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Business Strategy and Firm Performance: Implications for Corporate Governance and Economic Development in Sub-Saharan Africa (A Study of Rite Foods Limited, Nigeria)

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Abstract:

This study assessed the impact of business strategies (cost leadership, product differentiation, and focus) on organizational performance using Rite Foods Nigeria Limited. A survey and case study research design were used, where primary data was obtained from Human Resources (HR), Administration and Procurement unit employees of Rite Foods Nigeria Limited, using a structured questionnaire. Data were collected from a population of 83 employees which also served as the sample. Analysis was performed on the data utilizing the SPSS; while the hypothesized relationships were examined using Analysis of Variance (ANOVA). Results indicate a significant and positive association of the strategic variables (i.e. Cost leadership, differentiation strategy, focus strategy) to the performance of firms with p-values less than 0.05. The overall model (F-statistic) was also found to be significant ($F=26.102$) which represents the predictive value of business strategy in the equation for organisational performance. This study concludes that effective adoption of competitive business strategy positively influences firm performance. The study provides some recommendations that organization managers should manage the competitive advantages on cost leadership strategy by implementing efficient operations and costs management strategies to achieve economies of scale while also considering differentiation strategy and focus strategy.

Keywords: Business Strategy, Cost leadership policy, Product differentiation and Focus strategy and Firm Performance

1.0 INTRODUCTION

Due to the highly turbulent and competitive business environment existing today, it is of paramount importance for business organisations to come up with effective approaches to better the competition and maintain the firm performance. Business strategy entails the measures and approaches taken by a firm to achieve its goals, react to varying circumstances of the environment as well as maintaining a sustainable competitive advantage in the long term (Aashish, 2021; Lin et al., 2021). By means of utilizing their resources properly, businesses are able to gain competence at the level of competence thereby guaranteeing them long term high performance. It is opined that businesses implement strategic decisions to cater for globalization, market competition, and fluctuating market needs, at the same time maximizing their resources use (Abdulwase et al., 2020).



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Strategies such as differentiation strategy, cost leadership strategy, or focus strategy offers a framework to businesses to achieve competitive advantage and to improve business performance. It is thus a decisive factor in determining the success and profitability of any business organization since the performance or success of any firm often comes with their strategy effectiveness (Cassia & Magno, 2020).

Firm performance is the measure of success of the organization in terms of its accomplishments of its aims and objectives. This is generally determined by two kinds of measures: those with a financial nature and also those without a financial element such as profitability, productivity, market share, customer satisfaction and brand equity (Rajapathirana & Hui, 2020). Hence, profitable business strategy is indispensable in boosting organisational performance, competitiveness, and also longevity.

Statement of the Problem

In today's dynamic and competitive business environment, firms are under increasing pressure to adopt effective business strategies that can enhance their performance and ensure long-term survival. Business strategy, as a comprehensive plan formulated by organizations to achieve competitive advantage, plays a pivotal role in shaping firm outcomes (Porter, 2020). Among the various strategic approaches, cost reduction, product differentiation, and service quality have emerged as critical factors influencing firm performance. However, despite their acknowledged importance, many firms struggle to balance these strategies effectively, leading to suboptimal performance outcomes.

Cost reduction strategies focus on minimizing operational expenses to offer products or services at lower prices than competitors. While this approach can enhance profitability and market share, it may also compromise product or service quality if not carefully managed (Hill & Jones, 2019). Firms pursuing aggressive cost-cutting may experience short-term gains but risk long-term sustainability if quality deteriorates. Conversely, product differentiation strategies aim to create unique products that stand out in the market. Although differentiation can foster customer loyalty and allow firms to command premium prices, it often requires substantial investments in innovation and marketing, which may strain financial resources (Porter, 2021). Focus strategy, which targets a specific market segment, may lead to increased customer loyalty but may also limit market expansion opportunities if not managed properly (Pearce & Robinson, 2011).

Despite extensive research on these strategic dimensions individually, there remains a paucity of empirical evidence on how their combined implementation influences overall firm performance, particularly in emerging economies.

Given this background, it is imperative to investigate the effect of business strategies specifically cost reduction, product differentiation, and focus strategy on firm performance with special attention to Rite Food Nigeria Limited. Specific objectives are to:

- i. Investigate the influence of cost leadership policy on firm performance.
- ii. Identify the influence of product differentiation on firm performance.
- iii. Investigate the influence focus strategy on firm performance.

Stemming from the specific objectives above, the study seeks to validate the following null hypothesis:

H₀₁: Cost reduction policy has no significant influence on firm performance.



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H₀₂: Product differentiation does not significantly influence firm performance.

H₀₃: Focus Strategy has no significant influence on firm performance.

2. LITERATURE REVIEW

2.1 Conceptual Review

Business Strategy

Business strategy entails the series of goals, plan, and set of resource deployment intended to attain organizational objectives as well as achieve the intended competitive position within the business environment (Longe, 2020; Pushpakumari & Wijewickrama, 2024). A strategy allows management to anticipate changes in the environment, satisfy the demands of key publics and improve overall business outcome (Armstrong & Barron, 2021). Business strategy has also been described as an organization's overall approach to market or a 'playbook' designed to support a successful market or product (Thompson et al., 2019). It can be summarized as a systematic direction adopted by business to increase marketability of products / services, competitiveness and to make assets increase (Cassia & Magno, 2019).

Cost Leadership Strategy

Cost leadership involves a company aiming to become the lowest-cost producer in its industry. This strategy allows firms to offer products at lower prices than competitors or maintain average prices and earn a higher profit margin (Porter, 2022). A firm implementing this strategy emphasizes efficiency, cost minimization, economies of scale, and tight cost control. It targets a broad market and often invests in large-scale production, streamlined operations, and aggressive supply chain management.

Differentiation Strategy

A differentiation strategy involves offering unique products or services that provide superior value to customers, allowing the firm to charge premium prices (Barney, 2021). Firms adopting this strategy focus on innovation, brand image, technology, high quality, customer service, or other factors that distinguish them from competitors. The goal is to create something perceived as distinct and better in the market.

Focus Strategy

Focus strategy concentrates on serving a specific market niche better than competitors who target a broader audience. It can be based on cost (cost focus) or differentiation (differentiation focus) (Porter, 2022). This strategy involves understanding the unique needs of a niche market and tailoring products or services accordingly. It is particularly effective for small or medium-sized firms that lack the resources to target larger markets.

Firm Performance

Firm performance is a broad concept in nature that can be seen as a snapshot showing how efficiently and effectively the organization is in reaching its objective. Moreover, it can be indicated by financial as well as non-financial indicators like profitability, productivity, market share, customer satisfaction, brand strength, growth and competitive position (Rajapathirana & Hui, 2020; Mugane & Ondigo, 2022). Besides, it can be suggested that firm performance is the overall value of the extent to which the organization accomplishes its mission by implementing effective governance and management practices (Azar & Ciabuschi, 2022). According to Rezaee (2021), performance can be evaluated by three perspectives: the achievement of organization goal, the use of organization resources, and the influence of population in which organization operated,



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an use of Balanced Scorecard has been increasingly adopted by the organizations to measure the overall performance by taking those three perspectives into accounts.

2.2 Theoretical Framework

This study is anchored on Porter's Generic Strategies Theory, which was first put forward by Michael Porter in 1980. Porter identified three generic strategies (cost leadership, differentiation, and focus) that he believed could be successfully adopted by organizations to attain exceptional levels of performance and sustainable competitive advantage. Cost leadership corresponds to a generic business strategy that aims at acquiring a competitive advantage by being the lowest cost producer, it implies that the products from the focal firm are sold at a lower price than the products from the competitors. Differentiation, on the other hand, implies that the companies are differentiated and provide the customers with added value. Focus strategy indicates that the company is focusing on market segmentation and aims at serving specific market segments more effectively and efficiently than other competitors.

The theory implies that firms adopting these strategies have comparatively high potentials for enhancing profits, market shares, customers' satisfactions and organizational performances. In an increasingly competitive business environment, business strategic decisions determine the allocation of resources by the firms, make them adapt to market fluctuations and help them balance their long-term interests. Based on the strategic decisions, Porter's Generic Strategies theory is adopted as a theoretical framework for this study.

2.3 Empirical Framework

Birjandi, Jahromi, Darabi and Birjandi (2024) investigate the effect of cost leadership on firm performance of 45 firms listed on the Tehran Security Exchange during 2009-2013. They demonstrate that the cost leadership strategy positively and significantly affects firms' performance.

Atikiya, Mukulu, Kihoro and Waiganjo (2020) examined the relationship between cost leadership strategy and the performance of manufacturing firms in Kenya. The findings revealed that performance of manufacturing firms are significantly influenced by cost leadership strategy.

Marangu, Mwiti and Thoronjo (2020) study analysed the influence of cost leadership strategy on organizations' competitiveness of Sugar Firms in Kenya. The study concluded that there was a statistically significant influence of cost leadership strategy on organization competitiveness. However, the study was based on Sugar Firms in Kenya using descriptive crosssectional research design.

Abdifatah and Abubaker (2024) examined the influence of product differentiation and organizational performance based on a study of Sameer Africa Ltd in Nairobi, Kenya. The study found that product differentiation had a positive relationship with organizational performance. The study concluded that integrating product differentiation strategies through specific product attributes relevant to competitors and variety of products to match the need of various customers would result to improved performance.

Shafiwu and Mohammed (2022) investigated the effect of product differentiation on profitability in the petroleum industry in Ghana. The study concluded that despite the fact that the petroleum industry is not seen to have differentiated products relative to other industries, it does not mean that the act of differentiation in itself is not a profitable strategy suitable to the industry.



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Feisal (2020) investigated the influence of focus strategy on customer loyalty among small and medium enterprises in Garissa Town, Kenya. The study concluded that focus strategy enables SMEs to generate strong customer loyalty by tailoring their business to the needs of a small group. Curado, Muñoz-Pascual and Galende (2019) did a study to determine the influence of focus competitive approach on firm performance among superstores in Geneva. Through structured questionnaires on 14 managers of superstores in Geneva, regression results reiterate that value addition was an organization's definitive mission to their customer in terms of product superiority ratio to expenses.

2.4 Gaps in Literature

Despite the abundance of literature on the subject, there is a dearth of Nigerian studies targeting the impact of business strategy on firm performance in the Nigerian manufacturing industry. Furthermore, most of the available studies have treated the various business strategies as an independent approach but failed to consider the potential of combining these strategies. This is a gap which the current study aims to bridge.

3.0 METHODOLOGY

This research used descriptive survey research design to investigate the relationship between business strategy and firm performance at Rite Foods Nigeria Limited. The target population was made up of 83 employees of HR, Admin and procurement department. The population was deemed relatively small; hence the population was retained as the sample using census sampling technique. Primary data were collected by means of a structured questionnaire comprising of two sections, demography and factors intended to examine the business strategy and the performance of the firm. The responses to the quantitative data were recorded by a five-point Likert scale. The reliability of the data was ascertained by the help of test re-test method and validity was maintained by expert opinion using content and construct validation. The data were analyzed using Statistical Package for Social Sciences (SPSS V.20). Descriptive statistics such as, frequencies, percentages, means and standard deviations were computed to analyse the data while correlation and regression analyses were used to analyze the relationship between the strategic variables and firm performance results published in tables and figures.

4.0 RESULTS AND DISCUSSION

Table 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.774	.723	24

Source: Field Survey (December 2025)

The alpha value ($\alpha = .774$) in the table 1 indicates that the instrument is reliable to determine the relationship between business strategy and firm performance.



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Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854 ^a	.713	.692	.11611

Predictors: BS

a. (Constant), CLP, PD, FS

b. **Source: Field Survey, December 2025.**

The table above shows the R square with the value of .713 which indicates that 71.3% variation in firm performance is caused by the explanatory variables (cost leadership policy, product differentiation and focus strategy). Also, the adjusted R square indicates that after adjusting the degree of freedom, the explanatory variables can still explain 69.2% variation in firm performance.

Table 3: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.933	3	9.311	26.102	.000 ^b
	Residual	6.443	80	.035		
	Total	34.376	83			

Dependent Variable: Firm performance

Predictors: (Constant) CLP, PD, FS

Source: Field Survey, December 2025.

The F-statistic value of 26.102 with a corresponding significance level (p-value) of .000 reveals that the regression model is statistically significant at the 0.05 level. This means that cost leadership policy, product differentiation and focus strategy, when considered together, significantly predict firm performance.

Table 4: Coefficients

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
1	(Constant)	.927	.159	.097	-2.659	.009
	CLP	.318	.143	.271	13.072	.004
	PD	.432	.092	.343	13.368	.109
	FS	.230	.067	1.436	1.246	.000

a. Dependent Variable: FP

Source: Field Survey, August, 2025.

The coefficient table reveals the relationship between the variables which shows that cost leadership policy, product differentiation and focus strategy have a positive relationship with firm



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performance with 0.318, 0.432 and 0.230 respectively. The table further reveals the significance of the explanatory variables which was however used to test the hypotheses of the study.

The T statistic rules states that once the probability value of the variable is greater than 0.05 which is the level of significance, we accept null hypothesis and if otherwise, we reject null hypothesis and accept alternate hypothesis.

Table 4 reveals that both cost leadership policy and focus strategy were significant with the P value of 0.004, 0.000 respectively, which is lesser than 0.05 level of significance and only product differentiation with the P value 0.109 is greater than 0.05 level of significance (i.e, $P > .05$); making it statistically insignificant.

Hypotheses Testing

Decision Rule: Once the probability value of the variable is greater than 0.05 which is the level of significance, we accept null hypothesis and reject the alternative. If otherwise, we reject null hypothesis and accept alternate hypothesis.

Hypothesis one

H₀: Cost leadership policy has no significant influence on firm performance.

H₁: Cost leadership policy has a significant influence on firm performance

Decision: The coefficient table 4 shows that (Cost leadership policy) with probability value of 0.004 is statistically significant which denote that we reject the null hypothesis and accept the alternative. The study concludes that cost leadership policy has significant positive influence on firm performance.

Hypothesis Two

H₀: Product Differentiation has no significant influence on firm performance.

H₁: Product Differentiation has a significant influence on firm performance

Decision: The coefficient table shows that (Product differentiation) with probability value of 0.109 is not statistically significant which denote that we accept null hypothesis and reject the alternative. The study therefore concludes that product differentiation has no significant positive influence on firm performance.

Hypothesis Three

H₀₃: Focus strategy has no significant effect on firm performance.

H₁: Focus strategy has a significant effect on firm performance

Decision rule: The coefficient table shows that (Focus strategy) with probability value of 0.000 is statistically significant which denote that we reject null hypothesis and accept the alternative. The study therefore conclude that focus strategy has significant effect on firm performance.



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Discussion of Result

The coefficient table 4 reveals the relationship between the variables which shows that both cost leadership policy and focus strategy have a strong positive relationship with firm performance with 0.318 and 0.230 respectively while product differentiation has a weak relationship with firm performance with 0.432.

Table 4 also reveals that cost leadership policy and focus strategy were significant with the p-value of 0.000, 0.004, which is lesser than 0.05 level of significance. The findings imply that cost leadership policy and focus strategy have more significant effect on firm performance. However, product differentiation was found to be insignificant with the p-value of .109 which is greater than the 0.05 level of significance.

The F-statistic value of 26.102 with a corresponding significance level (p-value) of .000 reveals that the regression model is statistically significant at the 0.05 level. This means that cost leadership policy, product differentiation and focus strategy, when considered together, significantly predict firm performance.

5.0 CONCLUSION AND RECOMMENDATIONS

The first objective of this study examined the influence of cost leadership policy on firm performance. The findings showed a positive significant correlation with a p-value of 0.004. Hence, the study concluded that cost leadership policy has positive significant effect on firm performance. This is consistent with the study of Rhodes (2021) who found that cost leadership policy enhances firm Performance.

The second objective investigated the influence of product differentiation on firm performance. The findings revealed that there is no significant correlation with a p-value of .109. Therefore, the study concluded that product differentiation has no significant positive influence on firm performance. This is consistent with the study of Safizadeh (2019), who discovered that there is no relationship between product differentiation and firm performance.

The third objective evaluated the influence of focus strategy on firm performance. From the findings, there is a positive significant relationship with a p-value of 0.000. Hence, the study concluded that focus strategy has significant effect on firm performance.

The overall conclusion of this study is that there is a significant relationship between business strategy and firm performance of Rite Foods, Lagos State, Nigeria.

In a more general way, considering governance and Sub-Saharan African economic development, these findings shed light on the impact of strategic management in the overall business organizational robustness, efficiency and competitiveness. In this respect, good business strategies support the stable development of an enterprise, promote job opportunities, facilitate sustainable development and further assist in strengthening the governance of the enterprises, as well as helping attain some economic performance goals.

Based on the conclusion of this study, the following recommendations were made:

- i. Managers should adopt cost leadership strategies by continuously streamlining operations, reducing overheads, and leveraging economies of scale to achieve lower production costs



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- ii. Organizations should prioritize product differentiation by investing in innovation, design, branding, and customer service to create unique value propositions that strengthen customer loyalty and reduce price sensitivity.
- iii. Managers should decide between cost focus or differentiation focus based on the unique needs of their targeted customer segment. By tailoring products and services to niche markets, firms can build strong customer loyalty, improve responsiveness to customer needs, and achieve higher profitability.

6.0 LIMITATIONS OF THE STUDY AND SUGGESTION FOR FUTURE STUDIES

The research was conducted within a particular context, namely Rite Foods Limited in Lagos State, Nigeria, and covered a relatively small number of employees from a specified group of departments. As such, the generalisability of the research findings to other firms and sectors could be questioned. Furthermore, a cross-sectional survey approach along with a reliance on self-report information can possibly attract a response bias.

It is therefore recommended for future researchers to draw larger samples with varying characteristics and more diversifications not only within organizations but across sectors and regions in Sub-Saharan Africa. Moreover, researchers could use a longitudinal study approach to examine longer-term impacts of business strategies on firm performance, as well as incorporate moderation effects from corporate governance, innovation and market forces.

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