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Article

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Cogent Economics & Finance

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Suggested Citation: Abolarinwa, Samson Ige; Asogwa, Cosmas Ikechukwu; Ezenwakwelu, Charity A.; Court, Timinepere O.; Adedoyin, Samuel (2020) : Corporate growth strategies and financial performance of quoted manufacturing firms in Nigeria: the mediating role of global economic crises, Cogent Economics & Finance, ISSN 2332-2039, Taylor & Francis, Abingdon, Vol. 8, Iss. 1, pp. 1-18,
<https://doi.org/10.1080/23322039.2020.1750259>

This Version is available at:

<https://hdl.handle.net/10419/245303>

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To cite this article: Samson Ige Abolarinwa, Cosmas Ikechukwu Asogwa, Charity A. Ezenwakwelu, Timinepere O. Court & Samuel Adedoyin | (2020) Corporate growth strategies and financial performance of quoted manufacturing firms in Nigeria: The mediating role of global economic crises, Cogent Economics & Finance, 8:1, 1750259, DOI: [10.1080/23322039.2020.1750259](https://doi.org/10.1080/23322039.2020.1750259)

To link to this article: <https://doi.org/10.1080/23322039.2020.1750259>



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Published online: 22 Apr 2020.



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Received: 09 December 2019
Accepted: 25 March 2020

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Reviewing editor:
Tor Eriksson, Aarhus University,
Aarhus, Denmark

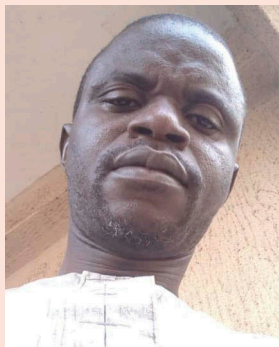
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FINANCIAL ECONOMICS | RESEARCH ARTICLE

Corporate growth strategies and financial performance of quoted manufacturing firms in Nigeria: The mediating role of global economic crises

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Abstract: This study examines the mediating role of global economic crises (GECs) in the effect of growth strategies on Nigerian manufacturing firms' performance. The study used secondary data for the period between 2000 and 2017 in its analysis. Therefore, an *ex post facto* research design was used in the analysis of 120 firms listed on the Nigerian Stock Exchange, which were selected out of 190 listed firms using a judgmental sampling technique. The researchers follow data cluster analysis approach to analyze the data for the time around a GEC, including pre-and



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PUBLIC INTEREST STATEMENT

Global economic crises (GECs) adversely impact corporate firms often negatively. Production and sales volumes always fall drastically thereby creating sustainability problems. Manufacturing firms that are innovative could have some difficulties trying to implement growth strategy models within these periods. Wrong growth strategy implementation could occur, which could lead to further corporate problems. Thus, it is vital to understand the kind of growth strategies that could enhance firms' performance during GECs. Growth strategies are important innovative goal of manufacturing firms and involve introducing new products to increase sales and performance. Growth strategies also involve expansion of firms through acquisitions. We draw from the analysis that both internal and external growth strategies affect firms differently during GECs. Manufacturing firms that engage in external growth strategies could perform better than firms that focus on product development. Though acquisitions within these periods may lead to complications, cheap firms could leverage acquirers' profitability.

post-crisis periods. The analysis reveals positive and statistically significant effects of internal growth strategies on return on assets and return on equity (coefficient = 9.474 and 6.277; $P < 0.01$). However, the researchers found that external growth strategies negatively and significantly affect the return on assets (coefficient = -6.005 ; $p\text{-value} < 0.01$) while the effect is positively significant on return on equity. Regarding GECs, the study found a statistically significant reverse effect. It was found that GECs together with external growth strategies yield a positive and significant effect on return on assets, while their mediation with internal growth strategies had a negative and significant effect on return on assets and return on equity (coefficients = -1.480 ; -2.041 , $p\text{-value} < 0.05$; coefficient = 2.194 , $p\text{-value} < 0.05$; 0.608 , $p\text{-value} < 0.05$). Thus, it is recommended that during GECs, firms should focus on external growth strategies, including mergers and acquisitions, while internal growth strategies, such as product and market developments, should be pursued under progressive and normal economic conditions.

Subjects: Business, Management and Accounting; Accounting; Strategic Management; Leadership; Corporate Governance; Organizational Studies

Keywords: Growth strategies; performance; global economic crises; manufacturing firms; internal growth; external growth; mediating role

1. Introduction

Global economic crises (GECs) have remained a notable concern for corporate managers, and how to grow a survival firm during the shock is a part of organizational responsibilities. Such a disconcerting occurrence has several implications for firms' growth strategies and performances. It could push managers to take irrational actions and might lead to the loss of staff to competitors. During previous GECs, several firms met their demise because they implemented unwise policies. It was estimated that within the crisis period of 2007–2008, corporate value dropped by over 63% in Nigeria. Thus, GECs create a need to understand the changes in management strategies and models, including growth strategies that should be adopted in order to mitigate shocks whenever crises reoccur (Roberto, 2008).

Growth strategies are part of the organizational change management that can affect firms' operational scopes and financial performance (Skalik, 2016). The growth of a company involves changes in its management system, which in itself involves change implementation strategies. Change implementation is the central expression of internal organizational movement, the course of which, according to Skalik (2016), is a function of external and internal strategies and conditions.

Growth strategies often play a vital role in a business's management as it allows a company to choose a direction of action and determine how to achieve its goals (Gibcus & Kemp, 2003). Growth strategies allow companies to access new markets; expand geographically; and obtain cutting-edge technology, complementary skills, and core competencies relatively fast (Gilinsky et al., 2001). In doing so, they increase their shareholders' or investors' value.

However, merging with firms in distressed situation has substantial implications for business survival. Crisis contagion follows firms during global economic problems. Thus, the growth strategy of firms, as a part of change management, could be susceptible to financial and economic situations, such as a recession, in an economy.

There is some empirical evidence suggesting that a firm's performance depends on whether the firm adopts internal or external growth strategies (Dugguh et al., 2018). However, there is no substantial empirical evidence supporting the mediating role of GECs in the effect of growth strategies on the performance of manufacturing firms in Nigeria. Thus, there is a knowledge gap

in terms of how firms engage in growth strategies during GECs and how such strategies affect their financial performance.

The present study aims to address this knowledge gap. Through this study, we determined the best internal and external growth strategies that could add value to manufacturing companies in Nigeria during GECs. Specifically, we focused on the 2007/2008 GEC, which significantly affected corporate organizations in Nigeria. Thus, the 2007/2008 GEC is the base year for this study.

We propose that during an economic recession, the growth strategies of firms might change so that these firms can overcome the crisis (Roberto, 2008). In this case, growth strategies become much more important. As a result, the decision of the type of strategy to pursue becomes a critical decision related to firms' sustainability. Recent evidence suggests that internal growth strategies affect firms more positively than external growth strategies (Banabo & Koroye, 2012; Insalaca, 2017).

Insalaca's (2017) analysis of the food and beverage sector found strong evidence that internal growth strategies have a positive differential impact on performance. However, under critical economic conditions, the reverse could be true. In such a case, external growth strategies could enhance corporate performance more significantly than internal growth policies. Acquisitions could be relatively cheap when compared to product development. In line with this view, Roberto (2008) suggests that talent hunts conducted through acquisitions could increase firms' value after a crisis.

Unfortunately, prior research is not clear regarding the moderating effect of economic crises on the impact of growth strategies on firms' performance, which presents a policy implication problem. An improper growth strategy approach during a financial crisis could lead to corporate failure as a firm's value could be destroyed by weak profitability and market resistance. This study argues that when firms are faced with economic hardships, they may lose their focus on specific usual growth model and instead pursue a different growth model. Such new growth strategy model may not be value-adding. On the other hand, the new strategies could deliver value to firms during the crisis. Due largely to falling asset values and credit squeezes that accompany financial and economic crises, firms may choose to adopt strategies that are not financing and liquidity intensive. Several threats face firms during global financial crises, which might lead them to make irrational decisions over strategy implementation.

Drawing further experience from the banking sector, the researchers found that banks may be faced with mergers or might be liquidated relatively quickly. Though acquisitions and mergers are part of growth strategy, a distress-driven acquisition and merger strategy could be value-destroying; sick firms might be acquired. Such acquisitions could drag well-doing firms down. Nigerian banks merged in 2005 and in subsequent periods when they faced the threat of merging or liquidation following GEC. However, most of the banks that merged involuntarily entered another problem cycle between 2009 and 2012. Indeed, most of their equities were zero or even negative. This situation adversely affected their financial performance.

In another instance, it was observed that during an economic recession, suppliers of raw materials and customers (or, in the case of commercial banks, depositors) can be badly hit by an economic downturn, which could lead to their asset impairment. This means that firms might lose their suppliers and other valuable customers during this critical time if they do not strategize and grow through internal and external mechanisms.

Evidence shows that strategic and strong competitors may target suppliers by helping them out of the crisis (Roberto, 2008). The ultimate aim is to win their supply and demand loyalties. Interestingly, when competitors win these loyalties, their performance status could change—if not in the short run, then in the long run. Therefore, firms should generally be innovative during financial crises. They should expand their growth strategies in order not to lose a substantial number of their suppliers; as such a loss can negatively affect their long-term financial performance.

The literature mentions two types of growth strategies that firms can engage in to boost their performance, namely, internal and external growth strategies. External growth strategies expand a firm by exploiting external resources. This type of growth may include mergers and acquisitions, as well as product development. These two forms of external growth strategies have remained critical growth models for manufacturing firms (X. Chen et al., 2009; Penrose, 1959). Manufacturing firms are highly innovative and competitive. Thus, they often merge to mitigate adverse competition from peers. During economic crises, mergers and acquisitions could play a vital role in reducing the crisis effect, which can boost performance in the long run.

On the other hand, internal growth strategies represent a natural, frictionless way for firms to grow and maximize their performance. Internal growth relies on the resources generated within a business that originate from the enhancement of all its operational activities. Thus, internal growth strategies can increase a firm's sales and assets, as well as the number of employees (Dalton & Dalton, 2006; Penrose, 1959).

Each of these strategies is sensitive to economic crises, meaning that the extent of their applications by firms depends on the state of the economy (Roberto, 2008). Economic crises present a mandatory change option for managers. Managing change is a tough thing, and part of the problem is that there is little consensus on what factors most significantly drive transformation initiatives and how they influence corporate behavior (Sirkin et al., 2005).

However, as already pointed out, it is not entirely clear which of these growth strategies provides the most value to firms during global financial crises. Global financial crises can hit at any time. Unfortunately, whenever one occurs, several firms would be affected, thus raising several questions. Can firms actually grow during financial crises, and how do the applied growth strategies affect their financial performance? Which growth strategies are the best for increasing a firm's financial status during an economic recession? What can firms do to take advantage of the problems their competitors encounter during an economic downturn (Roberto, 2008)?

2. Literature review and hypotheses development

2.1. Growth strategies

Growth strategies are important innovative goal of manufacturing firms though the concept of growth strategies has not yet achieved a consensus. This is because growth strategies depend on several factors including the purpose of the strategies, timing, the industry and the types of strategies involved. However, there is a reasonable agreement that growth strategies involve introducing new products to the existing products in order to increase sales, assets and income. Westerlund and Leminen (2012) consider growth strategy as a means in which organizations plan in order to achieve its objectives, which are to increase firms' size, activity volume, and turnover in terms of sales. Thus, the scholars consider growth strategies as means of expansion in order to attain a targeted sale threshold. Based on the above concept, it does appear that growth and expansion can be used interchangeably (Kuuluvainen, 2011). Growth strategies are normally adopted to expand from business operations through market penetration, diversifying products, services or stages of production to the existing business in order to improve and increase its venture into entities that are different from the current operations. There are two types of growth strategies namely internal and external strategies.

2.2. Internal growth strategies and performance

Internal growth is also called an organic growth. It is seen as an organization's rate not including mergers and acquisitions or any form of business combination (Penrose, 1959). Internal growth is not an event. However, it involves a long process that emanates from the boosting of all operational activities and can lead to an enhanced revenues, employees, and assets. Investing internally bring a higher capital return. This is because it mitigates paying not only the value of the stand alone firm but also the takeover premium (Mckinsey & Company, 2017). Literature often focuses on new ventures and gives little attention to the performance implication of internal growth strategies (Aktas et al.,

2008). The reason for this lack of attention is because internal growth strategies have some shortcomings. First, there is an argument that the internal growth strategies are a time consuming process, which internal strategies unsuitable for an expanding firms. Thus, the argument is that internal growth strategies are for the small companies and less applicable to expanding firms (Mckinsey & Company, 2017). In other words, internal growth strategies cannot yield substantial value to firms.

When growth strategies are analyzed, internal growth indicated strong positive effect on firm's financial performance. This effect was obtained through the use of market-based performance measure-Tobin's Q (Xia, 2006). However, the effect on external growth was negative (Xia, 2006). Using an accounting-based performance measure, namely, pre-tax operating cash-flow and return on assets, Aktas et al. (2008) found that internal growth strategies positively affect performance. The study found the external growth strategies to be positively associated with performance. Kemppli et al. (2012) found that internal return on invested capital positively affects internal growth strategies, but negatively affects external growth strategies. Insalaca (2017) investigated the food and beverage sector using a sample of 28 listed firms between 2007 and 2015 and found strong evidence that internal growth strategies have a positive differential impact on performance. Using ANOVA, Banabo and Koroye (2012) examined the relationship between product development and profitability of organizations. Their analysis showed that there was a significant relationship between product development and profitability of the organizations and that related diversification has positive effect on the performance of organizations. To examine if diversification plays a strategic role in the survival of micro-finance banks in Owerri, Imo State, Nigeria, Nwaiwu et al. (2014) engaged a survey. They found that that diversification enhances the financial performance and, that diversification competitiveness enhanced survival in the industry. Muogbo (2013) focused on the impact of growth strategies on organizational growth and development of selected manufacturing firms in Anambra State and found the adoption of growth strategies have significant effect on competitiveness and manufacturing firms such employee's performance and organizational productivity of manufacturing firms. Marangu et al. (2014) examined the effect of concentric strategies on sugar firm competitiveness in Kenya. The study found that concentric diversification positively influenced sugar firms' competitiveness. Richard and Larry (2010) focused on the Relationship between Strategic Orientation, Growth Strategies, and Market Share Performance in South Carolina and found that strategic orientation and growth strategies had the potential to improve the market share performance and their competitiveness. Hongbin and Ichiro (2009) examined the influence of integrative growth strategies on firms' reputation in Peking University, Beijing, China. They found that a firm's growth strategies can enhance a good reputation, which leads to a better performance. Selen (2011) examined the effect of integrative growth strategies on Firm Performance of Danish Manufacturing Firms. The researcher reported that horizontal integrated firms outperformed the corporate performance of unrelated diversified corporate firms. Selen (2011) also found that the structure of the market, and concentration level yield different impacts on performance based on industry types. James et al. (2016) investigated the drivers of growth strategies among smallholder dairy farmers in Lower Central Kenya. They found evidence that growth strategies positively influenced total fixed investments, turnover and volume of output. In the United States of America, Sarah and Michael (2009) found that vertical integration strategies added significant premiums for a food processor and recommended that diversification outside of the food economy does not lead to premiums while managers who seek to diversify should analyze the strategy very carefully.

The above review shows that there is higher evidence that positive relationship exists between internal growth strategies and firms' performance. Therefore, we state our first hypothesis below.

Hypothesis 1: Internal growth strategies of quoted Nigerian manufacturing firms positively affect their financial performance.

2.3. External growth strategies and performance

External growth involves a firm achieving growth from external resources through partnership or acquisition of companies in related or unrelated business areas. Thus, in its broadest definition, external growth involves not only mergers and acquisitions, but also joint ventures, strategic alliances, licensing, franchising, and investments (X. Chen et al., 2009; McCann, 1991). In dealing with external growth researchers often focus on mergers and acquisitions because of its wide application in manufacturing industry (Lynch, 2006). Mergers take place when two firms or businesses join together for synergistic reasons (Jachim et al., 2014). Synergistic relation helps firms to save cost (Jachim et al., 2014). Mergers are means for business to obtain resources for its operation. Such acquired resources could be used to advance the profit goals of the acquirer. Acquiring a business also implies that employees are acquired. Employees with good business ideas could be used to advance the business objectives of the parent companies. Such advances could translate into higher profit. Thus, companies merge for diversification goals. However, the general view is that mergers and acquisitions do not increase firms' profit. When growth strategies are analyzed, external growth strategies negatively affects market-based performance measure. This means that acquirers' shareholders' value is not increased through external growth strategies. Consistently, Aktas et al. (2008) found that external growth strategies negatively affect performance. Kemppi et al. (2012) found that external growth strategies negatively affect return on invested capital. Insalaca (2017) investigated the food and beverage sector using a sample of 28 listed firms between 2007 and 2015 and found strong evidence that external growth strategies have no significant effect on performance. Banabo and Koroye (2012) examined the relationship between product development and profitability of organizations. Their analysis showed that Merger and Acquisitions as a survival strategy in Nigeria have not yielded a very positive result. Anyanwu and Agwor (2015), examined the effect of mergers and acquisition on the manufacturing firms' performance in Nigeria and discovered that mergers and acquisitions significantly affect manufacturing companies' profitability. It was not, however, clear whether the effect is positive or not.

Based on the above review it becomes clear that the effect of external growth strategies on firms' performance is negative. Therefore, we state the following hypothesis.

Hypothesis 2: Effect of external growth strategies on firms' performance is insignificantly negative among Nigerian manufacturing quoted firms.

2.4. Global economic and financial crises

There is a thin line on the difference between GEC and global financial crises (GFC), though in most extant literature, they are often used interchangeably (Gurtner, 2010). GEC is used to mean economic meltdown, which usually follows after financial crises. It leads to regression, which macro-economically the GEC crises manifest in mounting deficits in trade and payment balances, dwindling currency reserves, currency devaluation, increasing rate of inflation, higher indebtedness and soaring public budget deficit. Generally, GEC has a direct impact in the living condition of the population. As estimated by the United Nations Educational, Scientific and Cultural Organization (UNESCO) (2009), GEC cost the 390 million poorest people in Africa. This led to a drop in per capita income to 20%. As found by International Labour Organization (ILO), the GEC brought about over 50 million unemployment in 2009. GEC crises affect the purchase power of corporate suppliers negatively. Industry product became rather expensive because of the rising currency volatilities and currency devaluation.

Unlike GEC, GFC begins from increasing decreases in financial assets such as stocks, and investment. For example, in Nigeria, stock prices fell to the tune of 63.46% as at first quarter 2008, thereby leading to the loss of consumer confidence in the overall economic system and corporate stock prices (Egboro, 2016; Njiforti, 2015). In this case, GFC connotes liquidity problems. Soludo (2009) shows that there was a credit squeeze that led to a reduction in risk asset creation. Real

sector lending decreased (supply side), which led to a ripple effect on the demand side. That is, lending to household as well decreased, which created economic problems for corporate organizations including manufacturing firms.

Research has shown that the 2008 global financial crises started in the United States of America (Gurtner, 2010). It was also speculated that it also has its origin from the United Kingdom. The global financial crises were preceded by the global credit market failure of 2007 according to the study of Avgouleas (2009). Evidence also shows that the financial crisis was caused by global macro policies that affected liquidity. It was also caused by a very poor regulatory framework. The researcher pointed to excess liquidity that was created in US by low-interest rates or 1% interest rates 0% interest rate in Japan and the accumulation of reserves in Sovereign Wealth Funds (Egboro, 2016). These funds created excess liquidity, which resulted in a market bubble (Chowdbury, 2010).

2.5. Economic crises and firms' performance

Research has found evidence that GEC and GFC both affect firms' performance. Claesons et al. (2011) showed that the crises had a bigger negative impact on firms with greater sensitivity to aggregate demand and international trade. It thus implies that as GEC increases aggregate demand would fall while international trade would be negatively impacted. During GEC, the growth of firm is negatively affected (Leaven & Valecia, 2011). This suggests that sales and revenues would decrease substantially during economic and financial crises. Cross country data found that the growth of firms more depended on external financing and was more positively affected by bank recapitalization and stimulus fiscal policies (Leaven & Valecia, 2011). The size of firms also determines the extent of the effect of GEC on firms' performance. For example, Bricongne et al. (2012) using a sample of French firms showed that the effect of crises on large firms has been mainly at the intensive margin and has affected less the products being offered to export destination. GEC also encourages liquidity problems, which could negatively affect production and distributive activities. Evidence from Kontogeorgos et al. (2014) shows that the major problems faced by the Greek dairy and cheese SMEs are the liquidity problems along with tax and social security payments. This means that GEC occasions liquidity squeeze and tax evasion as firms could evade tax because of performance failure. The study reports that for the period during the economic crisis (2009–2011), market share, liquidity and leverage have significant negative effect on profits, which suggests that as economic and financial crises increase, market share would fall in value and the ability to find leveraging financial institutions would diminish. These spillover effects negatively affect firms' financial performance. Kontogeorgos et al. (2014) show that the variation could be used to explain profitability differences among the dairy firms in Greek dairy sector. Thus, the period of the economic crises had a negative effect on the profitability of the Greek cheese firms (Achilleas, Konstantina, & Fotios, 2017). Based on the negative effect, there was significant decrease in demand for goods and food products. Research also shows that the cell-mean parameter of market performance (Tobin's Q) is lower during crises period compared to before and after crises period (Mughtar, Ngurah, Nor, Ibrahim, and Jafarian 2019). This finding indicates that the mean parameters were significantly greater than its mean during the crises period for both sectors (Mughtar, et al. 2019). However, the effect of GEC could be driven by the performance measures. Accounting performance seems to have lower mean parameter during crises period compared to before and after crises period (Mughtar, et al. 2019). Based on the researchers' results, investment is lower during crisis period compared to after crisis period, which means that the performance during the crises period could be lower. During GEC, the enterprises are often forced to lower production volume, and costs (Sujova, 2015). Economic crisis could also force firms to reduce the number of employees to maintain performance and survive (Sujova, 2015). If the human capital pool of the firms is substantially affected, it would tell on the firms' performance. GEC worsened the fall of export in the some industries such as wood processing industry (Sujova, 2015). Evidence shows that a year after financial crises, performance of wood processing industry decreased (Sujova, 2015).

2.6. Growth strategies, global economic crises and impacts on economy and firm performance

Several firms survived and grew during and after the global economic crises. This survival has indicated that certain growth measures were more effective than others during economic tough times. As such,

those successful firms must have followed the winning strategies. For example, Roberto (2008) has advised that firms should invest heavily in research and development before the crises. He argued that during global financial crisis that firms' competitors may be inclined to cut R & D, particularly if they face high-interest rates, and substantial drops in sales. If so, according to Roberto (2008), the firms' acceleration of investment now would yield a strong product advantage in the coming years. There is also a talent hunt growth application during economic regression that can impact on firms' performance. In the crises period, weak companies may lay-off their employees. Stronger companies should exploit this opportunity to recruit the best brain, which would impact on their operational activities. In addition, recession is suggested to present opportunity to identification of the most critical suppliers and distributors. During the recession time, some of the suppliers might face some challenges, and have impaired assets. Ability to identify them and helping them to weather the downturn can built in them an enduring loyalty that would pay off the business for years.

The fact also that several firms went with the crises shows that they engaged wrong growth model. Thus, there is need to examine the best growth strategies firms should pursue during financial protracted crises. Effective growth strategies can lead to enhanced market penetration and market share that increase sales volume, which can translate into higher return on equity. In addition to achieving financial goals, corporate growth is essential to withstand competitive pressure particularly for firms in innovative sectors such as manufacturing firms, where competitive pressure is high. As such, manufacturing firms engage in diverse growth strategies to remain relevant in a dynamic corporate world and mitigate being competed out of the business. However, in the face of economic crises, firms' growth model might take an unusual form, which would have implications for their financial performance.

There are various reasons to believe that during economic crises, firms can change their growth strategies, which can affect their financial performance. For example, economic crises can pressure firms to take irrational managerial decisions. In this regard, such crises-driven irrational decision can reduce firms' operational capacity. Yet, growth strategies could provide good opportunity for profitable expansion. During financial crises, firms may cheaply acquire other troubled firms. They may also out of pressure, engage in aggressive profit retention t growth strategies that would enhance their profitability status. During economic crises, firms can engage in R & D activities, which can impact on its financial level. Evidence showed that after the 2008 global financial crises mergers and acquisitions substantially increased (Jachim et al., 2014). Such cheap acquisitions may positively impact their financial performance. Mergers and acquisitions encourage fast growth in sales and market share. On the other hand, acquisition of sick firms may yield a negative effect on firms' sustainability. Although mergers and acquisitions enhance fast sales growth, mergers and acquisitions have failed to deliver shareholder value and profitability in the long run. a case in point was the Nigerian banking firms that acquired each other when faced with merge or liquidate pressure during the global financial crises. After the acquisition, the banks entered into another phase crisis that led to funding intervention.

The above development shows that during financial crises, both internal and external strategies have the potential of enhancing corporate performance. Thus, we postulate the following hypotheses.

Hypothesis 3: Internal growth strategies positively and significantly affect corporate financial performance during the global financial crises.

Hypothesis 4: External growth strategies positively and significantly affect corporate financial performance during the global financial crises.

2.7. Growth of Nigerian manufacturing companies

The Nigerian manufacturing sector currently constitutes 10% of our GDP. This is significant for a frontier market, and at this stage of Nigeria's development. The sector accounts for about 12% of

employment in the formal sector. In spite of the decline in the sector a few years ago, the consumer goods sub-sector has been vibrating. After decades of domination by multinational food and beverage franchises, recent growth in manufacturing has seen strong contribution by indigenous manufacturers, who have come into fortune because of the transformation agenda (Orya, 2013). Between 2000 and 2008, Nigeria experienced its worst situation in manufacturing as 820 companies shut down or suspended. Worst hit was the textile and garment sub-sector. At its peak, the textile industry alone employed nearly 700,000. This growth made it the second-largest employer of labor in Nigeria after the government. The industry witnessed a catastrophic collapse from 175 firms in the mid-1980s to 10 factories in stable condition in 2004, while employment in the industry plunged from 350,000 to 40,000.

3. Research design

To study the effect of corporate growth strategies on firms' financial performance, we used secondary data for the period between 2000 and 2017. Therefore, an ex post facto research design was used for the analysis. There were 190 corporate firms listed in the Nigerian Stock Exchange (NSE) as of 30 June 2019. Therefore, the population of this study is 180 listed Nigerian firms. Using a judgmental sampling technique, the authors selected only 120 firms, which constitute the sample size. Sixty of these firms were eliminated because it was not possible to get comprehensive data for the variables. The authors followed a data cluster analysis approach in the design. Thus, the researchers used three periods in the analyses: the pre-GEC period (2000–2007), the GEC period (2008–2011), and the post-GEC period (2012–2018).

The global financial crises began in 2008, and the authors chose to extend the period to 2011 because adjustments often take place at least 3 years after an economic shock. Since Nigeria is a developing country, the authors allowed for a four-year adjustment period. Evidence shows that of the 24 economies in the banking crises group, about 85% still show negative deviations from the pre-2009 trend (W. Chen et al., 2019). That means that a decade after the 2008 meltdown, some economies may not have fully recovered from the crisis (W. Chen et al., 2019). Thus, recovery from GECs is often not quick.

3.1. Growth strategy decomposition model

Growth strategies have been measured from internal and external strategy perspectives. Thus, we look at two kinds of growth strategies, namely, acquisition growth strategies and organic growth strategies. These two types of strategies are interlocked on asset growth (Xia, 2006). Thus, there is a need to decompose the strategies to examine how each relates to firms' performance. To do that, the researchers adapted the model of Xia (2006). This model was also expanded by Aktas et al. (2008) and was applied in the study of Insalaca (2017).

In this model, the total assets growth rate is determined for each year and is defined as TA_t , where TA is the firm's total gross assets at year t . As firms do business, their assets grow; this growth is defined as $AGR = [(TA_t/TA_{t-1}) - 1]$. The assumption underlying the equation is as follows: If mergers and acquisitions did not take place, then the asset growth rate (AGR) would be driven solely by an internal organic strategy ($AGRO_t$). In this case, the difference between AGR_t and $AGRO_t$ would be 0. This means that $AGR_t = AGRO_t$.

However, as Xia (2006) argues, if the business has engaged in mergers and acquisitions, then the final asset would be a consequence of three processes. First, there would be organic growth of the original assets (TA_{t-1}). Second, there would be a change in asset growth due to acquisitions and mergers, (ya), which is added at the instant $(1-t)$, $t \leq 1$. Third, there would be organic growth due to synergy.

3.2. Growth strategy measures

Based on the above model, the researchers have two main independent variables, namely, internal growth (organic growth) strategies and acquisitive growth strategies. These two variables form our

key variable of interest. However, the goal is to examine how each interacts with GEC to inform the best choice of strategy. This study uses the term AGR_{ot} , which denotes the internal organic growth strategy component of firms' total gross assets (Xia, 2006). We also use an asset decomposition model to extract an internal growth strategy from firms' total gross assets, as shown in the model above. Thus, $AGR_{ot} = AGR - AGRx(t)$.

To measure external growth strategy, the study follows the example of Xia (2006), in which case the researchers use an asset decomposition model to extract growth due to acquisitions, mergers, and divestitures strategies. Using the above equation, which summarizes the decomposition model. The researchers have $AGR_x(t) = AGR - AGR_{ot}$, where $AGR_x(t)$ is the change in assets of firm I at year t due to acquisition experience. This value represents the difference between total annual assets growth rate (AGR) and the organic internal growth rate (AGR_{ot}).

3.3. Global economic crises mediating measures

To account for GEC, the study follows a time perspective based on prior studies (Jenrola & Daisi, 2012; Njiforti, 2015; Ujunwa et al., 2011). If the time under consideration is **Pre-GEC**, the researchers assign a value of 1 to **Pre-GEC**. Otherwise, they assign a value of 0. The study also follows a dichotomous approach in determining the effect of growth strategies during the GEC on performance by assigning a value of 1 if the period is between 2008 and 2011 (**DU-GEC**) and a value of 0 otherwise. Similarly, a value of 1 is assigned for **post-GEC** and assigned a value of 0 otherwise.

3.3.1. Model specifications

To test our hypotheses, we use the following model, which is based on the variables identified above. The model is an extension of Insalaca's (2017) growth strategy-performance model and the global financial crisis-performance effect proposed by Jenrola and Daisi (2012) and Ujunwa et al. (2011). Therefore, the base model for this research, based on Insalaca's (2017) approach, is:

$$PE_{it} = \alpha + \beta_1 Gi_{it} + \beta_2 GX_{it} + \beta_3 IN_{it} + \beta_4 BT_{it} + \beta_5 RG_{it} + E_{it}$$

PE_{it} is the dependent variable that measures company performance. α is the performance intercept. θ_1 , θ_2 , θ_3 , θ_4 , and θ_5 are independent variable coefficients. Gi_{it} is an internal growth strategy measure. GX_{it} is the acquisitive growth measure of firm i at year t . IN_{it} denotes the industry classification. BT_{it} is the business type. RG_{it} controls for regions. E_{it} is the error term.

To adapt the model, we eliminate some control variables, such as region, industry, and business type. We focused on firm-specific control variables such as firm size and leverage. We also introduced global financial crisis variables as interaction variables. Moreover, we used a fixed-effect model since we focused on a time series model. We avoided pooled panel data and the ordinary least squares (OLS) regression since the assumption when using such a model is that all the parameters are stationary across sections in terms of firms and times.

However, such an assumption in time series panel data can result in misspecification of the relationship between endogenous and independent variables across firms and over time. As recommended by prior researchers, the fixed-effect approach is appropriate when the parameters are not stationary across sections. Thus, we use the following fixed-effect model in our analysis.

$$PE_{it} = \alpha + \beta_1 AGR_{ot} + \beta_2 AGR_x(t) + \beta_3 AGR_{ot} * DU.G_{it} + \beta_4 AGR_{ot} * pst - G_{it} + \beta_5 AGR_x(t)_{ot} * DU.G_{it} + \beta_6 AGR_x(t)_{ot} * pst - G_{it} + \beta_7 Size_{it} + \beta_8 Lev_{it} + Y_i + \mu_i + E_{it}$$

PE_{it} is the performance of firm i at year t and is measured in terms of **ROA** and **ROE**.

$$ROA = \frac{\text{Profir after Tax of firm } i \text{ at year } t}{\text{Total Grss Asset}}$$

while

$$ROE = \frac{\text{Profir after Tax of firm } i \text{ at year } t}{\text{Total Shareholders' fund}(\text{Total gross assets less liabilities and preference shares})}$$

ROA and ROE bear some relationships. To measure how a firm efficiently utilizes its assets, we use ROA. Thus, ROA is a measure of a share of firms' profit with regards to assets employed or controlled. The higher this value is the more efficiently a firm utilizes its assets in generating revenue. On the other hand, ROE measures firms' returns in terms of the amount of equity the firms have. Similar to ROA, the higher the value of ROE is the better for investors' equity sustainability. Assets and equity are related. Equity equals total assets less total liabilities. The value of ROA and ROE differs by the outsiders' claim to the firms' resources. We thus use the two variables for the determination of the effect of economic growth strategies on firms' performance with GEC as mediating roles.

α is a constant. $\theta_1, \theta_2, \theta_3 \dots \theta_8$ are the variable coefficients that embody the actual effect. AGR_{oit} is a measure of the organic internal growth rate. $AGR_x(t)$ is the acquisition growth rate of assets. $AGR_{ot} * DU_{G_{it}}$ is a measure of the organic growth of assets during the GEC (between 2008 and 2011). $AGR_{ot} * pst - G_{it}$ is the growth of assets due to internal growth strategies at least 4 years after the GEC. The choice of 4 years was made to allow full adjustments. It is the value of asset change due to external growth before the GEC. $AGR_x(t)_{ot} * DU_{G_{it}}$ is a measure of the acquisition growth in assets during a GEC for 3 years. $AGR_x(t)_{ot} * pst - G_{it}$ equals the growth in assets due to external growth strategies at least 4 years after the GEC. Again, the choice of 4 years was made to allow full adjustments. $Size_{it}$ is a control for firm size in terms of total gross assets. Lev_{it} is a control for capital structure and is measured in terms of debt ratio (i.e., the ratio of debt to total gross assets). μ_i is the specific firm-fixed effect. Y_j is the year-fixed effect. E is the error term.

4. Results

The standard deviations of the variables in table 1 are not greater than 1. Thus, the data are good for regression analysis. Both ROA and ROE have negative numbers, which implies that firms perform poorly in some years. This poor performance might have been driven by business growth strategies during the global economic crises.

The correlation as shown in table 2 between independent variables is not significant, which suggests that multicollinearity is not an issue that would affect the result of the regression analysis.

Table 1. Descriptive statistics

| Variables | Minimum | Maximum | Mean | Std. Deviation |
|---|---------|----------|----------|----------------|
| ROA | -40.245 | 152.610 | 10.07482 | 0.28393 |
| ROE | -162.10 | 615.0509 | 38.34389 | 0.81431 |
| AGR _{or} | 3.4400 | 9.4320 | 6.446419 | 0.01246 |
| AGR _x (t) | 1.1200 | 6.1200 | 2.690141 | 0.46407 |
| AGR _{ot} *DUG | 3.04500 | 25.20569 | 2.777777 | 0.51707 |
| SIZE | 5.40498 | 9.22164 | 7.216921 | 0.86652 |
| LEV | 2.12000 | 7.0099 | .728839 | 0.78342 |
| AGR _x (t) _{ot} *DUG | 10.2300 | 225.1109 | 5.873279 | 0.24077 |
| AGR _x (t) _{ot} *pst-G | 1.230 | 139.35 | 2.0255 | 0.11198 |

Source: Author Using SPSS.

Table 2. Correlation matrix

| Variables | ROA | ROE | AGR _{ot} | AGR _{ot} (t) | AGR _{ot} *DUG | LEV | SIZE | AGR _{ot} (t) *DUG | AGR _{ot} (t)*pst-G |
|----------------------------|--------|-------|-------------------|-----------------------|------------------------|-------|-------|-------------------------------|-----------------------------|
| ROA | 1 | | | | | | | | |
| ROE | .214* | 1 | | | | | | | |
| AGR _{ot} | -.015* | 0.108 | 1 | | | | | | |
| AGR _{ot} (t) | .044 | -.105 | -.205 | 1 | | | | | |
| AGR _{ot} *DU-G | .034* | .007 | .252 | -.089 | 1 | | | | |
| LEV | .129 | -.005 | .023 | -.109 | -.019 | 1 | | | |
| SIZE | -.063 | .075 | .292 | -.137 | .735 | -.155 | 1 | | |
| AGR _{ot} (t)*DU-G | .045** | -.066 | .270 | -.118 | -.109 | .010 | -.210 | 1 | |
| AGR _{ot} *pst-G | -.087 | .026 | .165 | .019 | -.050 | .038 | .089 | .001 | 1 |

Source: SPSS,* = significant at 5%; ** = significant at 1%

4.1. Interpretation of key regression statistics and hypotheses tests

The models' R-squared values are 0.67 and 0.56 for ROA and ROE, respectively. This means that independent variables—in this case, growth strategies—and the mediating role of GEC substantially explain the observed variations in the dependent variables. As such, the models fit our data and can be used to adequately predict firms' performance during economic crises. The DW values of the two models were 2.3 and 2.01. This implies that autoregression at the residual is not valid; thus, the absence of serial correlation could lead to hypothesis error.

Overall, our analysis shows that a firm's value is largely driven both by internal and external growth strategies and that the mediating role of GEC yielded F-values of 3.04 and 3.06, both of which are significant at 5%. This means that taken as a whole, the effect of growth strategies during a GEC is statistically significant. However, it can be seen that at the individual variable level, the effects differed statistically. As such, the hypotheses tests and the conclusion will be based on the specific variables and their effects on firms' performance.

The coefficients of the internal growth strategy effect on ROA and ROE are 9.474 and 6.277, respectively, and the values are statistically significant at 1% ($P < 0.01$) (Table 3). Since the p-value is greater than 1, we accept the hypothesis that the internal growth strategies of the quoted Nigerian manufacturing firms positively affect their financial performance. This implies that internal growth strategies—including product development, market penetration, and profit reinvestment—could increase firms' value during a GEC. This result is consistent with the evidence that internal growth has a strong positive effect on a firm's financial performance, as found by Xia (2006).

Using a market-based performance measure (Tobin's Q), we found that internal growth strategies are positively and significantly related to firms' performance. This finding confirms the accounting-based performance measures-related evidence presented by Aktas et al. (2008). The authors found that internal growth strategies positively affect performance. This finding is also consistent with the findings of Kemppi et al. (2012), who discovered that internal return on invested capital positively affects internal growth strategies but negatively affects external growth strategies. We also confirm the findings of Insalaca (2017), who found that 28 listed firms from the food and beverage sector used internal growth strategies to achieve beneficial results between 2007 and 2015.

Table 3. Regression output

| Variables | Model 1 (ROA) | Model 2 (ROE) |
|-------------------------|---------------|---------------|
| (Constant) | -26.091 | 90.159 |
| AGR_{or} | 9.474** | 6.277** |
| $AGR_x(t)$ | -6.0005* | 1.003* |
| $AGR_x(t)_{ot} * pst-G$ | 0.35600** | 1.2200* |
| $AGR_{ot} * DUG$ | -1.480* | -2.041* |
| $AGR_x(t)_{ot} * DUG$ | 2.194* | 0.608 |
| SIZE | 17.691 | 12.828 |
| LEV | 2.327 | 9.075 |
| Year Effect | Yes | Yes |
| Industry effect | Yes | Yes |
| R-Squared | 0.67 | 0.56 |
| DW | 2.30 | 2.01 |
| F-Value | 3.04 | 5.06 |
| P-Value | 0.04 | 0.043 |

Source: SPSS; * = Significant at 5%; ** = significant at 1%

The effects of internal growth strategies seem to be similar across various studies. As we reported, product development positively affected performance, which is consistent with the research of Banabo and Koroye (2012). The authors reported that there is a positive relationship between product development and the profitability of organizations. The policy implication is that firms that engage in aggressive product development would enhance their values. The market can price such firms high, as the risk of investing in these firms would be considered low. Such firms would also have a competitive edge and would grow substantially overtime. It might also result in another sector effect.

Consistent with our study, James et al. (2016) investigated the drivers of growth strategies among smallholder dairy farmers in Lower Central Kenya and assessed their performance effects. They found that growth strategies positively influenced total fixed investments, turnover, and the volume of output.

For hypothesis 2, we test the effect of external growth strategies on firms' performance. We intend to accept the null hypothesis if the effect on performance is negative and insignificant. Otherwise, we will reject the null hypothesis and conclude that the effect is positive and significant.

The coefficients of the external growth strategies for the two performance indices (ROA and ROE) are -6.0005 and 1.003 , respectively, and the p-values are less than 0.05 (Table 3). This means that the effects are negative for ROA, positive for ROE, and significant for both. Thus, we conclude that the effect depends on the performance measure used. Based on ROA, the effect of external growth strategies is negative and significant. This leads to the partial acceptance of the hypothesis. Likewise, the positive effect on ROE serves to partially reject the hypothesis.

Our analysis is consistent with several studies. For example, Aktas et al. (2008) found that external growth strategies negatively affect performance. This implies that external growth strategies are not the best choice for firms that wish to maximize their ROA. Thus, the policy implication is that external growth strategies do not promote asset utilization efficiency. However, our findings do not confirm those of Kempfi et al. (2012), who provide evidence that external growth strategies negatively affect returns on invested capital. Instead, the study showed that ROE (often called return on investment) increases with external growth strategies. This implies that shareholders place a higher premium on firms as firms make acquisitions as part of their growth strategies.

Evidence has shown that shareholders pay and reward managers for making value-adding acquisitions. This means that as managers make good acquisitions as a part of their growth strategies, the values of these firms increase due to managerial synergy, which can boost performance. In terms of ROA, we confirm the finding of Insalaca (2017) that external strategies among firms in the food and beverage sector between 2007 and 2015 insignificantly affected performance. Our finding also confirms the evidence provided by Banabo and Koroye (2012) that mergers and acquisitions as growth and survival strategies in Nigeria have not yielded a very positive result. We also confirm the finding of Anyanwu and Agwor (2015) that the effect of mergers and acquisitions on manufacturing firms' performance in Nigeria is a significant aspect of manufacturing companies' profitability.

For hypothesis 3, the study tests the moderating influence of the GEC on internal growth strategy influence on firms' performance. Based on our analysis (Table 3), the study found the coefficient of internal growth strategies of manufacturing firms to be both negative and significant (coefficients = -1.480 ; -2.041 , $p\text{-value} < 0.05$). Therefore, the researchers partially accept the hypothesis—although the firm effect is significant, it is not positive.

This has a strong policy implication for growth strategies and performance. Firms that pursue growth strategies during a GEC should not focus on product development. This suggests that investors may consider such projects as risky and, in turn, may discount the share price of the

firms. This also implies that even though firms could successfully implement significant growth strategies that positively impact firms' performance, such strategies would be value-destroying during a GEC. This information serves as a warning that internal growth strategies should not be a priority during GEC.

Xia (2006), Aktas et al. (2008), Kemppi et al. (2012), and Insalaca (2017) found that internal growth strategies positively affect firms' performance. We, however, show that during a GEC, firms should not focus on internal growth strategies, as doing so could lead to performance failure. This finding is consistent with the advice given by Roberto (2008) that firms should invest heavily in research and development before a crisis as opposed to during a crisis. Roberto (2008) also highlighted that it is dangerous to engage in internal growth strategies during a GEC. According to the scholar, during global financial crises, firms' competitors may be inclined to cut R&D—particularly if they face high-interest rates—and experience substantial drops in sales. If this is the case, the firm's acceleration of investment would yield a definite product advantage during crises (Roberto, 2008).

Moreover, there is a talent pursuit during economic regressions that can impact firms' performance. During a crisis, weak companies may layoff their employees. More reliable companies that have engaged in heavy growth strategies the prior year should be able to exploit this opportunity to recruit the best brains, which would positively impact their operational activities.

In addition, it is suggested that a recession presents an opportunity for firms to identify the most critical suppliers and distributors. During a recession, suppliers might face challenges that result in impaired assets. A firm's ability to identify and help these suppliers withstand the downturn can foster an enduring loyalty that will benefit the business for years. Weak firms that focus on internal growth strategies during GEC may not be able to identify and help weak suppliers.

Hypothesis 4 examines the effect of external growth strategies on financial performance during GEC among manufacturing firms. The decision is to accept the hypothesis if the effect is positive and significant (based on a 5% level of significance criterion). The coefficients of the external growth strategies during the financial crises were positive, both for ROA and ROE (Table 3). However, the effect is significant only for ROA (coefficient = 2.194, p -values < 0.05; 0.608, p -value < 0.05). As such, we partially accept the hypothesis that external growth strategies positively and significantly affect corporate financial performance during a global financial crisis.

This finding implies that during a GEC, firms should focus on acquiring their peers. This could leverage their ROA as their performance increases. This occurs because some large firms may fail to retain their customers. Strong firms may target their customers and other firms. Moreover, as Roberto (2008) has suggested, talent hunts from acquisitions may help the firms to pull through a crisis, and investors could reward such effort.

However, the analysis implies that shareholders do not place a high premium on acquisitions during GEC. That is why the effect is not significant. However, firms that engage in acquisitions and mergers during a GEC increase the returns on their assets. This positive effect continues into the post-crisis period, implying that external growth strategies help firms to stabilize after a crisis. We found the post-crisis effect on external growth strategies to be positive and significant a few years after the crisis. However, this effect decreases overtime, given that without financial crises, internal growth strategies' effects on ROE and ROA outperform external growth strategies' effects on performance.

4.2. Conclusion

Understanding the impact of growth strategies on firms' performance could help investors to mitigate the adverse effects of poor portfolio selection. Moreover, managers could lead a viable firm that enhances compensation if the best growth strategies are carried out in organizations. We analyzed the overall effect of growth strategies on firms' performance in Nigeria. We separated the

strategies based on the internal and external dimensions. To examine the value-adding growth strategies during a GEC, we bring the mediating influence of the economic crises. Our analysis shows that internal growth strategies are best for firms' performance. Thus, we conclude that to achieve higher economic growth, firms should focus on internal growth strategies. This means that all things being equal, external growth strategies should not be pursued by manufacturing firms in Nigeria.

This conclusion is consistent with several previous works, including those conducted by Xia (2006), Aktas et al. (2008), Kemppi et al. (2012), and Insalaca (2017). These authors reached the conclusion that relative to external growth strategies, internal growth strategies enhance firms' value. The only exception we could find was the study of Anyanwu and Agwor (2015), who found that the effect of mergers and acquisitions on Nigerian manufacturing firms' performance is significant regarding their profitability. However, the author was not specific in terms of whether the effect is positive or negative.

We went further to test the best growth strategies to employ during a GEC. We found that although internal growth strategies enhance firms' performance, they are not the best strategies during an economic recession. We found that external growth strategies serve firms better during GECs. As such, we conclude that firms that wish to achieve higher financial performance should focus on corporate acquisitions. There is potential for skill acquisitions and managerial capability acquisitions that would leverage firms' performance. We also found that this positive effect continues for a while after the crisis but eventually reverses.

The primary managerial policy implication of this work is that firms should not focus on internal growth strategies during a crisis. Product development during GEC does not pay off, and equity holders consider such strategies risky. As such, they do not place a premium on internal growth strategies during economic crises as a way of avoiding adverse portfolio selection.

Funding

The authors received no direct funding for this research.

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Citation information

Cite this article as: Corporate growth strategies and financial performance of quoted manufacturing firms in Nigeria: The mediating role of global economic crises, Samson Ige Abolarinwa, Cosmas Ikechukwu Asogwa, Charity A. Ezenwakwelu, Timinepere O. Court & Samuel Adedoyin, *Cogent Economics & Finance* (2020), 8: 1750259.

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