THE MODERATING EFFECT OF CORPORATE GOVERNANCE ON THE RELATIONSHIP BETWEEN STRATEGIC MANAGEMENT AND FINANCIAL PERFORMANCE OF LISTED MANUFACTURING FIRMS IN NIGERIA

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Abstract

This study examines how corporate governance, proxied by board independence (BI), moderates the relationship between strategic management practices—strategic position (SP), cost-leadership strategy (CLS), differentiation strategy (DS), and strategic control (SC)—and the financial performance of listed manufacturing firms in Nigeria. Panel data from 2014–2023 was analyzed using Panel Least Squares (PLS) regression under pooled OLS, fixed effects, and random effects models, with ROA as the measure of financial performance. The Hausman test guided model selection. The results indicate that BI strengthens the positive relationship between SP and CLS with financial performance, as reflected in significant interaction terms (SP*BI and CLS*BI). Conversely, DS and SC show no significant direct or moderating effects. Model II, which incorporates BI, demonstrates higher explanatory power (R^2 = 0.552) compared to Model I. The findings highlight the importance of independent boards in enhancing strategic positioning and cost leadership to improve profitability, while suggesting that differentiation and control mechanisms require complementary approaches for effectiveness. This study provides evidence on the governance–strategy–performance nexus in Nigeria's manufacturing sector, emphasizing board independence as a catalyst for sustainable performance.

Keywords: Board Independence, Strategic Management Practices, Strategic Position, Cost-Leadership Strategy, Differentiation Strategy, Strategic Control

JEL classification: G30, G38

1. INTRODUCTION

Business environments have dramatically changed in several aspects, including establishing global operations, issuing laws and regulations, developing technological growth, requiring corporate social responsibility, and dealing with competitive complexity (Imo, 2022). For micro aspects, changing demand pattern,

short product life cycles, dynamic market, presence of multiple competitors and customer demand for customized products are the characteristics of business operations. Accordingly, firms that need to survive and be relevant under those business environments are required to respond adequately to these changes; they have to deal with the environments and receive the practical results (Pasch, 2019). Therefore, good information has become a key factor for driving firms' successes, profitability levels, survival, and sustainability. Few of the main tools that provide good information are strategic thinking and qualitative financial statements which reveal financial performance of a firm to assist stakeholders make economic and reliable decisions (Aaltola, 2019).

According to Adejuwon and Adejuwon (2022), financial performance implies organization's general financial wellbeing over a given period. It shows financial health and it is a pointer of an association's financial soundness and profitability. Ogunsanwo (2019) viewed financial performance as a comprehensive yardstick of firm's ability to generate revenue and create value for its stakeholders. Key indicators of financial performance include profitability, liquidity, solvency, and operational efficiency. Financial performance is a subjective measure of how well a firm can use assets from its principal operations to generate revenues. The company's financial performance can be viewed from the financial statements reported by the company. The company's success is basically explained by its performance over a certain period of time. The financial performance of a firm indicates the extent to which its financial goals have been achieved (Onyekwelu, 2020).

Strategic management practice at the same time reviews company's strategic position, choices and manners at which chosen strategies are implemented and controlled in order to achieve organizational goals and objectives (Kazmi, 2010). The strategic position involves analysis of environment which involves examining both external elements like, political influence, economic influence, socio-cultural influence, technological influence, ecological influence, market dynamics, competition, and regulatory frameworks, as well as internal aspects such as the organization's strengths, weaknesses, resources, and competencies (Johnson et al., 2009; Addae-Korankye & Aryee, 2021). Strategic management, which involves setting and implementing an organization's goals and objectives, is vital for maintaining a competitive advantage. In the service industry, strategic leadership acquires unique characteristics due to the intangible nature of services, the significance of client relationships, and the need for innovation. By devising effective strategies, service providers can adapt to changing consumer preferences, technological advancements, and market disruptions (Addae-Korankye & Aryee, 2021).

Research Problem

Odia (2018) highlights the need for further research on the influence of organizational strategies on firm performance, noting that there are limited empirical studies specifically addressing the relationship between strategic management and firm performance in Nigerian quoted companies", particularly within the

manufacturing sector. This gap suggests an opportunity for more in-depth analysis to understand how strategic approaches impact performance outcomes in manufacturing sector (Monday et al., 2015). Previous studies (such as Lekan and Sabo, 2019; Oyedele et al., 2021; Stipic, 2021; Kirigo and Wallance, 2019; Agaba et al., 2023) have predominantly focused on examining strategic management and competitive advantage or strategic management accounting within developed and emerging markets. However, there has been limited emphasis on firm performance in African countries, such as Nigeria, with the exception of some research conducted in Kenya. Also, few of these studies have jointly examined them explicitly with Nigeria as the focal point but focus on small and medium enterprises (SMEs) (Lekan & Sabo, 2019; Oyedele et al., 2021; Agwu, 2018). A majority of the studies that have sought to evaluate the link between strategic management and firm performance generated results that were regarded as mixed. For instance, some studies reveal that there is no significant relationship (Stipic, 2021; Kirigo & Wallance, 2019; Lekan & Sabo, 2019; Adejuwon, 2018). In contrast, some other studies reveal a significant relationship between strategic management and firm performance (Agaba et al., 2023; Addae-Korankye & Aryee, 2021; Oyedele et al., 2021; Agwu, 2018).

Even among empirical studies carried out in Nigeria either investigate on the direct relationship between strategic management and firm performance (Ali et al. 2019; Adejuwon, 2018; Agwu, 2018; Lekan & Sabo, 2019; Monday et al., 2015) or the relationship between corporate governance and firm performance (Abdulsalam & Oyewo, 2019; Ogunsanwo, 2019) but have not considered the moderating effect of board independence on strategic management and firm performance. However, sound board independence mechanisms can also affect strategic management and financial performance directly or indirectly. From the foregoing, there is need to consider board independence to serve as a moderator in examining the effect of strategic management on performance in Nigeria. Hence, investigating if board independence affects the relationship between strategic management and financial performance can provide new insights into the discussion. Similarly, a study that investigated the moderating role of corporate governance on the relationship between strategic management and firm performance: a conceptual study was conducted in the United State of America which is limited to conceptual review (Almashhadani & Almashhadani, 2023). To the best knowledge of the researcher, only a few studies have explored the moderating role of corporate governance in the relationship between strategic management and firm financial performance (Alamri, 2018; Almashhadani & Almashhadani, 2023). Almashhadani and Almashhadani (2023) conducted a conceptual review without empirically analyzing the impact of any specific strategic management variables on firm financial performance, while Alamri (2018) investigated corporate governance as a moderator between strategic management accounting and firm performance, with a focus on management accounting.

Existing research on the link between strategic management and firm performance has not utilized strategic position, strategic choices, and strategic evaluation/control collectively as indicators of strategic management practices.

Although these components are frequently explored in theoretical discussions (Kazmi, 2010; Johnson et al., 2009), prior studies have largely focused on them individually rather than as an integrated framework (Adegbite et al., 2019; Ghahroudi & Sagheb, 2018; Demba, 2018). Furthermore, no known study has examined the moderating role of board independence in the relationship between strategic management practices and financial performance of firms in Nigeria. This study seeks to fill this gap by employing market size, cost-leadership strategy, differentiation strategy, and control strategy as measures of strategic position, strategic choices, and strategic control, respectively. Empirically, the link between product differentiation and firm performance largely portrays a mixed picture. For instance, there are some studies that show (differentiation) strategies significantly affect organizational performance outcomes (Adegbite et al., 2019; Ghahroudi & Sagheb, 2018), while there are those that show no significant relationship between these two variables (Acquaaha & Agyapong, 2015; Demba, 2018). This implies that the debate on whether (differentiation) strategy affects firm performance outcomes is far from clear, and only additional studies can help contribute to clarifying this debate. Therefore, this study is motivated to examine the moderating role of board independence in the relationship between strategic management practices and financial performance of firms in Nigeria.

Objectives of the Study

The broad objective of this study is to investigate the moderating effect of corporate governance on the relationship between strategic management and financial performance of listed manufacturing firms in Nigeria.

However, more specifically, the objectives of the study are to:

i. investigate effect of strategic position on financial performance of listed manufacturing firms in Nigeria;
ii. explore effect of cost-leadership strategy on financial performance of listed manufacturing firms in Nigeria;
iii. investigate effect of differentiation strategy on financial performance of listed manufacturing firms in Nigeria
iv. examine effect of strategic control on financial performance of listed manufacturing firms in Nigeria;
v. investigate moderating effect of board independence on the relationship between strategic management variables and financial performance of listed manufacturing firms in Nigeria; and

2. LITERATURE REVIEW

This section covers literature review, theoretical literature and empirical literature.

2.1. 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).

2.1.1. 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), Hofer (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 on 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).

2.1.1.1. 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 agrees with argument of Cheong and Hoang, (2021), ICAN (2019) and Otieno et al. (2018)

2.1.1.2. 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 agrees with Tukamuhebwa et al. (2022); and Agaba and Turyasingura (2023).

2.1.1.3 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). 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).

2.1.1.4. 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). 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).

2.1.2 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). Kazmi (2010) explains, strategic control focuses on addressing the evolving assumptions that shape a strategy, continually assessing its relevance during implementation, and adjusting 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).

Finally, special alert control functions as a rapid-response system for reassessing strategies in the face of sudden, unexpected events. It operates through contingency planning and assigns crisis management teams to handle emergencies effectively (Basma et al., 2024). Together, these strategic controls provide a comprehensive framework for managing the uncertainties and complexities of strategy implementation.

2.1.3. BOARD INDEPENDENCE

Board independence is commonly referred to as the percentage of non-executive or outside directors on board (Bui & Krajcsak, 2024). Independent directors are defined as directors who hold no position in the company other than the position of director, and no maintain relation with the listed company and its major shareholders that might prevent them from making objective judgment independently. In line with this definition, many previous studies used a proportion of independent directors to measure board independence (Shao, 2019). From the agency theory perspective, more outside directors taking part in board decision-making will enable it to be more effective in monitoring managers (Fama & Jensen, 1983; Jensen & Meckling, 1976).

2.2 THEORETICAL LITERATURE

This section shows different theories reviewed in this study.

2.2.1. AGENCY THEORY

According to Jensen and Meckling (1976), agency theory highlights the conflict between owners and managers, as managers may pursue self-interest at the expense of shareholders. Effective corporate governance mechanisms, such as board independence and monitoring, help reduce these conflicts, ensuring transparency and accountability. While agency theory focuses on the shareholder–manager relationship, it overlooks how strategic management practices, like positioning, cost leadership, differentiation, and control, affect financial performance. Corporate governance bridges this gap by aligning managerial actions with firm objectives, ensuring that strategies are properly implemented to create value (Igbekoyi et al., 2021; OECD, 2022). Independent boards, in particular, enhance decision-making and reinforce the effectiveness of strategic choices, thereby improving financial outcomes (Ihimekpen, 2021).

2.2.2. RESOURCE-BASED THEORY

Resource-Based Theory (Barney, 1991) explains that a firm's competitive advantage depends on its ability to acquire, develop, and utilize valuable, rare,

inimitable, and non-substitutable (VRIN) resources. Unlike external market-based views, RBT emphasizes internal capabilities as the foundation of sustained performance. Building on Penrose's earlier work (1959), Barney formalized the VRIN framework, showing that unique resources and competencies give firms long-term advantages. Competitive edge arises when rivals cannot replicate an organization's valuable resources or strategies (Kapukha & Makau, 2023). Both tangible resources (capital, land, equipment) and intangible resources (human capital, patents, reputation, proprietary knowledge) contribute to this sustained advantage, with intangibles often providing the strongest long-term benefits (ICAN, 2019).

2.2.3. GENERIC COMPETITIVE STRATEGIES TYPOLOGY

There are a number of theoretical frameworks that have been advanced and used to understand the link between strategic management and financial performance of firms; however, this study focused on Porter's (1980) generic competitive strategies' typology. Generic competitive strategies typology was first authored by a Professor from Harvard Business School known as Michael Porter in 1980 in his publication entitled Competitive Advantage: Creating and Sustaining Superior Performance Strategy (Porter, 1980). It is referred to as a generic competitive strategies typology essentially because of its versatile application across different products/services, organizations, and industries. It is a strategic management notion that describes how companies or firms gain competitive advantage across the market spectrum of their jurisdiction (Porter, 1980). The author contends that generic competitive typology is composed of three major strategies including lower cost strategy, differentiated strategy and market focus strategy (Porter, 1980). The market focus strategy was later sub-divided into two strategies including cost focus strategy and differentiation focus strategy (Porter, 1985). Porter (1985) remarked that a firm is in position of attaining a competitive advantage over its rivals if and only if it implements it is able to cope with the five forces in ways that are superior. In order to achieve competitive advantage, firms ought to choose either a low-cost leadership strategy or a product differentiation strategy but not lest the firm engages in resource wastage.

2.2.4. CONTINGENCY THEORY

Contingency theory, introduced by Fiedler (1964), argues that there is no single best way to manage or lead an organization. Effectiveness depends on aligning leadership styles, management practices, or structures with situational factors such as task complexity, leader-member relations, and external conditions. This adaptability perspective emphasizes that organizational success is dependent on context. Applied to corporate governance, the theory highlights governance mechanisms—such as board independence, expertise, and diversity—as moderators that align strategic management (strategic positioning, choices, and control) with firm goals and environmental demands. Scholars like Donaldson (2006), Drazin and Van de Ven (1985), and Chenhall (2003) reinforce that strategy, and governance structures must be tailored to firm-specific contingencies such as risk, size, environment, and regulatory context.

2.2.5. BALANCED SCORECARD (BSC)

The Balanced Scorecard (BSC) is a strategic management tool used by organizations to align their activities with their strategic objectives and monitor their performance across multiple dimensions (Yawson & Paros, 2023). It was introduced by Kaplan and Norton (1996) in the early 1990s. The BSC originated from Kaplan and Norton's research on performance measurement, which aimed to address the limitations of traditional financial metrics in evaluating organizational performance. They observed that financial indicators alone were insufficient for providing a comprehensive view of an organization's health and success. This led them to develop a framework that incorporates both financial and non-financial metrics to measure performance from multiple perspectives (Amer et al., 2022).

The Balanced Score Card theory posits that organizations should not solely rely on financial measures such as profitability and revenue to gauge their performance. Instead, they should also consider other critical factors such as customer satisfaction, internal business processes, and learning and growth initiatives. These additional perspectives enable organizations to assess their performance more holistically and identify areas for improvement across various aspects of their operations (Antmen & Yilmaz, 2020). The BSC framework typically consists of four perspectives: financial, customer, internal business processes, and learning and growth. Under each perspective, organizations define specific objectives, key performance indicators (KPIs), and strategic initiatives aligned with their overall strategic goals. By tracking performance across these dimensions, organizations can evaluate their progress towards achieving their strategic objectives and make informed decisions to drive improvements (Hegazy et al., 2022). The BSC theory has become widely adopted in strategic management practices due to its effectiveness in translating strategic objectives into actionable measures and aligning organizational activities with long-term goals. It provides a structured approach for organizations to develop and execute their strategies, ultimately leading to improved corporate performance (Amer et al., 2022).

To provide a comprehensive understanding, this study adopts a theoretical triangulation of contingency theory, generic competitive strategies, and the Balanced Scorecard. This approach is based on the premise that the interaction of the variables cannot be fully explained using a single theoretical framework (Arias, 2022).

2.3 EMPIRICAL LITERATURE

This section reviews existing literature on the moderating effect of corporate governance on the relationship between strategic management and performance.

2.3.1. STRATEGIC MANAGEMENT AND FIRM FINANCIAL PERFORMANCE

Agaba et al. (2023) examined the effect of strategic management on organizational performance in Lyamujungu SACCO, using a mixed-methods cross-sectional design with 105 respondents. Findings revealed a positive and significant relationship between strategic management and SACCO performance. Itafe and

Itohan (2023) studied strategic management practices and competitiveness in First Bank of Nigeria and Zenith Bank Plc with 231 respondents. Results showed that strategic intent, strategy formulation, control measures, and IT strategy positively influenced bank competitiveness, with banks leveraging technology and market strategies to enhance performance. Vinšalek-Stipić (2021) analyzed 53 Croatian companies, assessing the link between strategy implementation and profitability. While strategy implementation showed limited significance for ROS and ROE, it contributed to earnings strength (TSZ) and was deemed crucial for sustainable business growth and development. Ali et al. (2021) investigated SMEs in Pakistan and found that while vision, mission, and objectives were not significant predictors of competitive advantage, values and SWOT analysis had positive and significant effects. The study highlighted weak focus on vision and mission as a key factor in SME failures. Addae-Korankye and Aryee (2021) studied 150 SMEs in Ghana and found positive links between strategy formulation/implementation and SME growth, though strategy evaluation had a negative effect. Overall, effective strategic management practices were positively associated with SME growth, with a recommendation for expert involvement in strategy evaluation.

2.3.2. STRATEGIC POSITIONING AND FIRM FINANCIAL PERFORMANCE

Hussein and Sije (2023) found that strategic positioning had a significant positive effect on the performance of listed commercial banks in Kenya, with strong correlations between positioning and key indicators such as profits, return on assets, and equity. Similarly, Kapukha and Makau (2023) showed that strategic leadership; resource allocation, IT integration, customer focus, and differentiation significantly enhanced the performance of microfinance institutions in Nairobi, emphasizing the importance of adopting innovation-driven and digital-based strategies for growth. Expanding the scope, Tessarolo et al. (2023) examined firms across G20 countries and established that hybrid strategies combining cost leadership and product differentiation led to superior performance, particularly in highly competitive markets, while pure strategies were more effective in moderate competition contexts. Collectively, these studies underscore the critical role of strategic positioning and related practices in shaping organizational performance, while highlighting that the effectiveness of specific strategies depends on industry and market conditions.

2.3.3. COST-LEADERSHIP STRATEGY AND FIRM FINANCIAL PERFORMANCE

Wambaka (2022) established that cost leadership strategy significantly enhanced the perceived financial performance of commercial banks in Uganda, particularly in terms of ROI, emphasizing efficiency-driven practices such as lean operations, bulk input purchasing, and employee training. Similarly, Rita et al. (2023) found that cost leadership positively influenced SME performance, with cost reduction in administration, access to cheaper materials, and competitive pricing being key drivers of market positioning and competitiveness. In contrast, Besli and Suripto (2022), analyzing Indonesian manufacturing firms, reported that cost leadership had no significant effect on company performance, despite showing a

weak positive relationship. Collectively, these studies suggest that while cost leadership is generally associated with improved financial outcomes, its effectiveness may vary depending on organizational context and industry conditions.

2.3.4 DIFFERENTIATION STRATEGY AND FIRM FINANCIAL PERFORMANCE

Al-Shaer et al. (2023) found that corporate strategies such as cost leadership and differentiation significantly shaped board structures, with cost leadership linked to larger and more independent boards, while differentiation was associated with board size and gender diversity. The study also showed complex moderating effects of board attributes on the relationship between strategies and firm value. In contrast, Besli and Suripto (2022) reported that differentiation strategy had no significant effect on the performance of Indonesian manufacturing companies, even showing a weak negative relationship. However, Islami et al. (2020), analyzing firms in Kosovo, revealed that differentiation strategy produced higher performance outcomes compared to cost leadership and focus strategies, all of which had positive effects. Similarly, Kankam-Kwarteng et al. (2020) demonstrated that differentiation strategies significantly improved restaurant performance in Ghana, with competitive intensity partially influencing outcomes though not moderating the strategy–performance link. Collectively, these studies suggest that differentiation generally enhances firm performance, though its effectiveness may depend on industry context, competitive intensity, and governance structures.

2.3.5. STRATEGIC CONTROLS AND FIRM FINANCIAL PERFORMANCE

Recent studies emphasize the significant role of strategic controls and internal control systems in enhancing organizational performance across different contexts. Githinji et al. (2024) found that strategic controls strongly and positively influenced the performance of financial firms in Kenya, while Basma et al. (2024) highlighted that resource allocation mediates the relationship between strategic control tactics and financial performance in Lebanon. Similarly, Iradukunda and Irechukwu (2023) demonstrated that various forms of strategic control—implementation, premise, special alert, and strategic surveillance—collectively explained over 74% of performance variation in Rwandan microfinance institutions, findings reinforced by Murunga and Deya (2022), who showed that premise and surveillance controls were key drivers of Kenyan banks' performance. Sylvia (2021) further confirmed that strategic evaluation and control positively affected SME financial performance in South Sudan, though government regulations moderated this relationship.

Parallel to strategic controls, research also underscores the value of internal control systems. Mpora et al. (2023) and Okharediaa et al. (2023) found strong positive associations between internal controls and firm performance in Uganda and Nigeria respectively, stressing the need for robust and functional systems. Otoo et al. (2023) extended this by showing that specific dimensions of internal control—control activities, environments, and risk assessment—significantly enhanced

banking effectiveness in Ghana. In Nigeria, Adejuwon and Hassan (2022) identified risk assessment and monitoring activities as key predictors of both financial and non-financial performance of deposit money banks, while Adejuwon and Adejuwon (2022) demonstrated that internal controls strongly improved non-financial KPIs such as customer satisfaction, internal processes, and innovation.

2.3.6. CORPORATE GOVERNANCE ON STRATEGIC CONTROLS AND FIRM FINANCIAL PERFORMANCE

Oppong et al. (2024) showed that corporate governance strengthens the relationship between internal control mechanisms and financial performance in Ghanaian rural banks, with governance practices amplifying the effectiveness of internal control systems. Similarly, Musah et al. (2022) confirmed that corporate governance positively moderates the link between all five COSO internal control components and SME financial performance in Ghana, reinforcing the need for governance structures to complement control systems. In contrast, Kanca et al. (2022), examining Borsa Istanbul–listed firms, found that while internal control moderates the impact of corporate governance on financial success, corporate governance did not moderate the relationship between internal control and performance, an outcome that diverged from theoretical expectations. Further, Besli and Suripto (2022) reported that corporate governance did not moderate the effect of differentiation or cost leadership strategies on performance in Indonesian manufacturing firms. Collectively, these studies suggest that corporate governance often plays a critical role in enhancing the impact of internal control systems on financial performance, though its moderating role in the relationship between corporate strategy and performance remains less consistent and context dependent.

3. RESEARCH METHODOLOGY

This section shows details of research design, population of the study, sample size used, model specification and measurement of data used in this study.

3.1. RESEARCH DESIGN

This study uses *ex-post facto* research design since data used are available in financial statements of selected listed companies within periods (2014- 2023) that covered and not intended to be manipulated. This is suitable for this study since it assists in establishing effects explanatory variables have on dependent variable. The population of the study comprise of the entire manufacturing firms on the floor of the Nigeria Exchange Group as of December 2023. The population consists of 57 companies classified into 6 sectors as quoted on the Nigerian Exchange Group as of December 31, 2023, viz: Conglomerate (6 companies); Agriculture (5 companies); Consumer goods (20 companies); Industrial (13 companies); Natural resources (4 companies); and Oil and Gas (9 companies). For the purpose of this study the population comprises the entire 57 manufacturing firms on the floor of the Nigeria Exchange Group as of December 2023. The sample size is premised on limited size of the population. Some firms dropped out of the entire population due to the facts that some firms had incomplete annual reports as at the periods when data were

collected. Thereafter 55 firms remained and used for this study. The annual reports of the sampled firms covered the periods of year 2014 to 2023, being cross sectional research.

3.2. MODEL SPECIFICATION

The study adopted and modified the work of Islami et al. (2020) in their study on linking Porter's generic strategies to firm performance. Islami et al. (2020) focused on only strategic choices (Low-Cost Strategy, Differentiation strategy, and Focus Strategy). Whereas this study represented strategic choice with cost-leadership strategy and differentiation strategy apart from strategic position and control strategy in accordance with the argument of Johnson et al. (2008); the dependent variable, firm financial performance, calculated by using Return on Asset as proxy under this study. The independent variable is strategic management (SM) which was decomposed to: strategic position (SP), cost-leadership strategy (CLS) and differentiation strategy (DFS), and Strategic Control (SC). Moderating variable is board independence (BI) representing corporate governance (CG). Specifically, two appropriate model specifications were developed: the first Model 1 focusing on firm financial performance with independent variables of: Strategic Position (SP), cost-leadership strategy (CLS) and differentiation strategy (DFS), and Strategic Control (SC), and the second model concentrating on moderating effect of corporate governance on the relationship between firm financial performance and explanatory variables (strategic position (SP), cost-leadership strategy (CLS) and differentiation strategy (DS), and Strategic Control (SC).

This study modifies the model to include Strategic Position (SP) and Strategic Control (SC) and is expressed functionally as:

$FFP = f(SM)$ ---------- *(1)*

Where FFP = Financial 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

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

For **Model 1: Strategic Management and Firm Financial Performance**

$ROA = f(SM)$ …… (2)

Where ROA = Return on Asset
SM = Strategic Management

Decomposing SM = SP, CLS, DS, SC …….. (3)

$ROA_{it} = f(SP_{it}, CLS_{it}, DS_{it}, SC_{it})$……..... (4)

$ROA_{it} = \beta_0 + \beta_1 SP_{it} + \beta_2 CLS_{it} + \beta_3 DS_{it} + \beta_4 SC_{it} + \mu$ ……..…… (5)

Model 2: Moderating effect of board independence on the relationship between strategic management and financial performance

$$ROA_{it} = f(SP_{it}, CLS_{it}, DS_{it}, SC_{it})* BI_{it} \ldots\ldots\ldots\ldots\ldots\ldots (3.7)$$

$$ROA_{it} = \beta_0 + \beta_1 SP_{it} + \beta_2 SP*BI_{it} + \beta_3 CLS_{it} + \beta_4 CLS*BI_{it} + \beta_5 DS_{it} + \beta_6 DS*BI_{it} + \beta_7 SC_{it} + \beta_8 SC*BI_{it} + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.8)$$

where:

SP = Strategic Position, CLS =Cost-Leadership Strategy, DS =Differentiation Strategy,

SC = Strategic Control, and BI= Board Independence, it= i' stands for industry while 't' for time ranging from 2014 to 2023. μ = Stochastic Error Term, β_0 = Intercept; β_1,,, β_8 = Coefficients of the independent variables; Apriori Expectation: $\beta 1>0$,,, $\beta 8>0$

3.3. MEASUREMENT OF VARIABLES

Table 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 net income by total assets.	NA	Alamri (2018); Besli & Suripto (2022).
1	SP	Strategic Position	Independent	Calculated by dividing firm's annual sales by total annual market sales.	+Ve	Hergert (1984)
2	CLS	Cost Leadership	Independent	Calculated by dividing total sales revenue by total assets	+Ve	Besli & Suripto (2022)
3	DS	Differentiation	Independent	Calculated by dividing gross margin by total sales revenue	+ Ve	Besli & Suripto (2022)
4	SC	Strategic Control	Independent	Content Analysis: It will be based on components of strategic control: PISS (Premise, Implementation, Surveillance and Special alert) Award "1"for each element otherwise award "0"). Ranging from 0- 4.	+Ve	Kazmi (2010)
5	BI	Board Independence	Moderating Variable	The percentage of non-executive or outside directors on board.	+Ve	Besli & Suripto (2022);

Source: Researcher's Compilations (2025)

4. RESULTS AND DISCUSSIONS

This section presents results of statistical tools used such as descriptive statistics, Pearson correlation matrix analysis, and estimation test.

4.1. DESCRIPTIVE STATISTICS

Table 2: *Descriptive Statistics*

	ROA	SP	SP*BI	CLS	CLS*BI	DS	DS*BI	SC	SC*BI
Mean	-0.757820	0.001818	0.001289	4.605594	2.189570	0.730141	0.607317	9.732727	6.377401
Median	0.035031	0.000182	0.000128	0.647605	0.471135	0.238128	0.150951	9.000000	6.750000
Maximum	174.1305	0.039804	0.025830	205.2616	166.7750	286.3148	250.5254	11.00000	10.38889
Minimum	-227.8782	-9.70E-06	-8.31E-06	-0.038357	-0.032878	-11.28253	-9.402108	0.000000	0.000000
Std. Dev.	16.35589	0.004243	0.003087	22.51099	10.65847	12.22117	10.69059	1.125714	2.053839
Skewness	-0.556134	0.500913	0.329706	0.779035	0.767006	0326200	0329036	-0.257249	-0.883725
Kurtosis	1.144754	2.866134	2.558332	3.096001	1.235674	3.441366	2.45.0096	3.114600	3.436502
Jarque-Bera	28.76101	16.94773	13.40606	56.92463	34.18726	67.60263	67.82053	19.12707	75.95538
Probability	0.186312	0.297410	0.384210	0.076512	0.175320	0.371210	0.181961	0.384391	0.385512
Sum	-416.8008	1.000000	0.708976	2533.077	1204.263	401.5773	334.0241	5353.000	3507.571
Sum Sq. Dev.	146865.8	0.009885	0.005231	278202.9	62368.10	81996.99	62744.47	695.7109	2315.822
Observations	550	550	550	550	550	550	550	550	550

Source: Author's computation (2025)

The descriptive results for Model II reveal that the average financial performance of listed manufacturing firms in Nigeria, measured by ROA, is negative (-0.757820), though the positive median (0.035031) suggests that most firms were profitable, with extreme losses driving down the mean. ROA also shows high variability (SD = 16.35589) and a wide range (-227.8782 to 174.1305), reflecting substantial performance volatility. Among strategic variables, cost leadership (CLS) has a much higher meaning (4.605594) than differentiation (0.730141), indicating a stronger reliance on cost efficiency as a competitive approach. The CLS*BI interaction also has a relatively high meaning (2.189570), showing that board independence often reinforces cost leadership strategies, though its variability points to inconsistent implementation across firms. Strategic control (SC) records the highest mean (9.732727), suggesting that firms place strong emphasis on oversight and monitoring mechanisms, with SC*BI (6.377401) further emphasizing the role of independent boards in enhancing accountability. Distribution tests show that while ROA is negatively skewed, most strategic variables are positively skewed, and kurtosis values are near-normal. Jarque-Bera test results confirm no significant deviation from normality, validating the dataset's suitability for regression analysis.

4.2. PEARSON CORRELATION MATRIX ANALYSIS

Table 3: *Correlation Matrix*

	ROA	SP	SP*BI	CLS	CLS*BI	DS	DS*BI	SC	SC*BI
ROA	1.000000								
SP	0.071131	1.000000							
SP*BI	0.536273	0.681436	1.000000						
CLS	0.331319	0.072121	0.060301	1.000000					
CLS*BI	0.660752	0.135972	0.145290	0.624781	1.000000				
DS	0.064317	-0.018380	-0.017653	-0.009816	-0.007656	1.000000			
DS*BI	0.203649	-0.018281	-0.017444	-0.009132	-0.007414	0.699900	1.000000		
SC	0.173262	-0.021434	-0.020409	0.055958	0.062631	0.011976	0.012027	1.000000	
SC*BI	0.137012	0.101145	0.155569	-0.158421	0.000821	0.055835	0.054999	0.321749	1.000000

Source: Author's computation (2025)

The correlation analysis shows that strategic position has only a weak positive relationship with financial performance (ROA = 0.0711), but this effect strengthens considerably when moderated by board independence (SP*BI = 0.5363). Cost leadership strategy demonstrates a stronger direct positive relationship with ROA (0.3313), which becomes even more substantial under board independence (CLS*BI = 0.6608), highlighting the governance role in maximizing cost efficiency benefits. By contrast, differentiation strategy shows little direct impact on ROA (0.0643), with only a slight improvement when moderated by board independence (DS*BI = 0.2036). Differentiation also shows weak negative correlations with cost leadership (-0.0098) and strategic positioning (-0.0184), suggesting it tends to be pursued independently. Strategic control shows a moderate positive correlation with ROA (0.1733), though the moderating effect of board independence reduces its strength (SC*BI = 0.1370).

Overall, the results underscore that board independence significantly enhances the effectiveness of strategic positioning and cost leadership strategies but is less impactful in reinforcing differentiation and strategic control in relation to financial performance.

4.3. COMPARATIVE ANALYSIS OF THE MODERATING EFFECT BOARD INDEPENDENCE ON STRATEGIC MANAGEMENT AND FINANCIAL PERFORMANCE

The fifth objective of this study is to establish whether board independence moderates the relationship between strategic management variables and financial performance in listed manufacturing firms in Nigeria. The corresponding null hypothesis states that board independence does not significantly moderate this relationship. Table 4 presents a comparative analysis of two models—Model I (without moderation) and Model II (with board independence as a moderator)—to assess whether board independence strengthens, weakens, or does not affect the strategic management-financial performance relationship.

Table 4: *Comparative Analysis of Moderating Effect of Board Independence on Strategic management and Financial Performance*

Estimation of Panel Least Squares Results												
Variable	MODEL I						MODEL II					
	Estimation of Panel Least Square Results		Fixed Effect or Least Square Dummy Variable (LSDV)		Random Effects		Estimation of Panel Least Square Results		Fixed Effect or Least Square Dummy Variable (LSDV)		Random Effects	
	Coeff.	Prob.	Coeff.	Prob.	Coeff.	Prob.	Coeff.	Prob.	Coeff.	Prob.	Coeff.	Prob.
SP	173.1039	0.268	51.39425	0.8196	167.803	0.000	171.9801	0.826	391.7819	0.001	171.980	0.008
SP*BI	-	-	-	-	-	-	-282.5643	0.796	664.0591	0.001	282.564	0.008
CLS	0.242522	0.000	-0.078113	0.2017	0.23651	0.000	-0.637182	0.000	0.550102	0.000	0.63718	0.000
CLS*BI	-	-	-	-			1.022490	0.000	0.944263	0.000	1.02249	0.000
DS	0.002710	0.960	0.001319	0.9813	0.00275	0.959	1.434931	0.685	2.291064	0.641	1.43493	0.700
DS*BI	-	-	-	-	-	-	-1.639783	0.685	-2.620383	0.641	1.63978	0.700
SC	-0.19909	0.731	-0.398945	0.5130	0.20856	0.001	-0.423500	0.460	-0.607771	0.380	-0.4235	0.487
SC*BI							0.077867	0.821	0.292599	0.678	0.07786	0.829
R^2	0.112		0.2199		0.598		0.252	-	0.254	-	0.552	-
DW Sta	1.193		1.526		1.707		1.517		1.550		1.817	
F-Stat	17.15368		2.381619		14.7600		22.79630		2.677207		22.7966	
P(F-Sta)	0.000000		0.000000		0.0000		0.0000		0.000000		0.00000	
Hausman. Test Pro.			0.0588		0.0588				0.995		0.995	

Source: Author's (2025).

The analysis of strategic position (SP) in Model I shows a coefficient of 173.1039 with a p-value of 0.268 in the pooled OLS regression, while the fixed effects and random effects models yield coefficients of 51.39425 (p = 0.8196) and 167.803 (p = 0.000), respectively. When board independence is introduced in Model II, the coefficient for SP slightly changes, with values of 171.9801 (p = 0.826) in the pooled OLS, 391.7819 (p = 0.001) in the fixed effects model, and 171.980 (p = 0.008) in the random effects model. The interaction term, SP*BI, is significant in the fixed effects (664.0591, p = 0.001) and random effects (282.564, p = 0.008) models. These results suggest that board independence positively influences the effectiveness of strategic positioning, making it a critical factor in improving financial performance.

Similarly, cost leadership strategy (CLS) in Model I shows a significant coefficient of 0.242522 (p = 0.000) in pooled OLS, while it is negative and insignificant in fixed effects (-0.078113, p = 0.2017) but positive and significant in random effects (0.23651, p = 0.000). When board independence is introduced in Model II, the coefficient for CLS turns negative in pooled OLS (-0.637182, p = 0.000) but remains positive and significant in fixed effects (0.550102, p = 0.000) and random effects (0.63718, p = 0.000). The interaction term, CLS*BI, is significant across all models, with a coefficient of 1.022490 (p = 0.000) in pooled OLS, 0.944263 (p = 0.000) in fixed effects, and 1.02249 (p = 0.000) in random effects. This indicates that firms with independent boards are more effective in implementing cost leadership strategies, resulting in improved financial performance.

On the other hand, differentiation strategy (DS) does not show a significant impact on financial performance. In Model I, DS has a very small coefficient (0.002710, p = 0.960 in pooled OLS) and remains insignificant in fixed effects (0.001319, p = 0.9813) and random effects (0.00275, p = 0.959). After including board independence in Model II, DS exhibits a higher coefficient of 1.434931 (p = 0.685) in pooled OLS, 2.291064 (p = 0.641) in fixed effects, and 1.43493 (p = 0.700) in random effects, but these results remain statistically insignificant. The interaction term, DS*BI, is negative and also insignificant (-1.639783, p = 0.685 in pooled OLS and -2.620383, p = 0.641 in fixed effects). These findings suggest that board independence does not significantly influence the relationship between differentiation strategy and financial performance, possibly because differentiation strategies require industry-specific expertise rather than governance oversight.

Strategic control (SC) also does not show a significant impact on financial performance. In Model I, SC has a coefficient of -0.19909 (p = 0.731) in pooled OLS, -0.398945 (p = 0.5130) in fixed effects, and 0.20856 (p = 0.001) in random effects. In Model II, SC remains negative across pooled OLS (-0.423500, p = 0.460), fixed effects (-0.607771, p = 0.380), and random effects (-0.4235, p = 0.487). The interaction term, SC*BI, is positive but statistically insignificant (0.077867, p = 0.821 in pooled OLS and 0.292599, p = 0.678 in fixed effects). This suggests that strategic control mechanisms, such as performance monitoring and internal governance, do not have a direct impact on financial performance, and board independence does not substantially alter this relationship.

A comparison of the two models highlights several key findings. Model II has a higher explanatory power ($R^2 = 0.552$) compared to Model I ($R^2 = 0.2199$ in fixed effects and $R^2 = 0.598$ in random effects). This increase in R^2 suggests that incorporating board independence improves the explanatory power of the model. The Durbin-Watson (DW) statistic in Model II (1.817) is slightly more stable compared to Model I, indicating a reduction in autocorrelation issues. The F-statistic remains significant across both models, confirming the overall validity of the regression equations. The Hausman test probability values (0.995) indicate that the random effects model is more appropriate for this study.

The implications of these findings are significant for corporate governance and strategic management in Nigerian manufacturing firms. First, board

independence enhances the relationship between strategic positioning and cost leadership with financial performance. This suggests that firms with independent boards are better able to make strategic decisions that positively impact on their profitability.

Second, differentiation strategy and strategic control do not significantly impact financial performance, either directly or through board independence. This indicates that differentiation strategies may require more specialized knowledge beyond the oversight of an independent board. Similarly, strategic control mechanisms alone may not be sufficient to drive profitability, suggesting that firms need to combine them with other performance-enhancing strategies.

Lastly, the findings emphasize the need for an integrated approach to strategy development. Firms should not rely solely on one strategic approach but should rather integrate cost leadership with strategic positioning while ensuring strong board independence. This holistic approach can lead to more sustainable financial performance.

5. SUMMARY AND CONCLUSIONS

In conclusion, this study demonstrates that board independence significantly enhances the impact of strategic positioning and cost leadership on financial performance. However, its effect on differentiation strategy and strategic control remains insignificant. These findings highlight the critical role of governance structures in driving corporate success and suggest that manufacturing firms in Nigeria should strengthen their corporate governance frameworks to optimize financial outcomes. This finding is in agreement with the works of Oppong et al. (2024), and Gani and Jermias (2006) but contradicts the findings of Besli and Suripto (2022)

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