert that marketing decisions foster close, dynamic interrelations between actors. These close relationships mitigate the complexity of modern marketing environments by making available a resource network of insights from people or areas around the actors. These studies hint at the existence of a plausible relationship between marketing capabilities and social embeddedness. Thus, by extending the first research question, we sought to determine whether the effects of marketing capabilities on social innovation were mediated by social embeddedness in the host emerging market.

According to Stephan and Uhlaner (2010), a socially supportive culture (SSC) is a society in which people support each other in informal networks to foster a society that cherishes a positive social climate and is oriented toward humane behavior. It can be argued that these societies look favorably on social innovations that advance the cause of the collective society. Moreover, multinational corporations deal with heterogeneous social contexts (Heidenreich, 2012), and culture inevitably shapes strategies and implementation in different environments (Geppert et al., 2003). Hence, whether multinational corporations can socially embed themselves successfully in a host market depends on the supportive culture within which it occurs. The SSC phenomenon is particularly important for understanding the social innovation strategies of mMNCs because these firms require support and appreciation from the host market for their practices if they are to succeed in creating value. Hence, the third and final question of this study addressed how an SSC may moderate the effects of marketing capabilities on social embeddedness and social innovation, a critical issue that no other studies have examined.

In addressing the above three questions, this research contributes to the theory on social innovation and international business literature in the following ways. First, it extends the scant literature on key capabilities of MNCs for social innovation practice (Phillips et al., 2015) and value creation in emerging markets. As demonstrated in Table 1, a review of social innovation research in the international business domain exposed a dearth of scholarly research and empirical studies on this topic. Second, only a small number of studies (e.g., Dimitratos et al., 2003; Lu & Beamish, 2001; Prashantham, 2011) have researched the new breed of small–medium multinational firms called mMNCs, and no study has investigated social innovation. Yet, as the economies of emerging countries develop, mMNCs arising in these markets could be poised to play a key contributing role in social developments (Doh et al., 2023). Likewise, this research demonstrates that mMNCs may be able to create a competitively advantageous position in host markets through social impact and activities (e.g., creating new products and services that are beneficial to society and new business developments with social objectives). Third, our study extends

**Table 1** Selected studies on social innovation in international business context

Authors	Study Type	Findings
Lind et al. (2018)	Conceptual	Knowledge and network power relations of multinational corporations' influence engagement in social innovation
Gladwin and Walter (1976)	Conceptual	Conceptual framework for the response of multinational corporations to pollution control
Eng et al. (2020)	Case study	Personal relationships of social entrepreneurs and accountability of social enterprises influence cause-related marketing for international charities based in the UK
Sinkovics et al. (2014)	Exploratory study based on five case studies	Constraints that Indian firms face in the institutional environment in relation to social value creation by multinational enterprises. The study calls for future research on the capabilities required for social value creation
Dionisio and de Vargas (2020)	Systematic review	The study discusses the evolution of the concept of social innovation and how it differentiates from related concepts, such as corporate social responsibility and corporate shared value
Dionisio and de Vargas (2020)	Topic modelling, co word analysis, and co citation	The paper brings clarity to the terms developed in social innovation knowledge
Lind et al. (2022)	Qualitative content analysis	A framework on the role of multinational corporations in social innovation as value orientation: commercial, social, dual; contributor: knowledge contributor, resource provider, financial supporter, mentor, innovator, political agent, integrated partner; reactive motives: institutional adaptation, stakeholder adaptation; proactive motives: strategic, reputations, cost-benefit, learning orientation; barriers: multiplicity of logics and value frames, lack of knowledge and capabilities, trade-off between social and commercial value, power balance
Jo et al. (2018)	Rural development project case of the Korean multi-industry conglomerate CJ Group in Vietnam	Strategic relationship between corporation and society, community and its residents are critical for creating global corporate social responsibility or shared value activities

dynamic capability theory by demonstrating the efficacy of dynamic marketing capabilities of mMNCs for social innovation in emerging markets. In doing so, we push the boundaries of applicability of the theory, which has been an unexplored domain. Fourth, the study reveals the important roles of social embeddedness and SSC in social innovation practices. Shedding light on these two factors elicits more nuanced explanations for what drives successful social innovation, especially in emerging markets.

The rest of the paper proceeds as follows. First, a review of the literature on social innovation practice will be presented, followed by a description of the research method and data analysis applied. After presenting the findings, we will outline the practical and theoretical implications of the study.

## 2 Literature Review and Hypothesis Development

Social innovation is defined as the design of innovative activities, processes, and services motivated by a desire to address and meet social problems or shortcomings, encompassing poverty alleviation, inequality, and environmental degradation (Bulut et al., 2013; Hagedoorn et al., 2023). As social innovation increasingly garners scholarly attention in fields such as entrepreneurship, innovation, and strategy (Dionisio & de Vargas, 2020; Maldonado-Mariscal & Alijew, 2023), it may entail fostering collaboration with diverse groups and being purely dedicated to addressing social problems, while concurrently centering on vulnerable individuals or groups (Maldonado-Mariscal & Alijew, 2023; Vercher et al., 2023).

The principle of social innovation represents a departure from traditional and profit-driven problem-solving attempts by focusing on developing creative solutions to address social and environmental problems (Bulut et al., 2013; Phills et al., 2008; Tracey et al., 2011). As the focus on social innovation becomes prominent, it is intertwined with social embeddedness and developing marketing capabilities as mechanisms for developing innovative solutions in emerging markets. In summary, the adoption of social innovation can help reorient the strategies of firms to connect with and address social needs, especially in emerging markets. A review of literature on social innovation in the international business context reveals only a handful of studies (see Table 1). Furthermore, very few studies discuss the role of multinational firms in social innovation. The present study considered the role of marketing capabilities of emerging-market mMNCs in social innovation and value creation.

While the efficacy of dynamic capabilities in firm performance has been studied in turbulent market conditions (Tece, 2006, 2007), few studies have examined dynamic capabilities in a supportive/unsupportive culture situation and in relation to social innovation practices. An SSC is a society in which people support each other in informal networks to foster a society that cherishes a positive social climate and is oriented toward humanitarianism (Stephan & Uhlaner, 2010). It is also seen as a measure of social capital in the form of goodwill, fellowship, sympathy, and social intercourse (Hanifan, 1916; Woolcock & Narayan, 2000). The social capital literature extends support for value creation and entrepreneurial activities in SSCs (Adler & Kwon, 2002). An SSC facilitates the entrepreneur's embeddedness in the social

network (Stephan & Uhlaner, 2010). A culture that is supportive of social innovation can manifest in the form of citizen movements that could be formally structured as non-government organizations (NGOs), which are often less constrained than government organizations regarding their support of social innovation practices (Henderson, 1993; Jana Deborah et al., 2022). Hence, it is possible for socially supportive societies to be more favorable and receptive towards social innovation practices than societies that are less supportive.

## 2.1 The Efficacy of Marketing Capabilities on Social Innovation

Marketing capabilities represent intangible resources that empower firms to effectively segment and target the market, implementing creative marketing management processes to gain a competitive advantage over rivals (Khan & Khan, 2021; Nordin & Ravald, 2023). Sensing and opportunity assessment skills, crucial for social innovation (Herrera, 2015), are often acquired through marketing capabilities (Khan, 2020). Some authors assert that marketing capabilities are dynamic capabilities, enabling firms to respond to opportunities arising from changing market needs and counter threats from competitors (Khan & Khan, 2021). This assertion finds support in studies demonstrating that dynamic capabilities, in general, facilitate successful social innovation (Tabaklar et al., 2021; Vézina et al., 2019). While Teece's (2007) discourse on dynamic capability was initially situated in the context of technological innovation, some recent studies have extended its relevance to social innovation (e.g., Tabaklar et al., 2021), reinforcing the perspective that marketing capabilities, as a dynamic capability, are crucial for successful social innovation. This extension to social innovation is unsurprising, considering the established efficacy of marketing capabilities in driving value creation in related domains such as environmental innovation (Yu et al., 2017). The significance of marketing capabilities for social innovation becomes even more critical for mMNCs. Unlike their larger counterparts with greater resources, mMNCs, due to their smaller size, must rely on entrepreneurial and creative capabilities to excel in foreign host markets (Dimitratos et al., 2014; Prashantham, 2011; Shin et al., 2017; Vanninen et al., 2017). However, evidence regarding the performance of this emerging breed of small and medium multinationals is lacking (Dimitratos et al., 2014). To our knowledge, no studies have addressed how the marketing capabilities of mMNCs could influence success in social innovation. Thus, we hypothesize that, for mMNCs operating in foreign host markets:

*H1*: Marketing capabilities positively influence social innovation.

We contend that marketing capabilities in social innovation enable firms to socially embed in a host market, and in turn, social embeddedness leads to successful social innovations. Social embeddedness refers to 'the indissoluble connection of the actor with his or her social surroundings' (Beckert, 2003, p. 769) and facilitates social innovation and value creation by firms (Adomako & Tran, 2022). For example, Hadjikhani et al., (2016) report that internationalized firms draw on their ability to develop effective corporate social responsibility initiatives to form networks,

which consequently increases their commitment towards society and improves their business legitimacy. Likewise, for mMNCs, marketing capabilities facilitate firms to develop social networks, tap into knowledge and competence, and access resources that they lack (Dhanaraj et al., 2004; Heidenreich, 2012).

With reference to the situative perspective of cognition and behavior (Greeno, 1998), Nordin and Ravald (2023) assert that embedding marketing decision-makers in the surrounding environment enables decision-makers to tap into their expertise to foster close, dynamic interrelations between actors. Consequently, these close relationships mitigate the complexity of modern marketing environments by making available a resource network of insights from people or the areas around them. Studies have found that embedding themselves socially and developing networks in foreign host markets are effective ways for international firms to overcome challenges and build innovative capabilities in those markets (Hadjikhani et al., 2016; London & Hart, 2004; Lopez-Vega & Lakemond, 2022). For example, an article by Li and Fleury (2020) asserts that when international firms have poor business networks in a host country, it gives rise to the 'liability of outsidership,' which is more salient than the liability of foreignness. Conversely, firms that succeed in developing strong business networks in host countries are likely to be perceived as less of an 'outsider,' which, in turn, could facilitate their business operations in a country.

Furthermore, the role of marketing capabilities as a dynamic capability in developing social embeddedness is particularly critical for successful social innovation in emerging markets. While emerging markets are an undeniable source of growth for mMNCs, these markets often pose challenges for foreign MNCs, largely because MNCs are unfamiliar with the local culture or business practices, or because of their inability to tap into needed resources. Social embeddedness enables mMNCs to accept, adapt, and capitalize on market heterogeneity, and it stands at the core of their corporate innovation strategies (Beckert, 2003). From a view based on social resources, scholars argue that, in emerging markets, social ties are particularly critical for accessing market-based information (Rivera-Santos et al., 2012) and for value creation (Tate & Bals, 2018). Supported by the above review, we hypothesize that, for mMNCs operating in foreign emerging markets:

*H2: Social embeddedness mediates the influence of marketing capabilities on social innovation.*

## 2.2 The Moderating Effects of a Socially Supportive Culture

Dynamic capabilities prove particularly effective in turbulent environmental conditions because market turbulence presents unforeseen and complex challenges. Firms must demonstrate agility and the ability to respond dynamically to these challenges. While the efficacy of dynamic capabilities in firm performance is well-established (Tece, 2006, 2007), no study, to our knowledge, has examined dynamic capabilities in a situation of supportive or unsupportive culture concerning social innovation. A supportive or unsupportive situation differs from a turbulent one, as the latter may be a periodic occurrence, whereas the former could be largely ingrained as an enduring characteristic of society (Semrau et al., 2016). Drawing on Semrau et al. (2016)

and Stephan and Uhlaner (2010), an SSC refers to a society in which people form networks to support each other, fostering a society that cherishes a positive social climate and is oriented toward humane behavior. In relation to social innovation, SSC can manifest in the form of citizen movements because citizens of a country possess the critical mass needed to influence policies and governance informally yet powerfully to support social innovation (Henderson, 1993). SSC can also involve partnerships between firms and NGOs in host countries that respond jointly to and support social innovation causes (Henderson, 1993; Jana Deborah et al., 2022). Studies have found that an SSC environment is particularly important for fostering entrepreneurial endeavors in social innovations (Makeel et al., 2022; Stephan, 2022).

Consequently, it can be argued that societies with strong SSC would look favorably on social innovations that can advance the cause of the collective society. An SSC culture inevitably shapes the global strategies of multinational corporations and their implementation across different environments (Geppert et al., 2003), implying that the way social embeddedness is constituted and embedded depends on the culture in which it occurs. As Teece (2006) explains, the essence of a multinational corporation is to adapt to and capitalize on cultural heterogeneity in host countries to capture economies by leveraging certain assets it owns. Marketing capabilities are among the assets of firms. In this regard, we extend hypothesis H2 and contend that the ability of firms to form social networks based on their marketing capability depends on whether a firm is operating in a market whose culture supports forming social relationships that benefit the social innovation cause. Thus, the effectiveness of marketing capabilities in enabling firms to socially embed themselves in host markets depends on whether the host markets have a culture of supporting social innovation (Beckert, 2003; Heidenreich, 2012). Similarly, the extent to which the social networks that are formed facilitate social innovation development depends on how supportive the networks are. Hence, we offer this hypothesis:

*H3: SSCs of host emerging markets positively moderate the mediation of social embeddedness on the relationship between marketing capabilities on social innovation.*

### 2.3 Value Creation from Social Innovation

While social innovation is fundamentally grounded in serving social or societal needs, there is ample conclusive evidence that social innovation creates value for the firms offering the innovations (Crupi et al., 2022; Mulgan, 2006; Nguyen et al., 2023; Phillips et al., 2015). According to Maltz and Pierson (2022), multinational corporations that maximize corporate social innovation can improve shareholder value. Similarly, Allal-Chérif et al. (2022) contend that social innovation enables firms to create sustainable value, to grow, and to become more profitable. Hence, the positive influence of social innovation on value creation is established and straightforward. Earlier, in hypothesis H2, we posited the mediating relationship of (marketing capabilities > social embeddedness > social innovation). Social innovation leads to value creation, and in extending H2, we would expect that serial mediation would occur, such that the effects of marketing capabilities on value creation are mediated



by social embeddedness, and then social innovation. That marketing capabilities eventually lead to value creation is confirmed by studies in commercial innovation settings, where it was established that marketing capabilities enable firms to develop effective marketing strategies, which, in turn, create value for the firms (Day, 2011; Nordin & Ravald, 2023; Sun et al., 2019). While no studies have investigated this relationship for social, rather than commercial innovations, it stands to reason that marketing capabilities should apply to social innovation in a similar way. Thus, as a corollary to H2, we posit that:

*H4: The effects of marketing capabilities on value creation are serially mediated by social embeddedness and social innovation.*

Figure 1 illustrates the conceptual model of this study.

### 3 Methods

#### 3.1 Data Collection Process

The data were collected from Pakistani micro-multinational firms practicing an advanced form of internationalization (beyond merely exporting). The cited studies describe mMNCs as small and medium enterprises that control and manage value-added activities through an advanced form of internationalization by conducting business in more than one country (Dimitratos et al., 2003; Lu & Beamish, 2001; Prashantham, 2011). The manufacturing firms were identified from industry and trade directories and the chamber of commerce, Pakistan. We identified firms continuously exporting and marketing their products in foreign markets. Our inclusion criterion was that the firms had to demonstrate advanced commitment in host

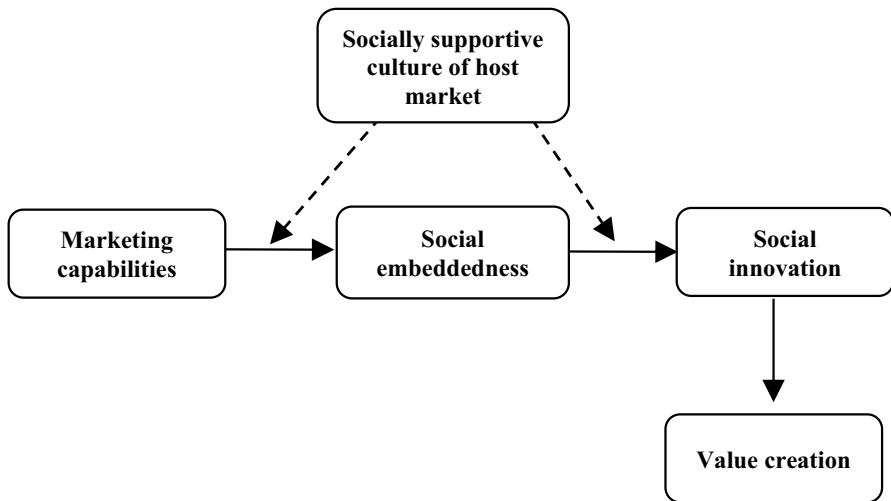


Fig. 1 Conceptual framework of social innovation micro-multinational corporations

markets, particularly through cooperative alliances beyond mere exporting. Anecdotal discussions with managers revealed that many firms in the industry possessed strategic cooperative alliances for gaining market knowledge, resource and capability sharing, sales and distribution, and research and development (R&D) for products and services addressing the societal challenges of the host market. Such cooperative alliances are used for addressing societal problems, as firms have to meet the needs of multiple stakeholders. The current uncertain, volatile, and ambiguous demands require firms not only to seek profit maximization but also to pay attention to societal problems in the markets they operate. In this context, alliances can be useful for resource-constrained emerging market firms, helping them gain valuable commercial and social knowledge for developing both commercial and social innovation. Hence, we applied the criterion of participants having to be micro-multinationals—small and medium enterprises exhibiting greater commitment to internationalization (i.e., cooperative alliances) beyond merely exporting (Dimitratos et al., 2014; Prashantham, 2011; Shin et al., 2017; Vanninen et al., 2017). We also ensured that the firms applied the same mode of internationalization in more than one market.

In Pakistan, small and medium enterprises (SMEs) constitute more than 90% of all firms and contribute to economic growth through export and internationalization activities (DailyTimes, 2021). The sampled firms were all SMEs with fewer than 250 employees, all using strategic cooperative alliances as a mode of operation in three or more markets. Hence, our inclusion criteria met the definition of micro-multinational firms. Given the extensive challenges these firms faced in foreign markets, such as the liability of foreignness, poor quality perceptions due to country-of-origin effects, and lack of resources to respond to complex foreign market needs (Lu & Beamish, 2001; Prashantham, 2011), the firms needed to be agile and responsive to market requirements (Khan, 2020). Pakistan has a huge trade deficit, amounting to USD 240 million (Trading-Economics, 2023). Consequently, micro-multinational firms are under immense pressure to grow their businesses in foreign markets and to establish legitimacy and good reputations in those markets. As emerging markets face institutional voids and grand societal issues that need practitioners' attention (Adomako & Tran, 2022; Lashitew et al., 2020), there is a greater need for social innovation practices in emerging markets than in established ones. As a firm's strategies may differ from one host country to another and to control for country bias, we asked the managers to consider their most important emerging (foreign) market in answering the survey. Our approach was based on expert and senior academic review of and feedback on a survey questionnaire prior to data collection.

Trained research assistants self-administered the survey and collected data in Pakistan. This approach is suggested by numerous studies as being effective for data collection because firms in this market prefer a more personalized form of data collection (Khan et al., 2019; Zahoor et al., 2023). The respondents were senior managers of the firms—one respondent per firm. Given the possibility of common method bias, we applied both analytical and procedural steps to minimize the effect. Regarding our procedural approach, we ensured that the survey was written in simple language. Moreover, we mixed the scales so that respondents could not guess the plausible relationships. We used Lindell and Whitney's (2001) marker variable technique that suggests

including a theoretically unrelated constructs in the survey to examine plausible common method bias. The details of common method bias testing will be reported in the findings section. We identified 280 firms that met the requirement of being micro-multinational firms, of which 114 firms agreed to participate and completed the questionnaire (response rate of 41% approx.). An additional 29 responses were achieved with the help of managers who helped us to snowball the questionnaire in their networks. As a result, our sample size was 143 micro-multinational firms in the manufacturing industry. The average size of the firms in our sample was 176.10 employees. Data were collected in a single wave in the year 2023.

## 3.2 Scales

The survey requested managers to consider their most important (key) foreign emerging markets in answering the questions. This contextualization was important because the social innovation strategies of firms may differ from one market to another. All scales were adapted from those used by other studies.

### 3.2.1 Marketing Capabilities

The respondents were requested to rate five items on a scale from 1 to 7 (where 1 = strongly disagree; 7 = strongly agree). The scale was adapted from Khan and Khan (2021), and respondents were required to rate the marketing capabilities of a firm in its key foreign emerging market in terms of marketing planning, segmenting, creative marketing management strategies, and processes for developing and promoting social innovation.

### 3.2.2 Social Embeddedness

The respondents were requested to rate four items on social embeddedness in the foreign emerging market on a scale from 1 to 7 (where 1 = strongly disagree; 7 = strongly agree). The scale was adapted from a study by Adomako and Tran (2022). The respondents rated the extent of the firm's focus on utilizing the social networks of the foreign emerging market, including locally influential community members and NGOs, to produce and design products.

### 3.2.3 Socially Supportive Culture

The nine items on the scale were adopted from Semrau et al. (2016) and Stephan and Uhlaner (2010). The respondents were requested to evaluate the extent of SSC in their key foreign emerging markets on a scale from 1 to 7, in relation to whether the people are generally concerned and sensitive about others, friendly, generous, tolerant of mistakes, non-aggressive, non-assertive, non-dominant, and tender.

### 3.2.4 Social Innovation

The respondents were requested to rate six items regarding their major social innovation for their foreign emerging market on a scale from 1 to 7 (where 1 = strongly disagree; 7 = strongly agree). The scale was adapted from a study by Adomako and Tran (2022). Specifically, respondents had to rate the extent to which the company develops products that are beneficial to society, serves both material and non-material human needs, solves social problems, improves living standards, and has a social impact.

### 3.2.5 Value Creation

The respondents were requested to rate six items on their value creation in the foreign emerging market on a scale of 1 to 7 (where 1 = worse than competitors; 7 = better than competitors). The scale was adapted from a study by Husted et al. (2015). To operationalize the scale in the context of our study, we requested the respondents to indicate the extent to which a firm has achieved its performance objectives in key foreign emerging markets based on its ability to influence the purchase decisions of customers, developed new businesses with social objectives, obtained new customers, increased profitability, developed new products or services, and opened new markets.

### 3.2.6 Marker Variable

The respondents were requested to rate four items relating to restaurant performance on a scale from 1 to 7 (where 1 = very dissatisfied; 7 = very satisfied). As other research has done (Zhou et al., 2019), this theoretically irrelevant scale was used as a proxy to determine common method bias.

### 3.2.7 Control Variables

Given firm age, size, and R&D employees, which may confound the results of the model, we controlled for these variables in our study.

## 4 Results

### 4.1 Data Analyses

Before commencing hypothesis testing, we conducted several tests on the data. The factor loadings were determined through exploratory analysis using the maximum likelihood technique. All items loaded into their respective scales; the lowest factor loading was 0.731 (see Table 2). We checked for outliers and poor-quality responses before analysis, and finding none, we used the sample as it was.

**Table 2** Exploratory factor analysis

Items	Factor loading
Marketing capabilities: In the key foreign emerging market	
We have marketing planning skills to promote social innovation	0.749
We effectively segment and target communities for social innovation	0.837
We have marketing management skills to promote social innovation	0.775
We develop creative marketing strategies for social innovation	0.742
We have detailed marketing processes for social innovation	0.741
Societal embeddedness: In the key foreign emerging market	
1. We focus on utilising their local social networks to design and produce our products	0.739
2. We focus on strengthening ties with local communities in product designs	0.789
3. We work with non-governmental organisations (NGOs) in our product design	0.797
4. We work with unorthodox partners, such as locally influential community members or small entrepreneurs, in our product design process	0.758
Socially supportive culture: In the key foreign emerging market, people are generally	
1. 1 = Not at all concerned about others; 7 = Very concerned about others	0.783
2. 1 = Not at all sensitive about others; 7 = Very sensitive about others	0.792
3. 1 = very unfriendly; 7 = Very friendly	0.803
4. 1 = Not at all tolerant of mistakes; 7 = Very tolerant of mistakes	0.803
5. 1 = Not generous at all; 7 = Very generous	0.848
6. 1 = Aggressive; 7 = Non-aggressive	0.836
7. 1 = Assertive; 7 = Non-assertive	0.842
8. 1 = Dominant; 7 = Non-dominant	0.792
9. 1 = Tough; 7 = Tender	0.758
Social innovation: Rate the extent of the major social innovation of the firm in the key foreign emerging market	
1. Our company develops new products and services that have social impacts	0.829
2. The value of our new products and services is beneficial to society as a whole	0.868
3. Our new products and services serve both material and non-material human needs	0.863
4. Our company develops new products and services that solve social problems	0.874
5. Our new products and services improve the standard of living	0.866
6. Our company develops new products and services that satisfy social needs and improve living standards	0.831
Value creation: Please indicate the extent of achievement of the following performance objectives in the key foreign emerging market	
1. Influence the purchasing decisions of customers	0.738
2. Develop new businesses with social objectives	0.802
3. Obtain new customers	0.847
4. Increase profitability	0.802
5. Develop new products or services	0.751
6. Open new markets	0.731
Marker variable: Now please rate your level of satisfaction with the restaurant you visited last	
Friendliness of service personnel	0.763
Availability of healthy meals	0.792

**Table 2** (continued)

Items	Factor loading
Cleanliness of the place	0.826
Presentation of meals	0.814

The measurement model also exhibited good fit indices (CFI=0.97; TLI=0.97; RMSEA = 0.04; CMIN/df = 1.23,  $p < 0.01$ ).

All scales were adapted from other studies with adequate reliabilities. The Cronbach alpha for all scales exceeded 0.70 on the threshold of reliability (see Table 3). The average variance extracted was  $> 0.50$ , and greater than the square of correlation between any two constructs. Hence, all measures were discriminately valid (see Table 3).

The marker variable (restaurant performance) did not significantly relate to any of the constructs in our study (see correlations in Table 4). This unrelatedness satisfies the condition for the chosen construct to serve as a marker variable (Lindell & Whitney, 2001).

**Table 3** Descriptive statistics of scales

Variables	Mean (SD)	$\alpha$	AVE	1	2	3	4	5	6
MC	4.83 (1.86)	0.877	0.592	–	<i>0.00</i>	<i>0.038*</i>	<i>0.100**</i>	<i>0.066**</i>	<i>0.005</i>
SSC	3.46 (1.23)	0.943	0.651		–	<i>0.004</i>	<i>0.011</i>	<i>0.026</i>	<i>0.003</i>
SE	4.82 (1.25)	0.853	0.595			–	<i>0.151**</i>	<i>0.144**</i>	<i>0.015</i>
SI	4.77 (1.29)	0.942	0.732				–	<i>0.359**</i>	<i>0.005</i>
VC	4.92 (1.10)	0.901	0.608					–	<i>0.007</i>
RP	4.12 (1.12)	0.875	0.639						–

Square of correlations reported in italics

MC marketing capabilities, SSC socially supportive culture, SE societal embeddedness, SI social innovation, VC value creation, RP restaurant performance (marker variable)

\*\*\*Represent significance of the correlation values at 0.05 and 0.01 levels respectively

**Table 4** Correlation table

Variables	1	2	3	4	5	6
1. MC	–	<i>–0.017</i>	<i>0.196*</i>	<i>0.317**</i>	<i>0.257**</i>	<i>–0.072</i>
2. SSC		–	<i>–0.067</i>	<i>–0.104</i>	<i>–0.162</i>	<i>–0.055</i>
3. SE			–	<i>0.388**</i>	<i>0.379**</i>	<i>–0.124</i>
4. SI				–	<i>0.599**</i>	<i>–0.068</i>
5. VC					–	<i>–0.086</i>
6. RP						–

MC marketing capabilities, SSC socially supportive culture, SE societal embeddedness, SI social innovation, VC value creation, RP restaurant performance (marker variable)

\*\*\*Represent significance at 0.05 and 0.01 levels respectively

Next, we took the lowest correlation of a construct with the marker variable to adjust the correlations between any two main constructs. The adjusted correlations that were significant prior to adjustment remained significant, except for one that can be considered significant at  $p < 0.10$ . The findings collectively provide evidence for lack of common method bias (Piercy et al., 2006).

Endogeneity arises when a predictor variable is significantly correlated with the error term of the dependent variable (Ebbes et al., 2021; Rutz & Watson, 2019). As endogeneity may confound the results, giving potentially misleading findings, we systematically examined potential endogeneity problems in two ways. First, we computed the residuals for each regression (using SPSS v28 software). All correlations between the predictor variables and the error terms of the dependent variables were found to be insignificant (all  $p > 0.602$ ). Next, employing the Gaussian copula approach (Eckert & Hohberger, 2023; Park & Gupta, 2012), we determined that all Gaussian copulas were statistically insignificant (all  $p > 0.099$ ) for the moderated mediated model, as illustrated in Fig. 1 (utilizing Smart-PLS v4 software). Consequently, we conclude that endogeneity was absent in our model.

## 4.2 Hypothesis Testing

To analyse H1–H3 (i.e., moderated mediation hypothesis), we used Process Macro 58 (moderated mediation model) using 5 000 bootstrap samples with a 95% confidence interval. The process macros are widely adopted by international business studies to examine moderated mediation effects (Grappi et al., 2020; Kwok et al., 2019). Specifically, the macro 58 is used when moderation between an independent variable and mediator, as well as between a mediator and outcome variable, must be examined. Furthermore, for H4, we used Process Macro 6 to examine the mediation-only model for determining the mediating effects on value creation. It generates confidence intervals which are very precise, hence, the model demonstrates precision and predictive validity (Nayak et al., 2021). The results of the moderated mediation model are reported in Table 5 and Table 6.

The results in Table 5 shows that marketing capabilities positively influence social innovation ( $\beta = 0.245$ ; LLCI = 0.089; UCLI = 0.401). Hence, we accept H1. The direct regressed influence of marketing capabilities on social innovation is positive and significant ( $\beta = 0.332$ ,  $p < 0.01$  level). While the effects of marketing capabilities remained significant on social innovation in the presence of social embeddedness, the effect size was reduced ( $\beta = 0.245$ ; LLCI = 0.089; UCLI = 0.401). Moreover, the effects of social embeddedness are positive and significant ( $\beta = 0.352$ ; LLCI = 0.192; UCLI = 0.511). Furthermore, we ran the Process Macro 4 to check the indirect effects (i.e.,  $\beta = 0.071$ ; LLCI = 0.008; UCLI = 0.148). Hence, we can accept H2, which hypothesises that social embeddedness mediates the influence of marketing capabilities on social innovation.

Marketing capabilities interact with SSC to influence social embeddedness ( $\beta = 0.199$  at  $p = 0.047$  level), and social embeddedness interacts with SSC to influence social innovation ( $\beta = 0.138$  at  $p < .10$  level). Other studies have used the  $p < 0.10$  level to examine interactive effects (Khan, 2020; Zhou et al., 2019).

**Table 5** Moderated mediation (process model 58)

Variables	Social embeddedness			
	$\beta$	p-value	LLCI	ULCI
MC	0.196	0.016	0.037	0.356
SSC	-0.059	0.456	-0.215	0.097
MC X SSC	0.199	0.047	0.002	0.396
Controls				
Firm age	0.289	0.426	-0.427	1.00
Firm size	-0.006	0.092	-0.012	0.001
R&D employees	0.042	0.462	-0.071	0.155
<b>SSC</b>	<b>B</b>	<b>p-value</b>	<b>LLCI</b>	<b>ULCI</b>
Low	-0.011	0.930	-0.268	0.245
Moderate	0.169	0.040	0.008	0.330
High	0.408	<0.01	0.142	0.674
Social innovation				
	<b>B</b>	<b>p-value</b>	<b>LLCI</b>	<b>ULCI</b>
MC	0.245	<0.01	0.089	0.401
SE	0.352	<0.01	0.192	0.511
SSC	-0.085	0.264	-0.235	0.065
SE X SSC	0.138	0.090	-0.021	0.297
Controls				
Firm age	-0.257	0.453	-0.934	0.419
Firm size	0.001	0.671	-0.004	0.008
R&D employees	-0.100	0.068	-0.208	0.008
Socially supportive culture				
	<b>B</b>	<b>p-value</b>	<b>LLCI</b>	<b>ULCI</b>
Low	0.208	0.085	-0.029	0.446
Moderate	0.332	<0.01	0.171	0.495
High	0.498	<0.01	0.273	0.723

MC marketing capabilities, SSC socially supportive culture, SE societal embeddedness, LLCI lower limit confidence interval, ULCI upper limit confidence interval

**Table 6** Moderated mediation effects

Social innovation			
Variables	B	LLCI	ULCI
Direct effect	0.245	0.089	0.401
Conditional indirect effects (MC → SE → SI)			
Low SSC	-0.002	-0.094	0.062
Moderate SSC	0.056	-0.002	0.128
High SSC	0.203	0.051	0.424

MC marketing capabilities, SSC socially supportive culture, SE societal embeddedness, SI social innovation, LLCI lower limit confidence interval, ULCI upper limit confidence interval



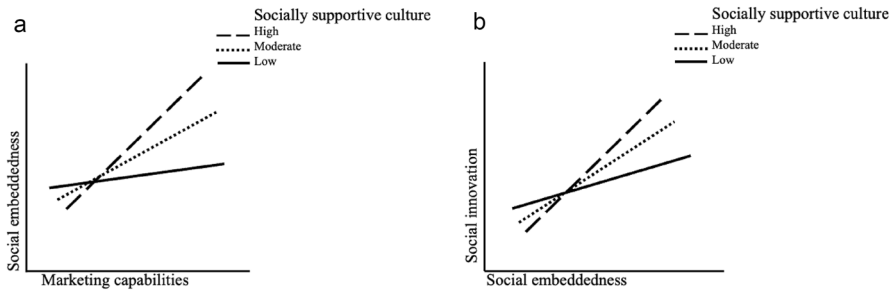


Fig. 2 Moderation plot

Furthermore, the conditional effects and moderation plots in Fig. 2, at low, moderate and high levels of SSC, clearly demonstrate significant moderation effects. The effects of marketing capabilities on social embeddedness are significant under moderate ( $\beta=0.169$ ;  $LLCI=0.008$ ;  $UCLI=0.330$ ) and high ( $\beta=0.408$ ;  $LLCI=0.142$ ;  $UCLI=0.674$ ) SSC conditions. The moderation plot in Fig. 2a clearly depicts this moderating effect. The effects of social embeddedness on social innovation are significant under moderate ( $\beta=0.332$ ;  $LLCI=0.171$ ;  $UCLI=0.495$ ) and high ( $\beta=0.498$ ;  $LLCI=0.273$ ;  $UCLI=0.723$ ) SSC conditions. The moderation plot in Fig. 2b attests to this moderating effect. The results in Table 6 show that the conditional indirect effects (MC  $\rightarrow$  SE  $\rightarrow$  SI) are positive and significant under high SSC conditions ( $\beta=0.203$ ;  $LLCI=0.051$ ;  $UCLI=0.424$ ). These results confirm that the mediation effect is positively moderated by SSC. Hence, we accept the postulation in H3.

Table 7 shows the results for the direct effects and mediation-related hypothesis. The first criterion for mediation is that the relationship between the independent variable (i.e. marketing capabilities) and the mediator (i.e. social embeddedness) and that of the independent variable (i.e. marketing capabilities) and mediating variable (i.e. social embeddedness) with the second mediator in the model (i.e. social innovation) should be significant. The results show that marketing capabilities positively impact social embeddedness in host emerging markets ( $\beta=0.193$ ;  $LLCI=0.032$ ;  $ULCI=0.354$ ). The effects of marketing capabilities on social innovation ( $\beta=0.261$ ;  $LLCI=0.106$ ;  $ULCI=0.417$ ) and the effects of social embeddedness on social innovation ( $\beta=0.366$ ;  $LLCI=0.206$ ;  $ULCI=0.525$ ) are also significant.

The second criterion for mediation is that the effects of the independent variable on the dependent variable is reduced in the presence of the mediator, and the mediator should have a positive effect on the dependent variable. The total effects of marketing capabilities on value creation are positive and significant ( $\beta=0.263$ ;  $LLCI=0.102$ ;  $ULCI=0.425$ ). The effects of marketing capabilities on value creation are insignificant in the presence of social embeddedness ( $\beta=0.157$ ;  $LLCI=0.009$ ;  $ULCI=0.305$ ) and social innovation ( $\beta=0.501$ ;  $LLCI=0.354$ ;  $ULCI=0.647$ ). Both social embeddedness and social innovation have positive effects on value creation. This fulfils the criteria for mediation. Table 8 shows that the direct effects of marketing capabilities on value creation are insignificant ( $\beta=0.067$ ;  $LLCI=-0.074$ ;

**Table 7** Mediation model (process model 6)

Construct	SE			SI			VC		
	B	p-value	ULCI	B	p-value	ULCI	B	p-value	ULCI
MC	0.193	0.019	0.354	0.261	<0.01	0.106	0.417	0.347	-0.074
SE				0.366	<0.01	0.206	0.525	0.038	0.009
SI								<0.01	0.354
Controls									
Firm age	0.185	0.603	0.886	-0.126	0.709	-0.793	0.541	0.822	-0.644
Firm size	-0.005	0.115	0.001	0.001	0.665	-0.005	0.008	0.048	-0.011
R&D employee	0.040	0.484	0.154	-0.109	0.048	-0.217	-0.001	0.963	-0.097

MC marketing capabilities, SSC socially supportive culture, SE societal embeddedness, SI social innovation, VC value creation, LLCI lower limit confidence interval, ULCI upper limit confidence interval

**Table 8** Direct, total and indirect effects

Variables	$\beta$	LLCI	ULCI
Total Effect of MC on VC	0.263	0.102	0.425
Direct effect of MC on VC	0.067	-0.074	0.207
Indirect effects			
MC $\rightarrow$ ES $\rightarrow$ VC	0.030	-0.002	0.092
MC $\rightarrow$ SI $\rightarrow$ VC	0.131	0.049	0.232
MC $\rightarrow$ ES $\rightarrow$ SI $\rightarrow$ VC	0.035	0.003	0.081
Total indirect effect	0.197	0.090	0.329

MC marketing capabilities, SSC socially supportive culture, SE societal embeddedness, SI social innovation, VC value creation, LLCI lower limit confidence interval, ULCI upper limit confidence interval

ULCI=0.207). The indirect effects reveal that social innovation is a mediator between marketing capabilities and value creation:  $MC \rightarrow SI \rightarrow VC$  ( $\beta=0.131$ ; LLCI=0.049; ULCI=0.232), while social embeddedness by itself does not mediate:  $MC \rightarrow SE \rightarrow VC$  ( $\beta=0.030$ ; LLCI=-0.002; ULCI=0.092). However, the sequential mediation of social embeddedness and social innovation is positive and significant:  $MC \rightarrow SE \rightarrow SI \rightarrow VC$  ( $\beta=0.035$ ; LLCI=0.003; ULCI=0.081). The total indirect effect of the model is positive and significant ( $\beta=0.197$ ; LLCI=0.090; ULCI=0.329), which provides support for mediation effects. Hence, collectively, the mediation results lend support to H4, which states that the effects of marketing capabilities on value creation are serially mediated by social embeddedness and social innovation.

## 5 Discussion

Despite a substantial body of research on social innovation, a gap persists in the literature regarding the way firms engage in social innovation in host emerging markets. Guided by this gap, the primary objective of this study was to examine how the marketing capabilities of mMNCs drive social innovation in host emerging markets. By drawing on survey data gathered from 143 Pakistani micro-multinational firms operating in emerging markets outside Pakistan, we made several key observations. The study provides support for our theoretical contention that dynamic marketing capabilities influence the social innovation practices of micro-multinational firms in resource-constrained host emerging markets. Additionally, we observed that the effect of marketing capabilities on value creation in host emerging markets involves the serial mediation of social embeddedness and social innovation practices.

### 5.1 Theoretical Implications

The study offers several contributions to international business research on social innovation in emerging markets. First, by building on prior research on dynamic capability (Baden-Fuller & Teece, 2020; Teece et al., 1997, 2016), this research

illuminates the effects of social embeddedness and social innovation on value creation in emerging host markets. Thus, the present study contributes by demonstrating the efficacy of dynamic marketing capability in steering social innovation and value creation by emerging-market micro-multinational firms. Furthermore, prior research in social innovation stresses the importance of social resources (London & Hart, 2004; Maak, 2007; Tate & Bals, 2018), and the role of social embeddedness (Adomako & Tran, 2022). However, the current stream of research has failed to demonstrate how multinational corporations establish social embeddedness in emerging markets for the purpose of social innovation and value creation. In this regard, the study validates the importance of marketing capabilities for social embeddedness.

In addition, while there is a growing body of research on social innovation, limited scholarly attention has been paid to firms in the context of emerging markets. Addressing this gap is particularly important, given that emerging economies face constraints such as weak legal enforcement mechanisms, a high level of government bureaucracy, and low availability of financial credit (Amankwah-Amoah et al., 2019). By capitalizing on data from 143 Pakistani micro-multinational firms operating in other emerging markets, this study addresses an important gap in the literature by highlighting the effects of dynamic capability on fostering social innovation in the resource and institutionally constrained setting of mMNCs in host emerging markets. Because such societies tend to promote goodwill, fellowship, sympathy, and social intercourse (Woolcock & Narayan, 2000), value creation could be increased even further through social innovation. Given that such societies possess a greater orientation to humanitarianism and low assertiveness, the climate in such societies is for people to support each other (Stephan & Uhlaner, 2010). Despite the increasing importance of social innovation and the vital roles played by multinational corporations in emerging markets (see Dionisio & de Vargas, 2020), few studies have examined the role of multinational corporations in social innovation (Dionisio & de Vargas, 2020; Eng et al., 2020; Gladwin & Walter, 1976; Lind et al., 2018, 2022). By examining social innovation, this study also contributes to ongoing scholarly discourse (e.g., Sharmelly & Ray, 2021) on various types of innovation by multinational corporations in emerging markets. Doing so goes a long way in providing additional insight into the role of multinational corporations in addressing social problems (Doh et al., 2023).

## 5.2 Practical and Policy Implications

From a managerial standpoint, our findings indicate that managers should focus on developing key marketing skills that can help them identify influential networks facilitating social innovation in host emerging markets. In addition, this study identifies a vital role for dynamic marketing capabilities in advancing social innovation practices in host emerging countries. Accordingly, managers should develop marketing agility for social innovation practices, enabling them to identify cultures that will be more socially supportive and receptive to social innovation practices. Given that mMNCs are generally resource-constrained and

concerned about value creation for firms, they should invest in marketing skills to identify potential markets (supportive cultures) for social innovation practices. The findings imply that when firms have a better sense of the market plan, targeting, and promotional and distributional channels for socially innovative products and service offerings, they will be more capable of creating value for the business. It is through marketing skills and capabilities that firms will be able to integrate into influential groups of local societies, such as NGOs in emerging markets, informing their social innovation practices.

Policymakers in emerging markets (e.g., formal institutions such as government and non-formal institutions such as NGOs) should provide informational knowledge and networks to firms to facilitate social innovation practices. By doing so, the host market will not only facilitate the creation of social impact but will also welcome and support foreign firms (i.e., mMNCs) so that they can contribute to the host society by creating products that are beneficial for society while also creating value for the business.

### 5.3 Limitations and Directions for Future Research

Despite the valuable contributions outlined in this study, limitations were experienced and can be addressed by future studies. First, a limitation of the present study pertains to the small sample size ( $n = 143$ ) of Pakistani micro-multinational firms operating in emerging markets. The focus on a single country was also a limitation of the study. These limitations present an opportunity for future research to recruit a much larger sample and to include businesses in other countries in the region to help gauge the generalizability of the findings. Future studies can consider other important dynamic capabilities, such as sensing, seizing, reconfiguring, and absorptive capacity for social innovation. Given that NGOs play a role in social innovation activities, another possible domain to which the investigation can be extended is understanding how mMNCs can couple with NGOs and the role of NGOs in activism relating to social innovation in emerging markets. Future studies can also consider the role of institutional factors, such as institutional support and the orientation of mMNCs towards becoming involved in social innovation in emerging markets. The study used survey data. Future studies can consider a mixed method approach because interviews can distil further information on the phenomenon being studied.

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### Declarations

**Conflict of Interest** There are no financial or non-financial interests that are directly or indirectly related to the work submitted for publication.

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