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Effect of Strategic Management on Financial Performance

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***Abstract* – This study examines the effect of strategic management practices on the financial performance of listed manufacturing firms in Nigeria. The research was motivated by inconsistent empirical findings and limited studies integrating strategic position, cost-leadership, differentiation, and strategic control within the Nigerian context. An ex post facto design was adopted, utilizing secondary data extracted from annual reports of 55 manufacturing firms listed on the Nigerian Exchange between 2014 and 2023. Return on Assets (ROA) was used as the proxy for financial performance, while strategic position, cost leadership, differentiation, and strategic control served as the independent variables, with gross profit as a control variable. The panel data were analyzed using Panel Least Squares, Fixed Effects, and Random Effects models, with the Hausman test guiding model selection. Findings reveal that strategic position, cost-leadership strategy, and strategic control significantly and positively influence financial performance, whereas differentiation strategy shows an insignificant effect. The results highlight the importance of competitive positioning, cost efficiency, and robust control mechanisms in driving profitability among manufacturing firms in Nigeria. The study concludes that firms should adopt an integrated strategic management approach to improve financial outcomes and sustain long-term competitiveness. It recommends that management prioritize cost-focused strategies, continuous environmental assessment, and effective monitoring frameworks to strengthen performance. Future studies may incorporate additional governance and macroeconomic variables to enhance explanatory power and provide broader insights.**

***Keywords* – Strategic management, cost-leadership, strategic position, strategic control, differentiation strategy, financial performance.**

I. INTRODUCTION

The business environment has undergone significant changes driven by globalization, technological growth, regulatory demands, corporate social responsibility, and competitive pressures. On a micro level, firms face shifting consumer demands, short product life cycles, and the need for customized offerings. For organizations to remain competitive, they must adapt through strategic thinking and reliable financial information that shows financial performance, which support decision-making and long-term sustainability (Imo, 2022; Pasch, 2019; Aaltola, 2019). Financial performance, viewed as a firm's overall financial health, reflects its ability to generate revenue, meet obligations, and create value for stakeholders. Key indicators include profitability, liquidity, solvency, and efficiency, often measured through financial statements (Adejuwon & Adejuwon, 2022; Ogunsanwo, 2019; Onyekwelu, 2020). Research emphasizes financial performance because of its influence on organizational survival and competitiveness, especially in service industries where customer satisfaction, service quality, and governance play central roles (Odia, 2019; Almashhadani & Almashhadani, 2023). Strategic management enhances performance by aligning organizational goals with internal strengths and external factors, enabling firms to navigate market dynamics, technological changes, and customer needs effectively (Johnson et al., 2009; Addae-Korankye & Aryee, 2021).

In today's globalized and highly uncertain market environment, the importance of strategy has become more critical than ever. Firms that enter competitive markets face the immediate challenge of survival, as studies reveal that about one-third of new European firms fail to survive their second year, while between 50% and 60% do not last beyond seven years (Islami et al., 2020). This reality highlights the growing necessity for organizations to adopt effective strategic management practices that can help them maintain their market positions, expand their market share, and improve profitability.

Despite its importance, research on the influence of strategic management on firm performance in Nigeria, particularly within the manufacturing sector, remains limited. Previous studies have primarily focused on the relationship between strategic management and competitive advantage or strategic management accounting in developed and emerging markets, with only a few addressing the Nigerian context. Even where such studies exist, they often center on small and medium-sized enterprises (SMEs) rather than quoted manufacturing firms (Odia, 2018; Monday et al., 2015). Moreover, empirical findings remain mixed, with some studies establishing a significant link between strategic management and performance (Agaba et al., 2023; Agwu, 2018), while others report no such relationship (Adejuwon, 2018; Kirigo & Wallance, 2019).

Furthermore, the literature often treats strategic management practices such as strategic position, strategic choice, and strategic control as isolated elements rather than as part of an integrated framework (Johnson et al., 2009; Kazmi, 2010). Hardly any study has examined these

components collectively alongside cost-leadership and differentiation strategies. Given these gaps, this study aims to investigate the causal relationship between strategic management practices—specifically strategic position, cost-leadership, differentiation, and control strategies—and the financial performance of listed manufacturing firms in Nigeria.

II. FIRM FINANCIAL PERFORMANCE

Firm financial performance refers to the evaluation of a company's ability to generate revenue and profit, manage its resources efficiently, and sustain growth over time (Kambu, 2020). It is typically measured through a range of financial indicators, including profitability (net profit margin), liquidity (current ratio), solvency (debt-to-equity ratio), and operational efficiency (return on assets). Financial performance provides insights into a company's overall financial health, its capacity to meet short-term obligations, and its ability to generate long-term value for shareholders and stakeholders. Strong financial performance signifies effective financial management, whereas poor performance may indicate inefficiencies or financial distress, highlighting the need for corrective actions or strategic changes (Gleason et al., 2024).

Strategic Management

Strategic management originated in the 1980s. This is evident in the various definitions of strategic management provided by different authors, such as Glueck and Jauch (1984), Ansoff (1984), where strategy extends beyond strategic management, as evidenced by the definition by Chandler (1962). Glueck and Jauch (1984) define strategic management as the process of strategic decision-making and provide a theoretical framework for business policy. It addresses questions regarding the selection of businesses in which shareholders should engage how a firm's activities can contribute to its competitive advantage and enhance performance (Agaba & Turyasingura, 2022).

It involves business analysis, strategic position, strategic choice, implementation of chosen strategies, life cycle models, the Boston Consulting Group matrix, critical success factors for products and services, customer relationship management, value chain analysis, cost efficiency, strategic capability, resource audits, the strategic clock, strategies in hypercompetitive conditions, development methods, forecasting tools for strategic planning, assessment of business strategies, and the selection and implementation of functional strategies (Agaba et al., 2023; Institute of Chartered Accountants of Nigeria [ICAN], 2019). In addition, Johnson et al. (2009) considered strategic management as process that involves strategic position, strategic choices, putting chosen strategies into action and employing strategic control in order to achieve organizational goals and have competitive advantages over its competitor and sustainable growth (ICAN, 2019).

Strategic Position

Johnson et al. (2009) explained that strategic position involves assessment of environment where firm operates; strategic capability of the firm; and expectations of shareholders and other stakeholders. Firm's environment is either internal or external. Internal environment is the environment of a firm which can be controlled by firm. The analysis reviews its strengths and weaknesses of the firm. The strengths are those resources (man, methods, machinery, money, and materials) that management uses to achieve its goals and objectives while weaknesses are those resources (man, methods, machinery, money, and materials) that firms lack, which hinder firm to achieve its goals and objectives. External environment is the firm's environment which cannot be influenced by the firm. The analysis of the firm's external environment involves an analysis of the threats and opportunities that seem to exist. Threats are circumstances or developments in the environment that could threaten the ability of the firm to accomplish its goals; while opportunities are developments that might be exploited to improve the ability of the firm to achieve its goals. These developments would be Political in nature, or Economic, Socio-cultural, Technological, Environment and Legal, (PESTEL). This is in agreement with argument of Cheong and Hoang, (2021), ICAN (2019) and Otieno et al. (2018).

Strategic Choices

According to Nsirim (2022), strategic choice is commonly perceived as a practice involving the selection of the most favorable course of action from available options, typically focused on assessing various unique alternatives. This is in agreement with Porter (1980), Tukamuhebwa et al. (2022); and Agaba and Turyasingura (2023). According to them, three dimensions are involved in strategic choice: generating strategic alternatives, evaluating opportunities, and selecting a strategy. Strategy selection is the final step in determining the options the organization will pursue. Often, the chosen course of action is a matter of managerial judgment. It is important to recognize that decision-making during the selection process cannot be entirely logical or objective. The values of managers and other stakeholders with vested interests in the organization often strongly influence the strategy chosen. This reflects the organizational power structure. This is also conformed to the argument in ICAN (2019). Porter (1980) further divided strategic choice into three, namely cost leadership, differentiation, and focus. For the purpose of this study, we focus only on cost-leadership and differentiation.

Cost-Leadership Strategy

In cost leadership, an organization's objective is to become the low cost producer in its industry. The foundations of cost advantage can be varied and many depend on the nature of the industry (Achieng & Ngala, 2019; Porter, 1980). These may be due to economies of scale, proprietary technology, preferential access to raw materials, and many more. A low cost producer usually establishes and takes advantage of all sources of cost advantage (Achieng &Ngala, 2019). The assumption is that when an

organization achieves and sustains overall cost leadership, then it will have above average performance in its industry, as long as it can command prices at or near the industry average (Otieno et al., 2018; Porter, 1980). Overall cost leadership requires organizations to develop policies aimed at becoming and remaining the lowest-cost producer and/or distributor in the industry.

Differentiation Strategy

Differentiation strategy can be defined as the designed set of actions to products goods and services that customers perceive as being different in ways that are important to them (Achieng & Ngala, 2019; Porter, 1980). With a differentiation strategy the organization develops product or service features which are different from competitors', that are enticing to customers and functional, customer support and product quality (Wambaka & Adegbuyi, 2021). Differentiation includes manufacturing products or offering services unique in relation to and more appealing than those of competitors ((Ekeagbara et al., 2019; Porter, 1980). In a differentiation strategy an organization's aim is to be unique in the industry along some parameters that are widely valued by buyers.

Strategic Control

Strategic control is a critical component of strategic management that highlights the importance of assumptions underlying a formulated strategy. These assumptions are often linked to dynamic and eventful environmental and organizational factors (Githinji et al., 2024). Typically, there is a significant time lag between when a strategy is developed and when it is implemented, and the implementation process itself can be time-consuming. As Kazmi (2010) explains, strategic control focuses on addressing the evolving assumptions that shape a strategy, continually assessing its relevance during implementation, and making adjustments to meet changing requirements (Iradukunda & Irechukwu, 2023). Unlike post-action controls, which evaluate outcomes only after a strategy has been executed, strategic controls act as proactive mechanisms, serving as early warning systems. These controls are broadly categorized into premise control, implementation control, surveillance control, and special alert control (Basma et al., 2024; Iradukunda & Irechukwu, 2023).

Premise control ensures that the critical assumptions underlying a strategy—such as those related to environmental conditions, industry dynamics, competition, and organizational factors—remain valid. By regularly testing these assumptions, premise control helps strategists detect inaccuracies early, enabling timely corrective action rather than continuing with a flawed strategy (Murunga & Deya, 2022; Iradukunda & Irechukwu, 2023). Implementation control is designed to evaluate whether the firm's plans, programs, and projects are effectively guiding it toward its objectives. This process involves identifying and monitoring strategic thrusts, which can help determine the likelihood of success for initiatives such as diversification (Murunga & Deya, 2022). Strategic surveillance provides a broader, more generalized form of control. It monitors events both within and outside the organization that could threaten the strategic course. This overarching mechanism ensures the firm remains alert to potential disruptions and can respond appropriately (Iradukunda & Irechukwu, 2023).

Review of Theories

The relationship between strategic management and financial performance can be understood through several complementary theoretical lenses. Agency Theory highlights the potential conflict between owners and managers, stressing the importance of governance mechanisms in aligning interests, ensuring accountability, and enhancing firm outcomes (Jensen & Meckling, 1976). Resource-Based Theory shifts attention inward, proposing that sustainable competitive advantage arises from a firm's unique, valuable, rare, inimitable, and non-substitutable resources, which drive superior performance (Barney, 1991). Complementing this, Porter's Generic Competitive Strategies explain how firms can translate their resources and strategic choices into competitive positioning—either through cost leadership, differentiation, or focused strategies—to outperform rivals (Porter, 1980, 1985).
However, the effectiveness of these strategies depends on context, as Contingency Theory argues that no single approach guarantees success.

Instead, strategic choices and governance structures must align with internal and external contingencies, such as industry dynamics, regulatory environments, and leadership style, to yield optimal results (Fiedler, 1964). Finally, the Balanced Scorecard offers a comprehensive framework for evaluating strategic performance, broadening measurement beyond financial indicators to include customer satisfaction, internal processes, and learning and growth. Collectively, these theories demonstrate that strong governance, unique resources, strategic positioning, contextual alignment, and balanced performance measurement are all critical in linking strategic management to improved financial outcomes (Kaplan & Norton, 1996).

Strategic Management and Firm Financial Performance

Studies consistently show that strategic management enhances firm performance across sectors. Evidence from SACCOs in Uganda (Agaba et al., 2023), banks in Nigeria (Itafe & Itohan, 2023), SMEs in Ghana (Addae-Korankye & Aryee, 2021) and Pakistan (Ali et al., 2021), as well as firms in Croatia (Vinšalek-Stipić, 2021), confirm that strategic planning, formulation, and implementation positively influence competitiveness, growth, and profitability, though outcomes may vary by context and execution.

Strategic Positioning and Financial Performance

Research emphasizes that positioning strategies significantly improve profitability and growth. In Kenya, banks and MFIs that adopt innovative digitalization,

differentiation, and customer focus achieve stronger performance (Hussein & Sije, 2023; Kapukha & Makau, 2023). At a global scale, hybrid positioning (mix of cost leadership and differentiation) enhances firm success, especially in highly competitive environments (Tessarolo et al., 2023). Similar evidence from Mombasa banks shows product and market positioning strengthen organizational outcomes (Okeyo & Lewa, 2020).

Cost Leadership and Financial Performance

Empirical findings are mixed. In Uganda, banks applying cost leadership—through efficiency, lean processes, and low pricing—record higher ROI (Wambaka, 2022), and SMEs also benefit from consistent cost reduction (Rita et al., 2023). However, some studies, such as Besli & Suripto (2022) in Indonesia, found no significant impact, suggesting effectiveness may depend on industry and governance context.

Differentiation Strategy and Financial Performance

Differentiation often yields stronger outcomes than cost leadership; evidence from Kosovo (Islami et al., 2020) and Ghana's restaurant sector (Kankam-Kwarteng et al., 2020) shows that product uniqueness, innovation, and service quality significantly enhance performance. However, not all contexts align—Besli & Suripto (2022) reported no significant effect in Indonesian firms, indicating that differentiation's success may be moderated by governance and competitive intensity.

Strategic Controls and Financial Performance

Strong control systems—covering implementation, premise, surveillance, special alert, and evaluation—are consistently linked with improved financial outcomes. Studies in Kenya, Rwanda, and South Sudan (Githinji et al., 2024; Iradukunda & Irechukwu, 2023; Sylvia, 2021) highlight their predictive power for firm performance. Similarly, internal control systems in Uganda, Nigeria, and Ghana show strong positive effects on financial institutions and firms (Mpora et al., 2023; Okharediaa et al., 2023; Otoo et al., 2023). Importantly, governance structures and effective resource allocation mediate this relationship (Basma et al., 2024).

Overall, the evidence shows that strategic management, positioning, cost leadership, differentiation, and controls all play crucial roles in enhancing financial performance. However, the strength of these relationships depends on industry context, governance quality, market competitiveness, and execution of strategies.

III. RESEARCH DESIGN

The effect of strategic management (elements) and firm financial performance is estimated in this study by employing ex post facto research design, which is non-experimental in nature. This deals with establishing the relationship among variables using past data. The research design is considered appropriate because the study relies on non-manipulative and secondary data which aid the estimation and realization of the objectives of the study.

Population and Sample Size of the study

The population of the study consists of 64 listed manufacturing companies classified into seven sectors as quoted on the Nigerian Exchange as at December 31, 2023 viz: : Conglomerate (6 companies); Agriculture (5 companies); Consumer goods (20 companies); Industrial (13 companies); Natural resources (4 companies); Healthcare (7 companies); and Oil and Gas (9 companies). The sample size of 55 were used on the premise that some companies were dropped out of the entire population because those companies had no complete records of all the data required, for the period under consideration (2014 – 2023).

Sources of data collection

The data used in this study were obtained from secondary source: firms' annual reports and corporate websites of quoted Nigerian companies for the period 2014 to 2023 were utilized. This is because yearly reports serve as a regular, trustworthy, and consistent means of communicating with stakeholders. It is also due to data availability, accessibility, and improved result comparability.

Theoretical Framework and Model Specification

This study investigates the effect of strategic management on financial performance in listed manufacturing companies. It is premised on Fiedler's (1964) contingency theory, which asserts that there is no universally optimal approach to managing or structuring an organization. Instead, the effectiveness of management practices, leadership styles, or organizational structures depends on the specific internal and external factors affecting the organization. This perspective is supported by Porter's (1980) generic competitive strategies and the Balanced Scorecard (BSC), a strategic management tool that helps organizations align their activities with strategic objectives and monitor performance across multiple dimensions. To provide a comprehensive understanding, this investigation adopts a theoretical triangulation of contingency theory, generic competitive strategies, and the Balanced Scorecard. This choice is based on the premise that the interaction of the variables cannot be fully explained using a single theoretical framework (Arias, 2022)

This study adapted and modified the work of Islami et al. (2020) in their study on linking Porter's generic strategies to firm performance. Whereas their model captures independent variables as: low-cost strategy (LCS), differentiation strategy (DS), and focus strategy (FS) and firm performance as dependent variable. This study modified their model by dropping focus strategy (FS) but adding strategic position and strategic control. This is to address the gap that motivated this study: examining effect of strategic management elements on firm financial performance of listed manufacturing on the floor of the Nigerian Exchange (NGX).

The model is expressed functionally as:

FFP = f (SM) ---------- (3.2)

Where FFP = Financial Firm Performance

SM = Strategic Management

Note that

SM is a vector of SP, SCH and SC

Where SP = Strategic Position,

SCH = Strategic Choice and,

SC = Strategic Control

LogGP = Logarithms of Gross Profit

Therefore, the model specifications for this study are as follow:

ROA = f (SM) ……. (3.3)

Where ROA = Return on Asset

SM = Strategic Management

Decomposing SM = SP, CLS, DS, SC …….. (3.4)

ROAit = f (SPit, CLSit , DSit ,SCit, LogGPit)……. ……... (3.5)

ROAit = β0 + β1SP it + β2CLSit + β3DSit + β4SCit + β5LogGPit + μit ……. (3.6)

where:

SP = Strategic Position,

CLS = Cost-Leadership Strategy,

DS = Differentiation Strategy,

SC = Strategic Control, and

GP = Logarithms of Gross Profit

it= i' stands for industry while 't' for time ranging from 2014 to 2023.

μ = Stochastic Error Term

β0 = Intercept

β1,,, β8 = Coefficients of the independent variables

Apriori Expectation: β1>0,,, β5>0

Measurement of variables

Table 3.1 Summary of Measurement of Variables

S/N	Variable	Definitions	Capacity of Variables	Measurements/Proxies	Aprior Expectation	Sources
1	ROA	Return on assets	Dependent	Calculated by dividing Profit After Tax by Total Assets.	NA	Alamri (2018); Besli & Suripto (2022).
1	SP	Strategic Position	Independent	Calculated by dividing individual firm's annual sales by total annual market sales of all selected firms.	+Ve	Hergert (1984)
2	CLS	Cost Leadership	Independent	Calculated by dividing total revenue by total assets	+Ve	Besli & Suripto (2022)
3	DS	Differentiation	Independent	Calculated by dividing gross margin by revenue	+ Ve	Besli & Suripto (2022)
4	SC	Strategic Control	Independent	Content Analysis: It was based on components of strategic control: PISS (each component has 3 sub elements-as shown in Appendix- (Premise, Implementation, Surveillance and Special alert) Award "1"for each element otherwise award "0"). Ranging from 0-12.	+Ve	Kazmi (2010)
5	BI	Board Independence	Moderating Variable	The percentage of non-executive or outside directors on board.	+Ve	Besli & Suripto (2022)
6	GP	Gross Profit	Control Variable	Disclosed in Financial Statement	NA	NA

IV. DESCRIPTIVE STATISTICS

Table 4.1 contains the descriptive statistics of manufacturing firms panel data analyzed in this study.

Table 4.1 Descriptive Statistics of Variables- Model I

	ROA	SP	CLS	DS	SC	GP
Mean	2.953292	0.001648	4.115443	0.769580	9.398182	5.935203
Median	3.705599	0.000231	0.744033	0.279186	9.000000	6.551803
Maximum	92.09390	0.030135	205.2616	286.3148	12.00000	8.543240
Minimum	-114.6512	0.000000	0.000000	-11.28253	0.000000	0.000000

Std. Dev.	16.74201	0.003577	21.78047	12.21807	1.556348	2.180242
Skewness	0.857443	0.921183	0.101563	-0.313251	0.738379	-0.163174
Kurtosis	3.883078	4.398907	1.911336	1.956619	3.555533	4.235805
Jarque-Bera	4.495801	6.466096	1.481961	1.789722	3.008065	1.974074
Probability	0.105621	0.039437	0.476646	0.408664	0.222232	0.372679
Observations	550	550	550	550	550	550

Source: Author's computation (2025)

Table 4.1 presents the descriptive statistics of the variables used in Model of this study, based on 550 firm-year observations drawn from manufacturing firms in Nigeria. The average value of ROA is 2.95%, suggesting that manufacturing firms, on average, generate modest returns on their assets. However, the distribution of ROA is widely spread, with a minimum of -114.65% and a maximum of 92.09%. This large range and high standard deviation of 16.74 highlight considerable disparities in performance among the sampled firms. The distribution is positively skewed, indicating that while most firms cluster around lower profitability levels, a few outperform significantly. Nonetheless, the Jarque-Bera test shows that the distribution does not significantly deviate from normality, validating its use in parametric regression models.

Pearson Correlation Matrix Analysis

Table 4.2 shows the correlations among all variables under consideration

	ROA	SP	CLS	DS	SC	GP
ROA	1.000000					
SP	0.015748	1.000000				
CLS	0.052039	0.083582	1.000000			
DS	0.042105	-0.020225	-0.010271	1.000000		
SC	0.052289	0.063114	-0.068529	0.017583	1.000000	
GP	0.334227	0.313407	-0.046065	0.058381	0.158115	1.000000

Source: Author's computation (2025)

Table 4.2 presents the Pearson correlation coefficients among the variables considered in this study, the correlation between ROA and GP is moderately positive at 0.334. This indicates that firms with higher gross profit levels tend to record better asset returns, which is expected given that profitability is directly linked to financial performance. This supports the appropriateness of Gross Profit as a control variable in this study, as it holds a meaningful relationship with the dependent variable. Return on Assets also shows weak positive relationships with most of the strategic management variables. For instance, ROA has a correlation of 0.052 with both Strategic Control (SC) and Cost Leadership Strategy (CLS), and 0.042 with Differentiation Strategy (DS).

Estimation of Panel Least Squares Results

Table 4.4: Estimation of Panel Least Squares Results

Dependent Variable: ROA				
Method: Panel Least Squares				
Cross-sections included: 55				
Total panel (balanced) observations: 550				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
SP	432.9226	198.0086	2.186382	0.0292
CLS	0.026262	0.003094	8.486370	0.0000
DS	0.027058	0.054842	0.493376	0.6219
SC	1.171028	0.435853	2.686751	0.0074
GP	2.900366	0.327734	8.849760	0.0000
C	2.454897	4.303595	0.570429	0.5686
R-squared	0.133083	Mean dependent var		2.953292
Adjusted R-squared	0.125115	S.D. dependent var		16.74201
F-statistic	16.70223	Durbin-Watson stat		1.300294
Prob(F-statistic)	0.000000			

Source: Author's Computation (2025)

Table 4.4 presents the Panel Least Squares (PLS) regression results on the relationship between Return on Assets (ROA) and four strategic management variables—Strategic Position (SP), Cost Leadership Strategies (CLS), Differentiation Strategies (DS), and Strategic Control (SC)—using data from 55 listed manufacturing firms in Nigeria between 2014 and 2023.

The results show that strategic position (SP) positively and significantly influences financial performance (coefficient = 432.9226; p = 0.0292), suggesting that firms with stronger positioning achieve better profitability. Conversely, differentiation strategies (DS) have an insignificant effect (coefficient = 0.027; p = 0.6219), indicating that differentiation alone does not improve profitability and may require integration with other strategies. Cost leadership (CLS) emerges as the strongest driver of ROA (coefficient = 0.026262; p = 0.0000), highlighting the importance of cost efficiency and resource optimization in boosting profitability. Similarly, strategic control (SC) has a significant positive effect (coefficient = 1.171028; p = 0.0074), suggesting that effective control mechanisms enhance performance by improving adaptability and innovation. At the model level, the R-squared value (0.13308) indicates that the variables explain 13.3% of ROA variations, implying that other external and firm-specific factors (e.g., macroeconomic conditions, industry dynamics, governance) also shape performance. Nevertheless, the model is statistically valid, supported by a significant F-statistic (16.70223; p = 0.0000). The Durbin-Watson statistic (1.300294) points to potential positive autocorrelation, suggesting past profitability may influence future outcomes.

Finally, while the pooled OLS model provides insights, it treats all firms as identical and overlooks heterogeneity across the 55 firms. This limitation justifies the need for further analyses using fixed effects or random effects (LSDV) to capture firm-level differences more accurately.

Table 4.4: Summary of Fixed and Random Effects Models Results

Fixed Effects Model					Random Effects Model				
Dependent Variable = EPS					Dependent Variable = DACC				
Variable	Coefficient	Std. Error	t-Statistic	Prob.	Variable	Coefficient	Std. Error	t-Statistic	Prob.
SP	85.56650	2.948496	2.902039	0.0077	SP	-188.927	239.6203	-0.78844	0.4308
CLS	0.041538	0.004906	8.467906	0.0000	CLS	-0.04303	0.038664	-1.11308	0.2662
DS	0.011137	0.050313	0.221350	0.8249	DS	0.01600	0.049568	0.32296	0.7468
SC	1.433637	0.422292	3.394898	0.0007	SC	-1.31793	0.409285	-3.22009	0.0014
GP	1.053594	0.444171	2.372047	0.0181	GP	1.88817	0.376245	5.01845	0.0000
C	10.47694	4.735979	2.212201	0.0274	C	4.60891	4.434489	1.03933	0.2991
R-Squared			0.409666		*R-Squared*			0.058371	
F-Statistic			5.763377		*F-Statistic*			6.744487	
Prob(F-statistic)			0.000010		*Prob(F-statistic)*			0.000004	
Durbin-Watson stat			1.864496		*Durbin-Watson stat*			1.250896	

Source: Authors' computation (2025).

To ascertain the actual model from which conclusion is to be drawn, this study used the Hausman test which is meant to test the hypotheses that:
H0: Random effect model is the appropriate model
H1: Fixed effect model is the appropriate model
Table 4.5 presents the summarized Hausman test result. The decision rule with respect to which model to use is here is to reject Ho if the probability of Chi-square statistic is less than 0.5% significance level and vice versa.

Table 4.5 Summarized Hausman Test Result

Test Summary	Chi-square statistic	Chi-square d.f.	Prob.
Cross-section random	15.363801	5	0.0089

Source: Author's Computation, 2025

Since the probability of the Chi-square statistics is 0.0000 (less than 0.5), the null hypothesis cannot be accepted, hence the fixed effect model is preferred for the purpose of drawing inference in this study.
From results of Table 4.4.2, The Panel Least Squares (PLS) regression with cross-section fixed (dummy variables) was used to examine the relationship between Return on Assets (ROA) and the independent variables: Strategic Position (SP), Cost Leadership Strategies (CLS), Differentiation Strategies (DS), and Strategic Control (SC) with control variable, Gross Profit across 55 listed manufacturing firms in Nigeria over a ten-year period (2014–2023).

The results indicate that strategic positioning (SP) has a strong and positive impact on financial performance, with a coefficient of 85.56650 and a statistically significant p-value of 0.0077. This suggests that firms with well-defined strategic positioning are more likely to experience improved profitability, as a higher strategic position directly contributes to better financial outcomes. Similarly,

cost leadership strategies (CLS) significantly enhance financial performance, with a coefficient of 0.041538 and a p-value of 0.0000, confirming that firms focusing on cost efficiency and operational optimization achieve higher profitability.

On the other hand, differentiation strategies (DS) appear to have no meaningful impact on financial performance, as evidenced by the near-zero coefficient (0.011137) and an extremely high p-value of 0.8249. This suggests that differentiation alone is not a key driver of profitability in the manufacturing sector. In contrast, strategic control (SC) exhibits a positive and statistically significant effect on ROA, with a coefficient of 1.433637 and a p-value of 0.0007. This indicates that firms with strong governance, risk management, and oversight mechanisms tend to perform better financially.

Examining the overall model, the R-squared value of 0.409666 suggests that approximately 41% of the variation in ROA is explained by the independent variables. This is a substantial improvement compared to previous models, indicating that strategic positioning, cost leadership, and strategic control are strong predictors of financial performance. The F-statistic of 5.763377 and its p-value of 0.0000 confirm that the model is statistically significant, meaning that at least one of the explanatory variables has a meaningful impact on ROA. Additionally, the Durbin-Watson statistic (1.864496) suggests minimal autocorrelation in the residuals, indicating the reliability of the model estimates.

Statistical Properties and Post Diagnostic Results
Table 4.10: POST ESTIMATION TESTS – Models

Residual Test Type	Model		Decision
	Statistics.	P-value	
Normality Test (Jarque- Bera)	1.875676	0.391473	Both normally distributed
Breusch-Godfrey LM test for Serial Correlation	1.138146	0.3450	No serial correlation for both
Homoscedasticity Test: Breusch-Pagan-Godfrey	0.872040	0.6011	Both homoscedastic

Source: Author's Computation (2025)

The post-estimation diagnostic tests presented in Table 4.10 affirm the statistical soundness of Model, reinforcing the validity of the regression outcomes reported earlier. Specifically, the normality of residuals, the absence of serial correlation, and the presence of homoscedasticity across both models confirm that the assumptions of the Classical Linear Regression Model (CLRM) are not violated.

The Jarque-Bera normality test produced p-values of 0.3915 for Model 1 and 0.2609 for Model 2, both exceeding the conventional 5% significance threshold. This suggests that the residuals from both models are normally distributed. These findings are consistent with the initial examination of variable distributions shown in Table 4.1, where most independent variables, such as ROA, CLS, DS, and SC, demonstrated acceptable levels of skewness and kurtosis, with corresponding Jarque-Bera probabilities also exceeding 0.05—except for SP, which showed a slightly non-normal distribution. Despite SP's deviation, the overall residuals from the regression models still adhere to normality, likely due to the robustness of the estimation method (fixed effects panel regression) and the moderating effect of BI and the control variable GP.

Furthermore, the Breusch-Godfrey LM test for serial correlation returned p-values of 0.3450 (Model 1) and 0.2647 (Model 2), indicating no evidence of serial dependence in the residuals. This result is crucial, particularly given the panel structure of the data, as it confirms that the firm-year observations (spanning 550 entries from 2014 to 2023) are independent across time. The absence of autocorrelation supports the accuracy of the regression coefficients reported in the panel least squares estimation results.

The Breusch-Pagan-Godfrey test for heteroscedasticity also yielded favorable outcomes, with p-values of 0.6011. These values suggest that the assumption of constant error variance holds, meaning the models is free from heteroscedasticity. This is especially relevant when interpreting the statistical significance of the coefficients reported in the Estimation of Panel Least Squares Results table, where SP, CLS, and SC) showed statistically significant relationships with ROA. The homoscedastic nature of the residuals ensures that the standard errors of the estimates are reliable, thereby strengthening confidence in the reported t-statistics and p-values.

Taken together, the post-estimation results in Table 4.10 reinforce the validity of the regression outputs. The normal distribution of residuals, lack of serial correlation, and constant variance collectively validate the coefficient estimates in Models 1 and 2. These results, grounded in the descriptive insights of Table 4.1 and aligned with the theoretical expectations of strategic influence on firm performance, affirm that the model specifications are robust and the interpretations drawn are statistically and econometrically defensible.

Table 4.9 contains the summary of the panel causality test for listed manufacturing firms' data.
Table 4.9: Panel Causality Test Results

Pairwise Granger Causality Tests			
Sample: 2014 2023			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.

SP does not Granger Cause ROA	440	0.03256	0.9680
ROA does not Granger Cause SP		0.03274	0.9678
CLS does not Granger Cause ROA	440	33.0557	4.E-14
ROA does not Granger Cause CLS		27.8390	4.E-12
DS does not Granger Cause ROA	440	0.00274	0.9973
ROA does not Granger Cause DS		0.00863	0.9914
SC does not Granger Cause ROA	440	1.14008	0.3207
ROA does not Granger Cause SC		1.27279	0.2811

Test of the Study Hypotheses and Discussion of Findings

This section tests the four objectives and hypotheses formulated in Chapter One and interprets their implications for the effect of strategic management on financial performance of listed manufacturing firms in Nigeria. The rule of decision is that if the p-value is below the 5 percent significance level, the alternate hypothesis is accepted while the null hypothesis is rejected.

The first objective sought to examine the effect of strategic position on financial performance. The results revealed that strategic position has a significant positive effect, with a p-value of 0.0077 and a t-statistic of 2.902039. This implies that the null hypothesis is rejected in favour of the alternate, meaning that as strategic position improves, financial performance equally increases. Specifically, a unit rise in strategic position leads to an increase of 85.56650 in financial performance. This outcome is consistent with earlier studies by Hussein and Sije (2023), Kapukha and Makau (2023). The implication is that firms that clearly understand and strengthen their strategic position are better prepared to anticipate shifts in consumer behaviour, regulatory changes, and competitive dynamics, thereby improving their decision-making, enhancing innovation, and sustaining long-term profitability.

The second objective examined the effect of cost leadership strategy on financial performance. The findings indicate that cost leadership has a highly significant positive impact, with a p-value of 0.0000 and a t-statistic of 8.467906. This result confirms the alternate hypothesis and demonstrates that when cost leadership increases by one unit, financial performance rises by 0.04906. The finding is in line with studies by Consolata et al. (2020), Rita et al. (2023), and Wambaka (2022), though it contradicts results by Besli and Suripto (2022) as well as Achieng and Ngala (2019). The implication is that operational efficiency, economies of scale, and cost minimization allow firms to compete effectively on price, expand market share, and secure sustainable profitability. Cost leadership not only improves margins but also shields firms from economic downturns and market volatility, while creating entry barriers for competitors.

The third objective explored the effect of differentiation strategy on financial performance. The results show that although differentiation exerts a positive influence, the effect is statistically insignificant, with a p-value of 0.8249 and a t-statistic of 0.221350. Consequently, the null hypothesis is retained. This finding agrees with Besli and Suripto (2022) and Demba et al. (2018), but conflicts with the works of Al-Shaer et al. (2023), Islami et al. (2020), and Kankam-Kwarteng et al. (2020). The implication is that differentiation does not consistently enhance profitability in the Nigerian manufacturing sector. Possible explanations include the high cost of implementing differentiation in a price-sensitive market, limited consumer purchasing power, poor execution by firms, and rapid imitation by competitors, all of which erode the intended financial benefits of product uniqueness.

The fourth objective assessed the effect of strategic control on financial performance. The findings reveal that strategic control significantly improves financial outcomes, with a p-value of 0.0007 and a t-statistic of 3.394898. This indicates that a unit increase in strategic control results in a 1.433637 improvement in financial performance, leading to the acceptance of the alternate hypothesis. This result is consistent with Githinji et al. (2024), Iradukunda and Irechukwu (2023), and Sylvia (2021), although it contrasts with Murunga and Deya (2022). The implication is that strategic control enables firms to continuously monitor and evaluate their strategies, promptly correct deviations, and ensure alignment with organizational objectives. In the context of the Nigerian manufacturing sector, characterized by regulatory uncertainty, infrastructural challenges, and market fluctuations, strategic control equips firms with agility, accountability, and responsiveness, thereby strengthening their competitiveness and profitability.

The sixth objective of this study is to determine whether a causal relationship exists between strategic management variables—strategic position (SP), cost leadership strategy (CLS), differentiation strategy (DS), and strategic control (SC)—and financial performance, measured by return on assets (ROA), in listed manufacturing firms in Nigeria. The findings reveal no causal relationship between strategic positioning and financial performance, indicating that neither influences the other. However, cost leadership strategy shows a strong bidirectional causality with financial performance: firms that adopt cost-saving measures experience improved profitability, and financially successful firms are more likely to reinvest in cost efficiency. Differentiation strategy, by contrast, does not significantly affect financial performance, suggesting that innovation, branding, and quality enhancements in Nigerian

manufacturing firms have limited direct impact on profitability. Similarly, strategic control mechanisms, while important for governance, do not demonstrate a measurable causal effect on financial outcomes.

V. CONCLUSION AND RECOMMENDATIONS

The study concludes that strategic position, cost leadership, and strategic control significantly improve financial performance, while differentiation shows no meaningful impact in the Nigerian manufacturing sector. Cost leadership is the strongest driver, with a bidirectional causal relationship with profitability, highlighting the importance of efficiency and cost reduction. It is recommended that firms focus on cost leadership and strengthen strategic control while also improving their strategic positioning to anticipate market shifts. Differentiation should be pursued selectively through unique, high-value products, and policymakers should provide supportive environments to reduce costs and encourage innovation.

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