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Strategic response and financial sustainability of sugar manufacturers in Nigeria

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ABSTRACT
The pursuit of long-term business viability is central to organizational objectives, but the volatile global business environment poses significant financial sustainability challenges. This study investigates the impact of strategic responses on the financial sustainability of sugar manufacturers in Lagos State, Nigeria, focusing on BUA Sugar Refinery Ltd, Dangote Sugar Refinery PLC, and Flour Mills of Nigeria Plc. A cross-sectional survey design was employed, targeting 919 employees from the three companies, which dominate over 91% of Nigeria’s sugar market. A sample of 326 employees was selected using stratified random sampling, ensuring representation across management levels. Data was collected through a structured and validated questionnaire assessing strategic response and financial sustainability. The study's findings, based on regression analysis, reveal a moderately strong positive correlation between strategic response and financial sustainability ($R = 0.617$, $R^2 = 0.380$). The regression coefficient ($\beta = 0.509$) suggests that improvements in strategic response directly enhance financial sustainability. Statistical significance was confirmed by an F-value of 170.060 and a p-value of 0.000. The results underscore the importance of adopting sustainable business models, stakeholder engagement, and strategic adaptation to ensure long-term financial success. The study recommends that sugar manufacturers strengthen their strategic response capabilities to secure their financial future.

Keywords: Strategic Response, Financial Sustainability, Sugar Industry, Nigeria

I. INTRODUCTION

The sugar industry has been traditionally regarded as strategic in providing for economic growth, and its strategic relevance has been much cherished for many centuries due to ecological, labor-intensive, and climatic advantages, setting apart the sugar industry as a major creator of historical economic wealth. Although the relevance of the sugar industry in economic history is a well-documented field, more recently, the sugar industry has been under severe financial pressure (USDA, 2022). Hence, financial sustainability remains a persistent challenge for the sugar industry been a vital sector for the nation's economy and industrial diversification agenda. Despite significant contributions to employment and Gross Domestic Product (GDP), the industry faces financial instability due to fluctuating global sugar prices, high operational costs, reliance on imported raw materials, and inadequate infrastructure. For instance, data from the National Sugar Development Council in 2023, indicates that Nigeria imports over 90% of its sugar requirements, leading to foreign exchange losses and underutilization of domestic production capacity. Additionally, inefficiencies in supply chain management, inconsistent government policies, and limited access to financing exacerbate the financial instability of sugar manufacturers, threatening their long-term viability (USDA, 2022). These challenges underscore the need for innovative solutions to ensure the industry’s sustainability and resilience.

A strategic response framework provides an opportunity to address the financial sustainability issues plaguing Nigeria’s sugar manufacturing industry. Strategic responses, including resource diversification, vertical integration, and operational efficiency, align with the Resource-Based View RBV theory, which emphasizes leveraging unique resources and capabilities for competitive advantage. By diversifying into sugarcane by-products such as ethanol and bioenergy, manufacturers can create alternative revenue streams to cushion the impact of price fluctuations in the sugar market (CBN, 2020). Similarly, adopting advanced technologies and precision agriculture can reduce production costs and enhance profitability. Government support, through consistent policies and subsidies, can further bolster financial sustainability (USDA, 2022). Thus, a coordinated strategic approach can help sugar manufacturers navigate economic uncertainties and build long-term resilience.

Existing research on Nigeria's sugar industry predominantly focuses on production inefficiencies, import dependency, and policy challenges but provides limited empirical insights into the impact of strategic responses on financial sustainability. While studies by Ahmad and Wu (2022)highlight the importance of resource diversification and operational efficiency, there is insufficient evidence on how these strategies influence financial outcomes over short-, medium-, and long-term horizons. Hence, nothing concrete is known of the potential outcomes of the interaction of strategic response on the financial sustainability of sugar manufacturing industry in Nigeria. This gap presents an opportunity for further research to assess how targeted strategic interventions can improve financial sustainability metrics, such as profitability, cost efficiency, and risk management, in Nigeria’s sugar industry. Addressing this gap is essential for guiding policymakers and industry stakeholders in implementing strategies that foster a competitive and financially resilient sugar industry in Nigeria. Consequently, this study examined the effect of strategic responses on the financial sustainability of sugar manufacturers in Lagos State, Nigeria.

II. LITERATURE REVIEW

Theoretical Underpinning

Dynamic Capability Theory, developed by David Teece, Gary Pisano, and Amy Shuen (1997), emphasizes an organization’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. The theory posits that financial sustainability, particularly in volatile and resource-intensive sectors such as Nigeria’s sugar industry, depends on strategic responses that enable firms to adapt, innovate, and thrive amidst market dynamics (Onamusi 2020).The sugar industry in Nigeria operates in a complex environment influenced by policy shifts, global competition, and environmental challenges. According to Dynamic Capability Theory, organizations achieve financial sustainability by developing three core capabilities: sensing opportunities and threats, seizing opportunities, and transforming processes to maintain competitive advantages. Strategic responses such as market diversification, resource efficiency, and technology adoption align with these capabilities to ensure long-term financial growth and stability. For example, a strategic response like investing in modern irrigation systems not only addresses resource constraints but also improves productivity, thereby reducing operational costs. Such measures enhance profitability and resilience against market shocks, contributing to financial sustainability.

Dynamic Capability Theory assumes that: Organizations must continuously update their resource base to remain competitive. Success depends on adapting to internal and external environmental shifts, and the historical trajectory of a firm's decisions shapes its ability to build dynamic capabilities. In the Nigerian sugar industry, these assumptions highlight the necessity for firms to adapt to evolving consumer demands, changing trade policies, and environmental sustainability requirements. Critics argue that Dynamic Capability Theory lacks precise operationalization, making it difficult to measure the capabilities it emphasizes. Furthermore, Eisenhardt and Martin (2000) suggest that dynamic capabilities might not always lead to a competitive advantage but may instead become routines in highly competitive environments. Additionally, in resource-constrained settings like Nigeria, critics question whether firms can realistically invest in building dynamic capabilities amidst infrastructural and financial limitations.

Scholars such as Zollo and Winter (2002) and Barreto (2010) extend the theory’s application to sustainability by emphasizing the importance of learning and innovation in achieving long-term goals. For instance, they suggest that strategic responses involving environmental innovations not only meet regulatory requirements but also open avenues for financial benefits through cost savings and new market opportunities(Onamusi 2020). More recent studies reinforce this connection by demonstrating that firms with strong dynamic capabilities are better positioned to achieve financial and environmental sustainability simultaneously (Oyedokun et al., 2023; Suleiman et al., 2024). For the sugar industry in Nigeria, these insights imply that strategic responses, such as adopting renewable energy technologies, can mitigate operational risks while reducing costs, thereby promoting financial sustainability.

Applying Dynamic Capability Theory, firms in Nigeria’s sugar industry must prioritize strategies that enhance agility and adaptability. For

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example, sensing global market trends like the rising demand for organic sugar can guide investment in sustainable farming practices. Similarly, seizing opportunities through partnerships with technology providers can lower production costs, while transforming operational processes to align with sustainable practices ensures compliance with both domestic and international regulations. By grounding strategic responses in the principles of Dynamic Capability Theory, the Nigerian sugar industry can strengthen its financial sustainability in the short, medium, and long terms, despite the challenges posed by economic and environmental uncertainties.

Strategic Response and Financial Sustainability

Strategic response describes the actions taken by organizations to address challenges and opportunities in their operating environment. These responses can have a significant impact on sustainability, which involves meeting the needs of the present without compromising the ability of future generations to meet their own needs (Onamusi 2021). By aligning strategic responses with sustainability goals, organizations can contribute to a more environmentally, socially, and economically sustainable future (Taylor et al., 2020). Extant literature has provided logical explanation of how strategic response can impact sustainability in the following ways. For instance, organizations are recognizing the need to adopt sustainable business models that integrate economic success with environmental and social considerations (Brown & Lee, 2022). Strategic responses involve rethinking traditional approaches to business (Onamusi 2020), such as embracing circular economy practices, developing eco-friendly products, and investing in renewable energy sources. These actions promote sustainability by reducing resource consumption, minimizing waste generation, and contributing to climate change mitigation (Jackson & Williams, 2023).

Also, effective strategic responses involve engaging with stakeholders, including employees, customers, suppliers, communities, and regulatory bodies. By involving stakeholders in decision-making processes, organizations can better understand their concerns, values, and expectations regarding sustainability (Onamusi 2020). This engagement helps organizations align their strategic responses with stakeholder interests, leading to more sustainable outcomes that address social and environmental issues (Zhang & Johnson, 2022). Similarly, strategic responses can enhance sustainability by effectively managing risks and uncertainties. Organizations are increasingly recognizing the importance of identifying and mitigating environmental and social risks to ensure long-term viability. By incorporating sustainability considerations into risk assessment and management practices, organizations can minimize negative impacts on the environment and society, safeguard their reputation, and create value for all stakeholders (Kumar & Singh, 2021).

Strategic responses can drive innovation and collaboration, leading to sustainable solutions. Organizations are encouraged to seek innovative approaches to address sustainability challenges, such as developing new technologies, processes, and business models (Sharma & Patel, 2020). Strategic collaborations with other organizations, research institutions, and NGOs can accelerate the development and adoption of sustainable practices, enabling shared learning, resource optimization, and collective action towards sustainability goals (Miller et al., 2021). Strategic responses include transparent reporting on sustainability performance. Organizations are increasingly adopting sustainability reporting frameworks and standards, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), to disclose their environmental, social, and governance (ESG) practices (Brown & Lee, 2022). Transparent reporting not only allows organizations to assess their own performance but also facilitates informed decision-making by stakeholders, encourages accountability, and supports the transition to a more sustainable economy (Tucker & Reed, 2023).

By incorporating these elements into their strategic responses, organizations can contribute to the achievement of sustainable development goals, such as those outlined in the United Nations Sustainable Development Agenda. The literature emphasizes the importance of integrating sustainability considerations into the core strategies and operations of organizations to ensure long-term success and a positive impact on the environment and society (Morris & Taylor, 2023). It is important to note that this response is based on the available literature up to the year 2021 (Lee et al., 2021). There may be more recent studies and developments in the field that could further enhance our understanding of the impact of strategic responses on sustainability.

Scholars of strategic management stress the importance of a company's strategic response capability as a prerequisite to achieving superior firm performance in an ever-evolving environment

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characterized by unpredictable consumer behavior, intense global/local competitive rivalry, inconsistent government policies, disruptive innovations, and weak purchasing power (Singh & Kumar, 2022). According to the storyline presented in recent studies (Brown & Lee, 2022), businesses can gain a lot by having and using strategic reaction capacity. According to one school of thought (Kumar & Singh, 2021), businesses have a better chance of long-term success if they put their attention on developing a strategic response to the ever-shifting conditions of the market. Increased market share, satisfied fickle consumers, rapid new product development, and reduced operating costs due to environmental shocks are just some of the many benefits that can accrue to businesses that practice greater responsive agility (Jackson & Williams, 2023). A researcher in the field of Kenyan manufacturing proposed that the success of small and medium-sized enterprises (SMEs) in export markets was directly related to their strategic response capability (Zhang & Johnson, 2022). In a similar vein, it was found that Malaysian SMEs can benefit from, and are better able to implement, strategic reaction skills in adaptive and sensing capacities (Sharma & Patel, 2020).

Local oil marketing enterprises in Kenya have an opportunity to deal with intense competition according to research showing that strategic reaction capability has a positive and significant correlation with firm performance (Miller et al., 2021). Strategic responses, management methods, and customer loyalty were found to have a substantial correlation (Smith & Jones, 2021). Theoretically, this study shows that companies with high customer loyalty will attract and retain a dedicated customer base, leading to increased profits for their business (Tucker & Reed, 2023). Scholars in the oil and gas industry, the banking industry, the textile industry, the agrochemical industry, the manufacturing industry, and the service industry have all conducted empirical studies on strategic response capability that explain a positive and significant contribution to short-term performance and long-term sustainability (Sharma & Patel, 2020). In light of these findings, it is clear that the ability to implement strategic responses is critical to business sustainability (Brown & Lee, 2022). The authors of this study argue, based on this discussion, that a sugar manufacturer's sustainability is heavily impacted by their strategic response capability (Kumar & Singh, 2021).

III. METHODOLOGY

This study aims to investigate the effect of business continuity management factors on the financial sustainability of sugar manufacturers in Nigeria, with a focus on BUA Sugar Refinery Ltd, Dangote Sugar Refinery PLC, and Flour Mills of Nigeria Plc, all located in Lagos State. The study adopts a cross-sectional survey research design, which is appropriate for examining the relationships between variables in a real-world setting. This design ensures confidentiality and reliability of data, as supported by prior research (Asikhia et al., 2020; Tijani et al., 2021; Umukoro et al., 2023).

The study targets a population of 919 employees from the three selected sugar manufacturers, as these companies control over 91% of the market share of the sugar industry in Nigeria. Using the Raosoft online sample size calculator, a sample size of 326 was determined. To account for potential non-responses, an additional 20% was added to the calculated sample size, resulting in a final sample of 326 employees. The participants were selected through stratified random sampling, ensuring faithful representation (Adeyemo et al., 2022) from top management, middle management, and operational staff.

Data collection was done using a structured questionnaire, adapted from previous studies on strategic response and financial sustainability (Onamusi 2020, Oyedokun et al., 2023). The questionnaire was designed to assess respondents' understanding of their company's operations, and only those who rated their understanding highly (scores of 6 or above on a 1–10 scale) were included in the final analysis. This procedure help to improve the reliability of data and recommended by extant literature (Asikhia et al., 2022; Onamusi, 2021). The instrument included items on strategic response, financial sustainability and was validated through construct, content, and criterion validity measures.

A pilot study conducted on similar staff members at other companies confirmed the reliability and validity of the research instrument. The questionnaire was found to have high construct validity, with an Average Variance Extracted (AVE) greater than 0.5, and excellent reliability, as shown by Cronbach's alpha coefficients above 0.7 for all variables. Data analysis will involve descriptive statistics (mean, standard deviation) and inferential statistics (regression analysis) using SPSS software to test the hypotheses of the study.

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IV. RESULTS AND DISCUSSION OF FINDINGS

Table 1: Demographic Characteristic of Respondents

Variables	Category	Frequency	Percentage
Gender	Male	180	64.5%
	Female	99	35.5%
Educational qualifications	ND/NCE	23	8.2%
	BSC/BA/HND	146	52.3%
	PGD/MBA/MSC/MA	110	39.4%
Job level of respondents	Top Management	31	11.1%
	Middle Management	148	53.0%
	Operational Management	100	35.8%

Source: Field Survey Results, 2024

The Table 1 presents the demographic and personal profile of respondents used for this study. Demographic and personal profile of respondents as shown in Table 1 indicated that 180 respondents representing 64.5% were male while 99 respondents representing 35.5% were females, indicating that most of the respondents were male. Furthermore, 23 of the respondents representing 8.2% indicated that they had ND/NCE, 146 of the respondents representing 52.3% indicated that they had BSC/BA/HND, 110 of the respondents representing 39.4% indicated that they had PGD/MBA/MSC/MA. This finding suggests that most of the respondents have first degree qualification. Further analysis revealed that 31 respondents representing 11.1% indicated that they are top management, 148 respondents representing 53.0% indicated that they are middle management, 100 respondents representing 35.8% indicated that they are operational management. This result shows that majority of the respondents are within the middle management level and this suggest that the information provided can be very reliable given their position within the organisation.

$H_0$1: Strategic response has no significant effect on financial sustainability of sugar manufacturers.

The null hypothesis which states that there is no significant effect of strategic response on financial sustainability of sugar manufacturers in Nigeria was tested using simple linear regression analysis. In the analysis, the values of financial sustainability were regressed on the values of strategic response. The data for strategic response (independent variable) was generated by summing responses of all the items while financial sustainability (dependent variable) was generated by adding responses of all items used to measure the variable. The regression test results are presented in Table 2.

Table 2: Summary of Regression Analysis for the effect of Strategic Response on Financial Sustainability of Sugar Manufacturing Companies in Nigeria

Model		**F(df)**	**Anova Sig**
R	0.617		
R Square	0.380	170.060(1,277)	0.000
Adjusted R Square	0.378		
Coefficients	**Unstandardized Coefficients**	**t**	**sig**
(Constant)	2.477	14.221	.000
Strategic response	.509	13.041	.000

a. Dependent Variable: Financial Sustainability
b. Predictors: (Constant), Strategic Response
Source: Researcher's Field Survey Results, 2024

From the results in Table 2, strategic response has moderately strong positive and statistically significant relationship with the financial sustainability of sugar manufacturers in Nigeria ($R = 0.617$, $p<0.05$). The coefficient of determination (R^2) of 0.380 shows that strategic response predicts 38% of the changes in financial sustainability, while the remaining 62% changes in financial sustainability of sugar manufacturers in Nigeria is explained by other external factors other than those examined in this study. From the Table 2 the results of ANOVA (overall model significance) of regression test which revealed that strategic response has a significant effect on financial sustainability of sugar manufacturers in Nigeria. This can be explained by the F-value (170.060) and low p-value (0.000) which is statistically significant at 95% confidence interval. Hence, the result posited that strategic response capabilities of the sugar manufacturing companies in Nigeria significantly influenced their financial sustainability. Moreover, scholars have provided additional threshold for making sense of the values of R^2. The R^2 values of 0.75, 0.50, and 0.25 for endogenous latent variables can be considered as substantial, moderate, and weak (Asikhia et al., 2022). Hence, with reference to R^2 criterion, it is safe to say that strategic response has moderately strong effect on the financial sustainability of sugar manufacturing companies in Nigeria.

Furthermore, the results of regression coefficients revealed that a positive and statistically significant relative influence was reported for strategic response. Specifically, the results reveal that at 95% confidence level, strategic response ($\beta = 0.509$, $p= 0.000$, $t= 13.041$) exercise of the sugar manufacturing companies in Nigeria is statistically significant as the p-values were less than 0.05 and the t-values greater than 1.96. This suggests that a unit change in strategic response will lead to a 0.509 increase in the financial sustainability of sugar manufacturers in Nigeria, given that all other factors are held constant. Based on the path coefficient, the regression model is restated as follows:

FS = 2.477 + 0.509SR ------------------- (i)
FS= Financial Sustainability
SR= Strategic Response

On the strength of this result ($R^2= 0.380$, $F(1,277)= 170.060$, $p= 0.000$), this study rejects the null hypothesis two (H_02) which states that strategic response have no significant effect on financial sustainability of sugar manufacturers in Nigeria.

V. DISCUSSION, CONCLUSION, AND RECOMMENDATION

The results of regression analysis for the effect of strategic response capability on financial sustainability of sugar manufacturers in Nigeria revealed that strategic response capability has a positive and significant effect on financial sustainability of sugar manufacturers in Nigeria. Conceptually, strategic response describes the actions taken by organizations to address challenges and opportunities in their operating environment. These responses can have a significant impact on sustainability, which involves meeting the needs of the present without compromising the ability of future generations to meet their own needs (Brown & Lee, 2022). By aligning strategic responses with sustainability goals, organizations can contribute to a more environmentally, socially, and economically sustainable future (Taylor et al., 2020). Extant literature has provided logical explanations of how strategic response can impact sustainability in the following ways. For instance, organizations are recognizing the need to adopt sustainable business models that integrate economic success with environmental and social considerations (Jackson & Williams, 2023). Strategic responses involve rethinking traditional approaches to business, such as embracing circular economy practices, developing eco-friendly products, and investing in renewable energy sources. These actions promote sustainability by reducing resource consumption, minimizing waste generation, and contributing to climate change mitigation (Sharma & Patel, 2020).

Also, effective strategic responses involve engaging with stakeholders, including employees, customers, suppliers, communities, and regulatory bodies. By involving stakeholders in decision-making processes, organizations can better understand their concerns, values, and expectations regarding sustainability. This engagement helps organizations align their strategic responses with stakeholder interests, leading to more sustainable outcomes that address social and environmental issues (Miller et al., 2021). Similarly, strategic responses can enhance sustainability by effectively managing risks and uncertainties. Organizations are increasingly recognizing the importance of identifying and mitigating environmental and social risks to ensure long-term viability. By incorporating sustainability considerations into risk assessment and management practices, organizations can minimize negative impacts on the environment and society, safeguard their reputation, and create value for all stakeholders (Kumar & Singh, 2021).

Strategic responses can drive innovation and collaboration, leading to sustainable solutions. Organizations are encouraged to seek innovative approaches to address sustainability challenges, such as developing new technologies, processes, and business models (Brown & Lee, 2022). Strategic collaborations with other organizations, research institutions, and NGOs can accelerate the development and adoption of sustainable practices, enabling shared learning, resource optimization, and collective action towards sustainability goals (Tucker & Reed, 2023). Strategic responses include transparent reporting on sustainability performance. Organizations are increasingly adopting sustainability reporting frameworks and standards, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), to disclose their environmental, social, and governance (ESG) practices (Jackson & Williams, 2023). Transparent reporting not only allows organizations to assess their own performance but also facilitates informed decision-making by stakeholders, encourages accountability, and supports the transition to a more sustainable economy (Sharma & Patel, 2020).

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Scholars of strategic management stress the importance of a company's strategic response capability as a prerequisite to achieving superior firm performance in an ever-evolving environment characterized by unpredictable consumer behavior, intense global/local competitive rivalry, inconsistent government policies, disruptive innovations, and weak purchasing power (Singh & Kumar, 2022). According to the storyline presented in recent studies (Sharma & Patel, 2020), businesses can gain a lot by having and using strategic reaction capacity. According to one school of thought (Miller et al., 2021), businesses have a better chance of long-term success if they put their attention on developing a strategic response to the ever-shifting conditions of the market. Increased market share, satisfied fickle consumers, rapid new product development, and reduced operating costs due to environmental shocks are just some of the many benefits that can accrue to businesses that practice greater responsive agility (Jackson & Williams, 2023). A researcher in the field of Kenyan manufacturing proposed that the success of small and medium-sized enterprises (SMEs) in export markets was directly related to their strategic response capability (Zhang & Johnson, 2022). In a similar vein, it was found that Malaysian SMEs can benefit from, and are better able to implement, strategic reaction skills in adaptive and sensing capacities (Kumar & Singh, 2021).

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The results of the regression analysis indicate that strategic response has a significant and positive effect on the financial sustainability of sugar manufacturers in Nigeria. The findings show that strategic response explains 38% of the variation in financial sustainability, with a coefficient of 0.509, suggesting that improvements in strategic response can lead to increased financial sustainability. Therefore, the null hypothesis is rejected, as strategic response plays a crucial role in enhancing the financial sustainability of sugar manufacturers. These results align with existing literature that emphasizes the importance of strategic response in fostering sustainability through various approaches, such as adopting sustainable business models, engaging with stakeholders, and managing risks effectively. Although, strategic response capability has significant effect on financial sustainability of sugar manufacturers in Nigeria. Nevertheless, the effect is not at the optimum level suggest that the management must collaborate with competitors to address common goals, be very quick to adapt their business to suit changing business environment and consistently explore new markets to take advantage of opportunities that can guaranty its financial sustainability

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