



CONTINGENCY FACTORS AND FINANCIAL SUSTAINABILITY OF PHARMACEUTICAL FIRMS IN NIGERIA

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Abstract

Insensitivity to financial sustainability has led some firm to undeserved winding up and significance of the pharmaceutical firms to the health and economic stability of the nation requires a review of the contingency factors that are capable of influencing her financial sustainability attainments. This study therefore examines the effect of contingency factors on the financial sustainability of the pharmaceutical firms in Nigeria. The study adopts a survey research design to ascertain the effect of contingency factors on the financial sustainability of the pharmaceutical firms in Nigeria. The study gathered the data from 234 respondents out of a sample frame size of 330 from 10 largest firms in Nigeria. Multiple regression analysis revealed that leadership style ($\beta = 0.711$; $p < 0.000$); organization culture ($\beta = 0.185$; $p = 0.000$) both has positive and notable effect on the financial sustainability efforts of the pharmaceutical firms in Nigeria. The study concludes that the leadership style and organization culture enhance financial sustainability practices in the firms under the study. The study recommends that Companies' management should adopt a transactional leadership style and resilient culture in order to achieve more financial sustainability.

Keywords: Financial Sustainability, Contingency factors, Leadership style, Organization culture, and pharmaceutical firms.

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INTRODUCTION

Sustainability becomes a crucial element for businesses across industries as the corporations strive to balance economic growth with environmental stewardship and social responsibility. Sustainability is essential for pharmaceutical firms not only because of its environmental impact but also due to the sector's large economic impact and direct relationship with public health. Sustainability performance of a business organization depends majorly on the ability of the company's management to employ the available resources judiciously to achieve its anticipated objectives of the organization. This involves improvement of turnover and profit levels, reduction in costs, quality goods productions likewise the waste and pollution reduction. (Maji & Lohia, 2023).

In line, with the Sustainable Development Goals of 2015, the globally accepted seventeen (17) interconnected goals which can be classified into financial, social and environmental sustainability index. Financial sustainability is the capacity of a firm or organization to earn revenue or achieve a return on investment that covers all expenses while generating a profit (EOX, 2023). Financial sustainability is a critical goal for organizations, it ensures long term viability through effective resource management and strategic alignment. Attempting to achieve this, firms adopt a strategic performance management tool such as the Balanced Scorecard (BSC) frameworks which its implementation will foster a culture and leadership style that support enduring economic health while addressing stakeholder expectations (Kaplan & Norton, 1992).

Leadership style as a contingency factor encompasses several key dimensions that influence organizational outcomes and significantly impacts the organizations' effectiveness in promoting financial sustainability (Mustapha, 2022). Transformational leadership, characterized by vision-setting and employee empowerment, fosters a culture of adaptability and continuous improvement. Such leaders align the personnel objectives with organizational goals, ensuring financial metrics are balanced with investments in employee development and process innovation (Bass & Avolio, 1994; Mustapha et al., 2023).

More also, Organizational culture shapes the objectives metrics and priority. A culture valuing transparency and data-driven decision-making supports the internal processes perspective, streamlining operations to reduce costs and improve financial performance (Henri, 2006). Organizations with a strong performance-oriented culture effectively align strategic objectives with financial goals. Conversely, a rigid or risk-averse culture may hinder innovation, limiting the organization's ability to adapt to market changes, thus threatening financial sustainability (Mustapha et al., 2023).

Based on the report from Nigeria pharmaceutical industry, the sector is faced with external contingent factors, which comprises of competitiveness, environmental dynamism, and environmental uncertainty and insecurities. While they are also battle with the internal factors such as employees' involvement, corporate culture, leadership and management commitment, internal resources allocations, and adequacy of performance assessment measures. Due to these factors, some organizations are out of the business while those active are faced with choice of restructuring and establishing networks, chains, clusters, and strategic alliances in order to address both internal and external challenges.

Pharmaceutical firms in Nigeria are caught in the webs of high level of environmental uncertainty. There is virtually instability in every fronts, this includes fluctuating exchange rates, inconsistent government policies, inadequate infrastructure, and competition from counterfeit drugs (Obi, 2019). These uncertainties have direct relationship with the leadership style and organization culture. While it's influence on the two contingency factors were perceived to have influence on the key financial performance metrics such as profitability, return on investment (ROI), and liquidity. The pharmaceutical firms in Nigeria are challenged to constantly adapt to these external shocks, often at the cost of significant financial strain which led to some trading off her long term financial objectives.

Empirically, Ahmed and Wilson (2023); Anderson and Robert (2024); Mustapha et al (2021) contingency factors are integrating component of an organization which required an efficient management to curb its negative impact. Due to the importance of the pharmaceutical firms to the health economic, there is need to investigate the leadership role of the management and the culture of the firm in reference to the management of these inevitable factors. Therefore, this study answers the following research questions:

- i. What is the effect of leadership style on the financial sustainability of the pharmaceutical companies in Nigeria?
- ii. To what extent is the influence organization culture on the financial sustainability of the Nigerian pharmaceutical firms?

LITERATURE REVIEW

Conceptual Review

Financial Sustainability

Financial sustainability is defined as the capacity of a firm or organization to earn revenue or achieve a return on investment that covers all expenses while generating a profit (EOX, 2023). This concept ensures the entity can maintain operations, support growth, and remain viable over the long term. According to Wall Street Mojo's guide, financial sustainability is critical for assessing whether a project is viable for investment and whether resources invested will yield sufficient returns for investors (Wall Street mojo, 2023). The importance of financial sustainability cannot be overstated. It ensures survival in competitive environments, facilitates steady growth and expansion, and enhances the ability to absorb risks. It also generates attractive earnings, aids in securing further funding, and maintains investor confidence, which is crucial for attracting equity investments and raising the share price. Integrating sustainability into financial planning not only mitigates risks but also drives innovation, enhances long-term value, and aligns business goals with societal and environmental well-being (EOX, 2023)

Financial sustainability has emerged as a critical priority for pharmaceutical firms aiming to balance profitability with social and environmental goals; with the global pressures mounted from various stakeholders including regulators, investors, and consumers. Pharmaceutical companies are increasingly incorporating sustainability practices into their core business strategies to ensure long-term viability. Economic sustainability goes beyond mere profitability and includes building resilience against external shocks, regulatory changes, and market volatility, while maintaining ethical operations that enhance brand reputation and stakeholder trust (Eccles, et al., 2014).

Firms that prioritize sustainability often gain access to broader pools of capital, as investors, particularly those involved in socially responsible investing (SRI), prefer companies that actively manage their environmental and social risks (Khan et al., 2016). As a result, these firms experience enhanced investor confidence and higher market valuations compared to their peers that lag behind in sustainability practices. Financial sustainability in pharmaceutical firms is crucial for long-term success. Integrating sustainable practices, companies can reduce operational costs, improve financial performance, and enhance their reputation and market competitiveness. Moreover, sustainability helps pharmaceutical companies meet growing consumer and investor expectations while ensuring resilience in a rapidly changing global environment.

Leadership Style

Leadership style represents the behavioural patterns and approaches leaders employ to influence organizational outcomes based on situational demands (Mustapha et al., 2021).. The contingency theory of leadership argues that rather than adopting a uniform approach, effective leadership requires matching leadership behaviors to specific organizational circumstances (Fiedler, 1967). This perspective emphasizes that leadership effectiveness is contingent upon the interplay between leader characteristics, follower attributes, and situational factors. Leadership style as a contingency factor encompasses several key dimensions that influence organizational outcomes.

Leadership style is indeed a crucial contingent factor that significantly impacts the performance of manufacturing firms. The effectiveness of a leadership approach varies based on several organizational factors, including the complexity of operations, technological capabilities, and the specific challenges presented by the external environment. For instance, in highly automated and technologically advanced firms, a transformational leadership style may be more effective, fostering innovation and adaptability among employees. Conversely, in firms operating in stable, low-complexity environments, a transactional or autocratic approach may yield better results by ensuring efficiency and consistency (Mustapha et al., 2023). Additionally, the characteristics of the workforce, such as skill levels and cultural diversity, also play a role in determining the most suitable leadership style for optimal performance (Avolio et al., 2009)

Organizational Culture in Manufacturing Firms

Organizational culture represents the shared values, beliefs, assumptions, and norms that guide organizational behaviour and decision-making processes (Mustapha, 2022). Organizational culture functions as both a contextual factor that influences organizational design choices and an adaptive mechanism that enables organizations to respond to environmental demands (Schein, 2010). Organizational culture is a powerful determinant of a firm's adaptability and success, as it encompasses the shared values, beliefs, norms, and behaviors that shape how employees interact and approach their work. A positive, adaptive culture promotes flexibility, collaboration, and open communication, enabling the firm to respond swiftly and effectively to external pressures such as market changes, technological advancements, and regulatory demands. For instance, a culture that values continuous learning and innovation encourages employees to seek new solutions, improve processes, and adopt cutting-edge technologies, enhancing the firm's competitive advantage (Mustapha et al., 2022).

On the other hand, a rigid or risk-averse culture can be a significant barrier, preventing the organization from adjusting to changes in the external environment. In such cases, employees may resist change, and decision-making processes might be slow, limiting the firm's ability to innovate and maintain operational efficiency. Therefore, cultivating a supportive, agile, and resilient culture is crucial for organizations to align their strategic objectives with the dynamic demands of their environment and achieve sustainable growth (Mustapha et al., 2021; Novatis 2020).

Theoretical framework

Contingency theory provides a fundamental framework for understanding how various factors influence organizational performance in the pharmaceutical industry. The theory posits that organizational effectiveness results from fitting characteristics of the organization to contingencies

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that reflect the situation of the organization (Donaldson, 2001). A contingency theory claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation (Lawrence & Lorsch, 1967). In the pharmaceutical context, this theoretical perspective suggests that company performance is optimized when organizational strategies align with both internal and external contingency factors.

In this study the contingency factors include leadership style, organization culture. Therefore, performance of the pharmaceutical companies in Nigeria depends on alignment of the above factors. The concept of 'fit' is central to understanding how contingency factors affect pharmaceutical company performance. Performance is a consequence of the fit between several factors: structure, people, technology, strategy, and culture (Venkatraman & Camillus, 1984).

Studies have attested to the relevance of contingency theory in interpreting the performance of manufacturing firms from many fronts (Mahmud et al., 2021; Sousa & Voss, 2008). This study adopts contingency theory as the grounding theory in examination of the effects of contingency factors on the sustainability performance of the pharmaceutical firms in Nigeria.

Empirical Review

Thompson et al. (2023), examine the leadership style and financial sustainability of manufacturing firms. The multinational study employed a total of 245 firms across the European Union Nations. Analysis of the structural model equation revealed that Leadership style explained 42% variance in financial sustainability, Transformational leadership have a stronger positive correlation ($r=0.68$) while the organization size moderate the contingent factors and performance relationship. In United State and Canada, Ibrahim and Martinez (2024) investigate the impact of environmental contingencies on financial sustainability. The study was based on 189 firms. With the mixed method research approach, Findings shows that Market volatility significantly impacted financial sustainability ($\beta=0.56$). Also Regulatory environment was found with influence on sustainability performance. More also, technology adoption was discovered to have positive effects on the performance.

Ahmed and Wilson (2023), review the impact of organization structure on the sustainability performance of the healthcare organizations in United Kingdom. The study adopts a longitudinal methodology. Findings indicate Decentralized structures have higher sustainability scores. Also, structure flexibility correlated with adaptation capability of the firms under the study. Mohammed and Roberts (2024) appraised the cultural factor influence on firms' sustainability. Survey design was used with the sample of 423 organizations from UAE, Saudi Arabia, and Qatar. The study found that Organizational culture explained 38% variance in sustainability, Innovation culture positively correlated with sustainability and Cross-cultural factors influenced performance.

Henderson and Park. (2023), seek to determine the influence of technology integration on the sustainability of the Tech firms. The study was based on Silicon Valley and Singapore firms comprises of 156 companies. Digital transformation was found t have positive impact on sustainability with ($r=0.72$). Innovation capacity also has influence on financial resilience, while technology investment showed a positive correlation to ROI. Okonjo and Kumar (2023), examine effect of resource management and financial sustainability of Public Organisations in Africa. The

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study comprises of 278 institutions from Nigeria, Ghana, and Kenya. Using a mixed method research approach, findings indicate that resource allocation efficiency predicts sustainability. Also, Human capital development showed significant impact on financial sustainability.

From South Africa, Yusuf and Peters (2024) examine the retail sectors strategic planning effect on sustainability. 167 firms was employed the case study Analysis and findings revealed that Strategic planning maturity influenced sustainability, while Long-term orientation showed positive correlation to sustainability. More also, Stakeholder engagement improved the retails performance. Zhang and Thompson (2024) also, investigate the market orientation and financial sustainability in China. The study was focused on service industry with a sample of 89 firms. The Structural Equation Model revealed that Market orientation positively influenced sustainability. Also, Customer focus enhanced financial performance while Competitive awareness is found to improved outcomes.

In Malaysia, Smith and Ibrahim (2024) appraised the organization learning of the knowledge-based organizations' sustainability. The mixed method approach revealed Learning capability predicted sustainability, Knowledge management influenced performance and Innovation capacity showed positive correlation to financial sustainability. Martinez and Okonjo (2024) seek to determine the effect of stakeholder management of the sustainability performance of the Global corporations in Brazil. The study adopts a Longitudinal Analysis and found that Stakeholder engagement improved sustainability; Relationship management has positive impact on sustainability and Communication effectiveness enhanced performance.

METHODOLOGY

With the nature of this research questions, the appropriate research design for perceptual study is survey. Given that perceptual studies focus on understanding subjective experiences and viewpoints, survey design provides the most direct and systematic approach to gather such data from the target population (Ponto, 2015). Also large population size, and dual descriptive-explanatory objectives makes it the most appropriate methodological choice for achieving your research goals effectively and efficiently (Creswell & Creswell, 2018). Therefore, adopting the survey research design enabled the researcher to have in-depth knowledge of the variables as the study shall be based on descriptive and explanatory research The study focused on top ten (10) largest firms by market capitalization in the pharmaceutical industry of Nigeria, with population of One Thousand Eight Hundred Ninety-Eight (1,898) management personnel of the selected firm as at January, 2025. Random sampling techniques was employed to administered the questionnaire to the sample size of three hundred and thirty (330), as determined through the application of Yamane (1967) approach ($n = \frac{N}{1 + N(e)^2}$).

A Five (5) point Likert scale structured questionnaire was designed and used to obtain data from the chosen respondents for the tests. A total of three hundred and thirty (330) copies of questionnaires were distributed to respondents who were in management cadre and fully aware of the sustainability performance. A preliminary diagnostic of Variance Inflation Factors (VIF), was used to test the existence and significance of the non-existence of multicollinearity while Cronbach alpha was employed for internal consistency to determine the reliability of the instrument. Regression analysis was employed for the test of the study hypothesis.

This study adopts a regression model of Mustapha et al., (2023) to establish the effect of contingency factors and sustainability performance. The model is adopted because it has used in some earlier studies (Mustapha, 2022; Mustapha et al., 2021; Mustapha et al., 2022) used test the relationship between contingency factors and performance measurement of the management and provide a valid and acceptable outcomes. The models were specified as follows.

$$FS = f(CF) \dots\dots\dots (3.1)$$

Where

$$FINSus = f(LES, OGC) \dots\dots\dots (3.2)$$

$$FS = \alpha + \beta_1 LES_i + \beta_2 OGC_i \dots\dots\dots (3.3)$$

$$FSus = \alpha + \beta_1 LES_i + \beta_2 OGC_i + \mu_i \dots\dots\dots (3.4)$$

RESULTS AND DISCUSSION

Response Rate.

A total of three hundred and thirty (330) responses were expected for the study, however Two Hundred Thirty Seven 237 representing 72% were received from the management personnel of the selected firm. Three (3) out of the received response were found with inadequacies and were excluded from the analysis. Therefore Two hundred and Thirty four (234) responses were subjected to preliminary and regression analysis.

Table 1. Descriptive Statistics

	N Statisti c	Minimu m Statistic	Maximu m Statistic	Mean Statistic c	Std. Deviatio n	Skewness Statistic	Kurtosis Statistic c	Std. Error	Std. Error
					Statistic				
FINsus	234	1.50	5.00	3.7810	.58902	-.340	1.884	.159	.317
LES	234	1.75	5.00	4.1421	.57004	-.991	2.628	.159	.317
OGC	234	1.00	5.00	4.0737	.86333	-1.336	1.811	.159	.317
Valid N (listwise)	234								

Table 1. Presents descriptive statistics for the variables under the study (FINsus, LES, OGC). These variables are presumably components or predictors in a regression model examining the effect of contingency factors on the financial sustainability (FINsus) of pharmaceutical firms in Nigeria. The descriptive statistics that provides important preliminary insights for the regression analysis on contingency factors affecting financial sustainability of pharmaceutical firms in Nigeria. With 234 valid observations, the study have a reasonable sample size for regression analysis. All variables were measured on a 5-point Likert scale (1-5 range), suggesting consistent measurement approaches across constructs. This suggests the data is suitable for regression modeling.

Financial Sustainability (FINsus) shows a mean of 3.78, and SD of 0.58, indicating that pharmaceutical firms under the study demonstrate above-average financial sustainability and suggests relatively moderate variability around this mean. Also Leadership Style (LES) has the 4.14 (highest mean) with 0.57 SD indicating responses are strongly positive, closer to the upper

end of the scale, while the SD similarly low, suggesting consistent responses. Organizational culture has the mean of 4.07 also high but slightly less than LES, suggesting positive responses. OGC also has the highest SD of 0.86. The highest, indicating greater variability in responses compared to FINSus and LES. OGC shows more dispersion, suggesting less consensus among respondents.

Skewness result reveals that FINSus: -0.340 (Std. Error = 0.159), slightly negatively skewed, indicating a mild tendency for responses to cluster above the mean. LES: -0.991 (Std. Error = 0.159), more negatively skewed, suggesting a stronger tendency for higher scores. OGC: -1.336 (Std. Error = 0.159), the most negatively skewed, indicating a pronounced clustering of higher scores. All variables are negatively skewed, with OGC showing the strongest left skew. The skewness values are statistically significant.

Kurtosis also revealed FINSus: 1.884 (Std. Error = 0.317), positive kurtosis, indicating a leptokurtic distribution (peaked with heavier tails than a normal distribution). LES: 2.628 (Std. Error = 0.317), the highest kurtosis, suggesting an even more peaked distribution with heavier tails. OGC: 1.811 (Std. Error = 0.317), also leptokurtic but less so than LES. All variables show significant positive kurtosis (since values exceed $2 \times 0.317 \approx 0.634$), indicating distributions that are more peaked than normal, with more extreme values.

Regression Analysis

Table 2 present the study model summary, examining the effects of two contingency factors (leadership style and Organization culture) as a predictors of financial sustainability. Reference to the descriptive statistics, The R value of 0.859 indicates a very strong positive correlation between the contingency factors as predictor variables and the dependent variable. This R value (0.859) indicates excellent model fit.

Table 2. Model Summary

Mode	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Sig. F Change	
				R Square Change	F Change	df1		df2
1	.859 ^a	.738	.30288	.738	325.102	2	231	.000

a. Predictors: (Constant), OGC, LES

The coefficient of determination (R^2) value of 0.738 presented in table 2 indicates that approximately 74% of the variance in the dependent variable is explained by the predictor variables combined. Therefore the study model explains approximately three-quarter of the outcome variance. This is absolutely strong for a behavioural research. Moreover, the adjusted R^2 of 0.736 accounts for the number of predictors relative to sample size, providing a more conservative estimate of explained variance. Indicates good model parsimony (predictors genuinely contribute), adequate sample size relative to predictors and low risk of over fitting.

Table 3. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	59.647	2	29.823	325.102	.000 ^b
	Residual	21.191	231	.092		

Total 80.838 233

a. Dependent Variable: FINsus

b. Predictors: (Constant), OGC, LES

Table 3, present the study analysis of variance. The study F- Statistics is 325.102 with a corresponding probability value of 0.000, which can be interpreted to mean that the model derived for the purpose of the study is statistically significant as the p-value is less than 5% significant level.

Table 4. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.226	.147		1.532	.127
	LES	.734	.053	.711	13.798	.000
	OGC	.126	.035	.185	3.590	.000

a. Dependent Variable: FINsus

As stated on the table 4, (the coefficients), the study regression equation is **FINsus 0.226 = 0.734(LES) + 0.126(OGC)**. This reveals fascinating and counterintuitive relationships that require careful theoretical interpretation and hypothesis testing. The constant term (0.226) with $t = 1.532$, $p < 0.000$ **indicates** When all predictor variables equal zero, the predicted FINsus is 0.226. This represents the baseline financial sustainability level independent of the two contingency variables, suggesting fundamental organizational capabilities that exist regardless of the contingencies.

Leadership style (LES) attained a coefficients of ($B = 0.734$, $\beta = 0.711$; $t = 13.798$, $p < 0.000$) this result reveal a significant result with a medium to large standardized effect. This coefficient indicates that for every one-unit increase in leadership style, the financial sustainability will increase with 0.734 units, holding other variables constant. The standardized coefficient ($\beta = 0.711$) shows this is a substantial positive effect. This result is line with some previous studies (Mustapha, 2019).

Organization culture achieved the coefficients ($B = 0.126$, $\beta = 0.185$; $t = 3.590$, $p = 0.000$). The result on organization culture shows a statistically significant relationship with financial sustainability ($p = 0.000$). While every unit of increase in the organization culture will lead to a corresponding 0.126 in the financial sustainability. This suggests that organization culture important construct for the financial sustainability. The standardized coefficient ($\beta = 0.185$) shows a moderate positive effect on the financial sustainability efforts in the selected pharmaceutical firms.

Restatement of Hypotheses

Ho1: Leadership style have no significant effect on financial sustainability in Nigeria pharmaceutical firms. Based on the result on table 4, the null hypothesis is to be rejected ($\beta = 0.711$, $p < 0.000$) leadership style have a significant and positive effect on the financial sustainability in Nigeria pharmaceutical firms in Nigeria.

Ho2: Organization culture have no significant influence on the financial sustainability of the Nigerian pharmaceutical firms. With the result of the analysis ($\beta = 0.185$, $p = 0.000$) on table 4 the

null hypothesis is to be rejected. Organization culture has a significant and positive effect on the financial sustainability of pharmaceutical firms in Nigeria.

Discussion of Findings

The study found significant and positive effect of leadership style on the financial sustainability in Nigeria pharmaceutical firms. This result corresponds with Mustapha et al (2023); Thomson et al (2023). The dominance of leadership effectiveness ($\beta = 0.711$) suggests that strong leadership is the most critical contingency factor for pharmaceutical firms' financial sustainability in Nigeria. This aligns with contingency theory emphasizing the importance of adaptive leadership in complex business environments. The implication of this finding is that the leadership style engaged by the management of the tested firms is positively affecting the financial sustainability objectives of the pharmaceutical firms in Nigeria.

More also, the study found a positive and notable influence of the organization culture on the financial sustainability of the firms under the study. This result align with the findings of Sanni et al (2022); Mustapha (2022) and also corresponds with the postulation of the contingency theory. While organizational culture shows the smallest effect ($\beta = 0.185$), its significance suggests it provides a foundational support for financial sustainability, consistent with literature on organizational effectiveness. The result implies that the organization culture in place in the selected firms is influencing the companies' financial sustainability positively.

CONCLUSION AND RECOMMENDATIONS

The study concludes that the contingency factors variables (leadership style and organization culture) have significant effects on the financial sustainability of the pharmaceutical firms in Nigeria. The study discovered the imperative necessity of the contingency factors in attainment of the much-needed financial sustainability of the companies under this study. Evidently the management of the pharmaceutical companies in Nigeria has institute and implemented series of procedures to manage the contingencies effectively, this account for the result obtained in the study. Improving this will enhance more financial sustainability and other competitive firm advantages.

Based on the findings from this study the following recommendations were made:

- i. The management should embrace a transactional leadership style to ensure employees strict compliance on sustainability goal.
- ii. The management should employ a supportive, agile, and resilient culture to align their strategic objectives on sustainability with overall organization objectives.

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