STRATEGIC FLEXIBILITY, STRATEGIC LEADERSHIP AND BUSINESS SUSTAINABILITY NEXUS

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Abstract: Strategic leadership promote organizational strategic flexibility and enhance business sustainability. Drawing on the theoretical lens of dynamic capability and contingency theory, a framework of hypotheses is established that focuses on strategic flexibility, strategic leadership and its implications on business sustainability. This research used surveys collected from microfinance banks operating in Nigeria. The results show that strategic flexibility and strategic leadership have a significant influence on business sustainability. Also, strategic flexibility and strategic leadership significantly affect business sustainability indicators of economic, social, environmental and innovation performance. Finally, we found that strategic leadership moderate the effect of strategic flexibility on business sustainability and its indicators. Our findings clarify the role that organisational capabilities (strategic flexibility and strategic leadership) play in enhancing business sustainability, particularly in the emerging market context.

Keywords: strategic flexibility, business sustainability, strategic leadership, innovation performance.

JEL Classification: L20, M10

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1. Introduction

Turbulent and competitive business environment has led to firms developing and renewing their capabilities to achieve sustainable performance. As such, strategic flexibility and strategic leadership are organisational capabilities that can enable firms to fully optimise their key resources to achieve sustainable performance. The business environment has become more complex due to changing consumer tastes and preferences, intense competition, globalization, and sophistication in technology. Consequently, firms need speed and flexibility to successfully navigate this dynamic business environment (Nwachukwu, Hieu, Chladkova and Fadeyi, 2019; Brozovic, 2018). Arguably, strategic flexibility is a dynamic capability that enables a firm to select and change its strategic actions and allocate resources efficiently (Ahmadi and Osman, 2017). Specifically, strategic flexibility foster the creation and implementation of strategic options that respond to or facilitate change (Combe et al., 2012). Consistent with extant literature, we define strategic flexibility as the ability of firms to swiftly and proactively respond to competitive opportunities and threats (Zahra et al., 2008; Zhou & Wu, 2010). Therefore, businesses must adopt a flexible approach to strategic decision making to cope with environmental uncertainty and changes. Proactive firms can evaluate their environment and leverage external opportunities ahead of other firms. Strategically flexibility firms can optimize learning and innovation processes and quickly adapt to a changing environment to survive. Small and medium enterprises (SMEs), particularly microfinance banks require strategic flexibility to cope with uncertain and ambiguous environments. Yet, we do not fully understand the role of strategic flexibility in enhancing microfinance bank sustainability in the emerging market context. More so, the context under which strategic flexibility should work are relatively unclear (Ahmadi and Osman, 2018) and vary among firms (Brinckmann, Villanueva, Grichnik, and Singh, 2019; Li et al., 2018). Extant literature though highlights the importance of strategic flexibility in different contexts, for instance, modularity in product design (Sanchez, 1995), organizational forms (Schilling and Steensma, 2001) and contingent alliance development (Young-Ybarra and Wiersema, 1999). Other studies suggest a link between strategic flexibility and firm performance in dynamic environments (e.g. Combe et al., 2012; Grewal and Tansuhaj, 2001; Sushil, 2015; Nandakumar et al., 2014; Nadkarni and Narayanan, 2007; Worren, Moore and Cardona, 2002). These studies focused on financial performance (e.g. Combe et al., 2012; Nadkarni and Narayanan, 2007; Verd´u-Jover et al., 2014), competitive advantage (Nandakumar et al., 2014; Zhang, 2005), product innovation outputs (Gomez-Gras and Verdu-Jover, 2005; Li et al., 2010), innovation performance (Tamayo-Torres et al., 2010), longevity (de Geus, 2002), sustainability (Sushil, 2015) and reduces uncertainty (Mihi Ram´ırez et al., 2012). Some empirical studies documented mixed results concerning the relationship between strategic flexibility and firm performance (e.g. Wei et al., 2014). Nonetheless, there is still more to be explored on strategic flexibility and business sustainability, especially in the emerging economies.

Capabilities reside within the firm's human resources, notably managers (Penrose, 1959). The role of a firm's key individuals such as managers in positions of leadership has received less attention in the dynamic capability view (Teece, 2016; Pitelis and Wagner, 2019). Besides, this study responds to the call to examine the strategic leadership-performance relationship in private and public sectors (e.g Abdul Rahman, et al., 2018). Strategic leadership is important to cope with both internal and external business environment as well as in managing complex information (Deeboon-mee and Ariratana, 2014). Lack of strategic leadership in an organization can hinder effective strategy execution (Hrebiniak, 2005; Beer and Eisenstat, 2000) and a firm's ability to deliver superior performance. Extant literature reported that strategic leadership influences firm performance in different contexts (e.g. Kabetu and Iravo, 2018; Kirimi and Minja, 2010). Yet, little is known about the impact of strategic leadership on business sustainability. Thus, achieving business sustainability call for strategic leadership. The literature suggests that business sustainability includes environmental, social and economic indicators. In this paper, we propose that innovation performance is one of the indicators of business sustainability. Innovativeness reduces costs, minimises risks, enhances sales and profitability, improves reputation and employee branding and builds up innovation capabilities (Klewitz, Zeyen and Hansen, 2012**)**. Thus, innovation capability can guarantee business sustainability. For this reason, we argue that innovation performance is an indicator of business sustainability.

To the best of our knowledge, no study have examined strategic flexibility, strategy leadership and business sustainability in a single study, especially in emerging economies context. This study attempt to fill the gap in the literature. We focused on microfinance banks in an emerging market context, not only because these firms require strategic flexibility and strategic leadership to cope with competitive uncertainty and ambiguity, but also because this context enhances our understanding of the subject. We reason that strategic flexibility and strategic leadership is important to manage the influence posed by a firm's internal and external environments and to achieve business sustainability. This study argues that the relationship between strategic flexibility, strategic leadership and business sustainability is both straightforward and indirect. In this context, this study aims to use dynamic capability and contingency perspectives to explain the connection between strategic flexibility, strategic leadership and business sustainability. This paper contributes to the literature by providing empirical insights on strategic flexibility, strategic leadership and their impact on business sustainability. Drawing on the contingency perspective, we demonstrated that strategic leadership moderates the relationship between strategic flexibility and business sustainability in microfinance banks in the emerging market context. Thus, lending support to the basic insight of the contingency perspective that business sustainability depends on organisational capabilities such as strategic leadership. Furthermore, our study adds to the strategic management literature by using dynamic capability perspective to better understand the impact of strategic flexibility and strategic leadership on business sustainability and its indicators. This paper is arranged as follows. In the following section, this paper presents an overview of the theoretical foundation, relevant literature and hypotheses. Followed by the methodology used in this study. Next is the presentation of the research results. Finally, discussion, conclusions, limitations and suggestions for future research are presented.

2. Theoretical foundation

The dynamic capabilities perspective suggests that firms use organizational capabilities to deliver innovative products and services to achieve competitive advantage in a dynamic environment

(Teece et al., 1997; Bellner, 2013). Teece (2018) opine that the strength of a firm's dynamic capabilities supports the speed and the associated cost of aligning organisational resources and business model(s) with customer expectations. Dynamic capabilities enable firms to sense opportunities, threats and facilitate timely decisions while changing firms' offerings (Barrales-Molina, Bustinza, and Gutiérrez-Gutiérrez, 2013). Arguably, the ability of firms to renew their resources and organizational capabilities enable them to achieve a competitive edge. Dynamic capabilities are intangible assets of a firm, specific and identifiable processes, stable patterns of collective activities, and organizational routines (Ambrosini and Bowman, 2009). Rindova and Kotha (2001) submitted that continuous morphing is connected to dynamic capabilities, strategic flexibility, and competitive advantage. Achieving and maintaining sustainable business lies within organizational and managerial processes that are available to firms. In this context, strategic flexibility and strategic leadership are intangible assets, organizational and managerial processes/actions that can enhance business sustainability. Dynamic capabilities enable firms to search for new markets and technology (Teece, 2007) evaluate existing and emerging capabilities as well as leverage opportunities for value creation and competitive edge (O'Reilly III and Tushman, 2008). Despite the fast publication rate (Di Stefano, Peteraf, and Verona, 2010; Wilden et al., 2016) important questions concerning the dynamic capability view remain unanswered. One of such questions is what is the link between individual leaders dynamic capabilities and organizational level dynamic capabilities (Pitelis and Wagner, 2019)?

Contingency theory suggests that contextual factors can be used to explain the effectiveness of a given ‘structure' (e.g Birkinshaw et al., 2002). Previous studies have used contingency perspective to explain the interaction effects of risk propensity (Cui et al., 2016), organizational structure (e.g. Nwachukwu and Chladkova, 2019), networking capabilities (Adomako et al., 2018), organisational policy (e.g. Nwachukwu, Zufan, and Chladkova, 2019), employee satisfaction (Fadeyi et al., 2018) among others. Contingency approach provides a better theoretical lens to explain the moderating effect of strategic leadership in the relationship between strategic flexibility and sustainability of microfinance banks in Nigeria. Strategic leadership may enhance the relationship between strategic flexibility and business sustainability.

2.1 Conceptualising Strategic flexibility

According to Shimizu and Hitt (2004), strategic flexibility is a firm capability to spot significant changes in the external environment, rapidly apply resources to new courses of action, and respond swiftly when it is time to stop or reverse such resource commitments. Strategically flexible firms can model, shape and change their environment (Brozovic, 2018) to gain and maintain a competitive advantage. Strategically flexible firms take strategic actions and adapt to changing external and internal business environment (Nadkarni and Narayanan, 2007). Strategic flexibility connotes different strategic actions and the speed at which firms can use these strategic options (Sushil, 2012; Nadkarni and Narayanan, 2007). Firms need both action flexibility and resource flexibility to remain competitive and achieve their strategic objectives. Action flexibility focuses on the diversity of strategic actions and the speed of responsiveness of firms to changes in their business environment (Cingoz and Akdogan, 2013). On the other hand, resource flexibility enables firms to combine different resources and utilize an appropriate amount of resources for specific strategic actions (Sushil, 2012).

2.2 Link between strategic flexibility and performance

Sushil (2015) submitted that strategic flexibility fosters vitality, financial performance, long-term survival (continuity), growth (change) and sustainability of the enterprise. Strategic flexibility impacts innovation performance by providing better flexible processes and structure (Cingoz and Akdogan, 2013). We argue that strategic flexibility can make organizations more innovative in their processes, products and/or services. Strategically flexible firms can successfully manage economic and political risks by proactively responding to market threats and opportunities (Ussahawanitchakit and Sriboonlue, 2011). Brinckmann et al. (2019) reported that financial resources offer opportunities to enhance the strategic flexibility of a new venture. Empirically, Li et al. (2018) demonstrated that strategic flexibility has a positive impact on the performance of Chinese high-tech firms. Indeed, strategic flexibility is a critical organizational capability that enables firms to control their environment effectively. Arguably, the more control firms have over their competitive environment, the better their competitive position (Reddy, 2006). Empirical studies suggest that having a variety of strategic actions and shifting between actions affects business performance positively (e.g. Sopelana et al., 2014; Nadkarni and Narayanan, 2007). Changing resource deployment is an important condition for strategic flexibility (Nadkarni and Narayanan, 2007; Cingoz and Akdogan, 2013). Based on the above analyses, we hypothesized thus:

H1. Strategic flexibility significantly impacts business sustainability.

2.3 Conceptualising Strategic Leadership

Strategic leadership is a difficult concept to define (Sorcher and Brant, 2002). Nonetheless, several authors have attempted to give meaning to the concept of strategic leadership. Amos (2007) opine that strategic leaders understand their firm business environments and use this insight to create strategic change through other people to achieve both short-term stability and long-term viability. Ma and Seidl (2018) assert that "strategic leadership constellation" play a key role in shaping the strategic direction of the organization and distinguished it conceptually from the top management team (TMT). Strategic leadership is the ability to foresee, conceive, maintain flexibility and allow employees to create required strategic change (Hitt, Ireland and Hoskisson, 2007). Boal and Hooijberg (2000) assert that strategic leadership link the past, the present and the future and emphasizes on the firm core values and identity to foster continuity. Ireland and Hitt (2005) pointed out that strategic leaders anticipate, envision, maintain flexibility, think strategically, and work with others to create changes that will positively impact on the future for the organization. Carter and Greer (2013) assert that strategic leadership is anchored on the thinking and visionary capabilities of strategic leaders whose aim is to create a transformative organization. Strategic leadership make sense of environmental uncertainty and provides direction that enables an organization to emerge and innovate (Boal and Hooijberg, 2000). Strategic leaders have absorption and adaptive capacity to appropriately respond to environmental dynamism and complexity. Indeed, strategic leaders play important role in creating ideas and determining the strategic direction of their firms. Davies and Davies (2004) suggest that strategic leaders motivate and support others towards achieving the firm vision and aligning employees to organizations strategy execution.

2.4 Link between strategic leadership and performance

Hirschi and Jones (2009) submitted that strategic leadership influence business success and enable firms to achieve sustainable competitive advantage. Boal and Schultz (2007) reported that strategic leaders give access to new resources and opportunities using storytelling and transformational communication of vision. Empirically, Abdul Rahman et al. (2018) found a link between strategic leadership dimensions (strategic intent /vision articulation Integrity /Ethical issues, influence and style of execution) and performance dimensions (service delivery, customer satisfaction and revenue collection). Several past studies have shown that strategic leadership positively contributes to the overall performance of firms (e.g. Onu et al., 2018; Masungo et al., 2015; Kabetu and Iravo, 2018), employee performance (Setiawan and Yuniarsih, 2018) and sustainable competitive advantage (Mackey, 2008). Lending support to these findings, Kirimi and Minja (2010) stressed that strategic leadership is important to all firms. Likewise, Hughes and Beatty (2005), affirm that strategic leadership enable firms to accomplish their objectives. Some scholars agreed that strategic leaders' decisive role in spotting opportunities and taking optimal decisions have an influence on the innovation process and organizational innovativeness (e.g. Safarzadeh et al., 2015). Strategic leaders need to understand the job and the environmental factors affecting their firms to achieve better performance. Extant literature has also shown that strategic leaders will not always possess positive attributes. Individual charismatic leaders can hinder organizational change when they perceive that strategic change will threaten their position or influence (Van Knippenberg and Sitkin 2013; Levay, 2010). Nonetheless, strategic leadership play an important role in the success of all organizations in different contexts. We reason that strategic leaders can optimise firm resources to deliver innovative products and services to the marketplace. They can learn, assimilate, apply new information and adapt to a dynamic business environment. Based on the literature review, we propose the following hypothesis;

H2. Strategic leadership significantly impacts business sustainability.

2.5 Moderating effect of strategic leadership

Strategic flexibility significantly contributes to firms performance by allowing them to adapt to a turbulent environment (Sushil, 2012). Nonetheless, research findings on strategic flexibility and firm performance nexus are mixed (Ahmadi and Osman, 2018). Similarly, Barney and Hesterly (2010) contend that the relationship between strategic flexibility and organizational performance depend on context. The interaction of organisational capabilities and resources can have either enhancing or suppressing effects (Black and Boal, 1994). The relationship between strategic flexibility and financial performance is extensively moderated by environmental munificence, competitive intensity, resource combinations and managerial ties (Guo and Cao 2014). Yet, less is known about the moderating effect of strategic leadership on the relationship between strategic flexibility and business sustainability. We argue that strategic leadership can strengthen the impact of strategic flexibility on business sustainability. We reason that strategic flexibility in business sustainability context may differ due to strategic leadership. Indeed, strategic flexibility will significantly influence business sustainability base on the presence of strategic leaders. We hypothesize that;

H3. Strategic leadership significantly moderate the impact of strategic flexibility on business sustainability.

2.6 Conceptualising Business Sustainability

Sustainability is defined as "the sustainable development that meets the needs of the present without compromising the ability of the future generations to meet their own needs" (World Commission, 1987). Business sustainability has to do with the contributions of businesses to the society and the creation of work that foster self-fulfillment to those undertaking it (Dunphy, Griffiths and Benn, 2007). Fisher (2010) asserts that corporate sustainability is a new and emerging management philosophy that focuses on organizational growth and profitability, environment protection, social justice, and equality. According to Epstein (2008), corporate sustainability connotes "inputs, processes, outputs, and outcomes necessary to execute a successful sustainability strategy. He adds that inputs include the external context, internal context, and business context, human and financial resources. This study draws on the 'triple-bottom-line' approach to sustainability (Economic, Environmental, Social) (e.g. Sarkis, Presley, & Meade, 2006) and innovation performance. The economic indicator of sustainability focuses on the interaction with key customers and market segments that contribute to financial performance (Sarkis et al., 2006). The environmental indicator emphasizes the strategic efforts of firms in areas like providing environmentally friendly products, minimizing waste among others. The social indicator of business sustainability focuses on the social contract between the business and society. Innovation performance focuses on process innovation, product innovation and marketing innovation performance. Strategically flexible firms with strategic leaders can anticipate and manage business risks and opportunities to remain sustainable.

3. Methodology

3.1. Sample and data collection

We contacted selected microfinance banks from a list obtained from the Central bank of Nigeria CBN website. The sample microfinance firms were selected from three geopolitical zones of the country. These geopolitical zones have a strong presence of MFBs. Sample MFBs were invited to participate in an online survey. To ensure that only relevant individuals answer the online survey, we sent the link to the survey to the emails of the participants. The survey was conducted from September 2018 to October 2018. The questionnaire contains information on strategic flexibility, strategic leadership, business sustainability, and firm characteristics in terms of firm age and size. The authors used a purposive sample of 520 microfinance banks who are active in the sector. In the end, 311 MFBs provided valid answers to the questions used in this study. The response rate was 59.8% which is considered adequate for this study. Microfinance banks were used because the environment in which they operate represent an appropriate context to test the hypotheses. The microfinance sector in Nigerian firms is faced with a dynamic and unpredictable business environment. According to the Central Bank of Nigeria (2016), the number of microfinance banks (MFBs) declined from 879 to 820 in 2013 and grew to 987 in 2016. Total asset declined by 5.1 per cent (N343.9 billion to N326.2 billion). Similarly, total deposit liabilities declined by 6.1 per cent from N159.5 billion in 2015 to N149.8 billion in 2016. Net loans and advances increased by 6 per cent to N178.0 billion in 2016 from N167.9 billion in 2015. Investments increased by 13.5 per cent from N17.7 billion in 2015 to N20.1billion in 2016. These data explain the dynamic nature of the microfinance sector in Nigeria.

3.2. Variables and Measurement

All subjects were assessed using a Five-point Likert measurement scale, with responses ranging from 1 (strongly disagree) to 5 (strongly agree). To measure strategic flexibility, we adapted and modified Nadkarni and Herrmann (2010) to suit the objective of our study. This scale includes five items, such as "our strategy is based on a thorough understanding of the needs and expectations of our stakeholders, our strategy is based on a thorough understanding of our external environment, our strategy is based on a thorough understanding of our internal performance and capabilities, our strategy can be modified to answer changes in the environment to which the head of strategy provided responses. The Cronbach α of strategic flexibility in this study was 0.829, the mean value was 4.41, and the variance was 0.90. For strategic leadership, we used a single dimension scale, including five items: "our leaders develop, share the mission and vision of the organisation, improvements throughout the organisation are monitored, reviewed and championed by leaders, our leaders assure the organisation is agile and flexible enough to face change effectively, our leaders identify external shareholders and regularly engaged with them, our leaders inspire people and create a culture of excellence". The Cronbach α of strategic leadership scale was 0.774, the mean value was 3.63, and the variance was 0.86. For business sustainability, the authors adapted with some modification the measuring scale developed by EFQM (2013) (economic, environmental, and social) and Nwachukwu et al. (2018) (Innovation performance). The Cronbach α of business sustainability scale in this study was 0.844, the mean value was 4.10, and the variance was 0.76. The coefficient α reliability for all the scale (strategic flexibility, strategic leadership and business sustainability) was 0.905, the mean value was 3.72, and the variance was 0.82. Descriptive statistics and regression analysis techniques were employed to test our hypotheses. Statistical package for social sciences (SPSS 25) software was used for the analyses conducted.

3.3. Handling common method bias

The head of strategy of the sample MFBs are in the best position to provide reliable information on the subject. We assured participants that their responses will be treated with utmost confidentiality which reduced evaluation apprehension (Conway and Lance, 2010; Podsakoff, MacKenzie, and Lee, 2003). We used a cover letter to make it clear that the measurements of the independent variables are not related to the measurement of the dependent variables (Podsakoff et al., 2003). Scale items were carefully constructed and reviewed by a panel of seven academic and non-academic experts to ensure comprehensiveness and coherency. According to Bagozzi, Yi, and Phillips (1991) common method bias will be evident when a large correlation is found among principal constructs ($r>0.9$). In this study, the highest correlation between the variables was 0.71 (between strategic leadership and business sustainability), which suggest that common method bias is unlikely (Bagozzi et al., 1991). (See table 1).

4. Empirical Findings and Discussion

In term of the number of employees, 50(16%) of the MFBs have between 1 to 10 employees, 206 (66%) have between 11- 20 employees, 49 (16%) between 21-30 employees and 6 (2%) have between 31- 40 employees. 15 (5%) respondents indicated that their firms have been in the market between 0 and 5 years, 290 (93%) between 6 to 10 years, while only 6 (2%) respondents indicated that their firms have been in the market between 11years and above.

Correlation Analysis between Variables

Table 1 shows the mean values, standard deviation, and correlation coefficient of strategic leadership, strategic flexibility and business sustainability indicators (economic, environmental, social and innovation performance). The correlation analysis results reveal that strategic leadership is positively correlated to strategic flexibility ($r = 0.462$, $p < 0.01$), business sustainability ($r = 0.710$, $p < 0.01$) and its indicators, economic ($r = 0.556$, $p < 0.01$), environmental ($r = 0.638$, $p < 0.01$), social ($r = 0.698$, $p < 0.01$), and innovation performance ($r = 0.414$, $p < 0.01$). Strategic flexibility is positively correlated to business sustainability ($r = 0.473$, $p < 0.01$), and its indicators, economic ($r = 0.243$, $p < 0.01$), environmental ($r = 0.417$, $p < 0.01$), social ($r = 0.445$, $p < 0.01$), and innovation performance ($r = 0.401$, $p < 0.01$). The correlation result is presented to support our argument concerning common method bias (Bagozzi et al., 1991).

Presented in Table 2 is the regression analyses result. The result ($\beta = 0.185$, $p < 0.01$) support ***H1*** strategic flexibility significantly impacts business sustainability. ($\beta = 0.243$, $p < 0.01$) suggest that strategic flexibility significantly influences the economic indicator of business sustainability. The result ($\beta = 0.156$, $p < 0.01$) suggest that strategic flexibility significantly impacts social indicator of business sustainability. The result ($\beta = 0.157$, $p < 0.01$) for strategic flexibility on environmental indicator of business sustainability is positive and statistically significant. ($\beta = 0.267$, $p < 0.01$) indicate that strategic flexibility significantly influences innovation performance. The β value for strategic leadership on business sustainability (***H2***), is positive 0.625 with a p-value of 0.000, suggesting that the relationship is statistically significant. Furthermore, the β value for strategic leadership on the economic indicator of business sustainability has a positive value of 0.556 and a p-value of 0.000, implies that strategic leadership significantly impacts economic indicator of business sustainability. Similarly, the β value for strategic leadership on the social indicator of business sustainability is 0.625 with a p-value of 0.000, suggesting that strategic leadership significantly influences social indicator of business sustainability. The coefficient value (β) for strategic leadership on the environmental indicator of business sustainability is 0.564 with a p-value of 0.000, affirm that strategic leadership is significantly related to the environmental indicator of business sustainability. The coefficient value (β) for strategic leadership on innovation performance is 0.291 with a p-value of 0.000, indicates that strategic leadership significantly impacts innovation performance. The variance inflation factor 1.271 and 3.197 (see table 2 and 3) are less than 5 (Ringle et al., 2015), which indicates the absence of multicollinearity problem. These results show good measurement properties of the model. The Durbin-Watson test value of 1.643 suggests the absence of autocorrelation in the model.

Moderating effect of strategic leadership

The authors used moderated hierarchical regression analysis to test the moderating effects of strategic leadership on the relationship between strategic flexibility and business sustainability. Several scholars have used moderated hierarchical regression analysis to test moderating effects of variables (e.g. Wang, Zhang, and Goh, 2018; Zhang, Ma, Wang and Wang, 2014; Sharma et al., 1981; Sharma 2017, Teeters, Ginley, Whelan, Meyers and Pearlson, 2015, Nwachukwu and Chladkova, 2019). In the hierarchical regression model, the independent variable (strategic flexibility) was inputted as block one. The interaction effects of the moderator (strategic leadership) were inputted as block two. Presented in table 3 is the results of the moderating effect of strategic leadership. The effect of the interaction term between strategic flexibility and strategic

leadership (R=.704, $p < 0.01$) on business sustainability is significant. The results show that ΔR^2 is .272, which indicates a 27.2% increase in the variation explained by the addition of the interaction term. Indeed, strategic leadership significantly moderate the impact of strategic flexibility on business sustainability ***(H3)***. The effect of the interaction term between strategic flexibility and strategic leadership (R=.583, $p < 0.01$) on the economic indicator of business sustainability is significant. The results indicate that ΔR^2 is .281 which suggest a 28.1% increase in the variation explained by the addition of the interaction term. Thus, strategic leadership significantly moderate the impact of strategic flexibility on the economic indicator of business sustainability. The effect of the interaction term between strategic flexibility and strategic leadership (R=.605, $p< 0.01$) on environmental indicator of business sustainability is significant. The results show that ΔR^2 is .191, which indicates a 19.1% increase in the variation explained by the addition of the interaction term. Strategic leadership significantly moderate the impact of strategic flexibility on environmental indicator of business sustainability. The effect of the interaction term between strategic flexibility and strategic leadership (R=.657, $p < 0.01$) on the social indicator of business sustainability is significant. The results indicate that ΔR^2 is .234 which suggest a 23.4% increase in the variation explained by the addition of the interaction term. Hence, strategic leadership significantly moderate the impact of strategic flexibility on the social indicator of business sustainability. The effect of the interaction term between strategic flexibility and strategic leadership (R=.466, $p < 0.01$) on innovation performance is significant. The results indicate that ΔR^2 is .056 which suggest a 5.6% increase in the variation explained by the addition of the interaction term. Thus, strategic leadership significantly moderate the impact of strategic flexibility on innovation performance. The three hypotheses are supported (see table 4).

4.1 **Discussions**

Key findings and implications

The paper provides insights into the relationship between strategic flexibility and strategic leadership in business sustainability contexts. The empirical results suggest a positive influence of strategic flexibility and strategic leadership on business sustainability and its indicators (economic, environmental, social and innovation performance). Additionally, we found that the effect of strategic flexibility on business sustainability and its indicators is stronger when strategic leadership act as a moderator. Considering that this relationship has been a subject of debate in the strategic management literature (e.g. Kabetu and Iravo, 2018; Tamayo-Torres et al., 2010), the present study adds to empirical studies on the subject in the emerging market context. This study contributes to the dynamic capability perspective (Teece, 2007; Ambrosini and Bowman, 2009) by affirming that strategic flexibility and strategic leadership are intangible assets and managerial processes that influence business sustainability. Additionally, the paper contributes to contingency theory (e.g. Birkinshaw et al., 2002) by establishing the interaction effect of strategic leadership. Consistent with this logic, we observed that strategic leadership strengthens a firm's ability to proactively adapt to a turbulent business environment to remain sustainable. Therefore, firms with strategic leaders are more likely to spot significant changes in the external environment and rapidly optimise their resources to remain sustainable. It was insightful to find that strategic flexibility, strategic leadership directly influence economic, social, environmental and innovation performance indicators of business sustainability. We observed that the effect of strategic flexibility on business sustainability is contingent on strategic leadership. This study suggests that strategic flexibility and strategic leadership are important for microfinance banks sustainability. It

is therefore important to consider these concepts in future studies in strategic management. Our findings support previous studies on strategic flexibility and performance nexus (e.g. Sushil, 2015; Sopelana et al., 2014; Nadkarni and Narayanan, 2007; Li et al., 2018). This finding also affirms past empirical studies that found a positive connection between strategic leadership and performance (e.g. Onu et al., 2018; Masungo et al., 2015; Kabetu and Iravo, 2018) and organisational innovativeness (Safarzadeh et al., 2015). The paper enriches empirical research on microfinance banks, especially in Nigeria. Microfinance banks are faced with intense competition and market uncertainties. Strategically flexible MFBs with strategic leaders are more likely to effectively manage these challenges and remain sustainable.

5. Conclusion

This study shed light on the relationship between strategic flexibility, strategic leadership and business sustainability. We argue that strategic flexibility and strategic leadership are essential organisational capabilities that are needed to enhance microfinance bank sustainability. Remarkably, the effect of strategic flexibility on business sustainability is strengthened when strategic leadership is added as a moderator. Thus, business sustainability is stronger when strategic leadership is introduced as a moderating variable. The findings have some implications for managers of microfinance banks. Managers need to give special attention to the direct effect of strategic flexibility and strategic leadership on business sustainability. In this context, microfinance banks in Nigeria can promote sustainability by proactively managing the economic value of production, social and environmental impacts and innovation performance. Likewise, strategic leaders' ability to inspire people and create a culture of excellence can improve the interaction with key customers and market segments. Also, strategic leaders can improve business sustainability by creating innovative product and services that are environmentally friendly. Value creation in term of economic, social, environmental and innovation performance ensures that a company remain in the market for a long time and to achieve competitive advantage. Indeed, firms need strategic flexibility and strategic leadership to meet current and future business needs. Adopting a flexible strategic posture can improve business sustainability. Firms should adopt strategic flexibility as this directly impacts business sustainability indicators (economic, social, environmental, innovation performance). In the context of innovation performance, strategically flexible firms with strategic leaders can deliver products and services that create optimum value for divergent stakeholders. It is important to exercise strategic leadership to develop strategic flexible organizations and enhance business sustainability. To remain sustainable, MFBs need strategic leaders that can assure the organisation is agile and flexible to face change effectively. Consequently, the absence of strategic leadership could have negative implications for strategic objectives and business sustainability. Therefore, in a turbulent environment, firms, especially in the emerging market, need to continuously adjust their strategic orientation to better cope with these challenges.

5.1. Limitation and directions for further research

This study focused on a single industry (microfinance banks) which limit the generalization of our findings. Nonetheless, a single industry study reduces potential noise that is associated with multiple industries study (Patel et al., 2015; Parida and Örtqvist, 2015). Future studies can sample firms in other industries covering more geopolitical zones in Nigeria. Single dimension scale was used to measure strategic flexibility and strategic leadership. Future research can use multiple

dimension scale to provide a better understanding of strategic flexibility, strategic leadership and business sustainability relationship in the emerging market. Subjective data was used to assess economic indicator of business sustainability. Future studies should use objective financial data where available. Other organizational contingencies and contextual variable should be examined as this might enhance our understanding of the subject. Nevertheless, this study enriches the literature by shedding lights on strategic flexibility, strategic leadership and business sustainability nexus in the microfinance sector in an emerging market context.

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Appendices

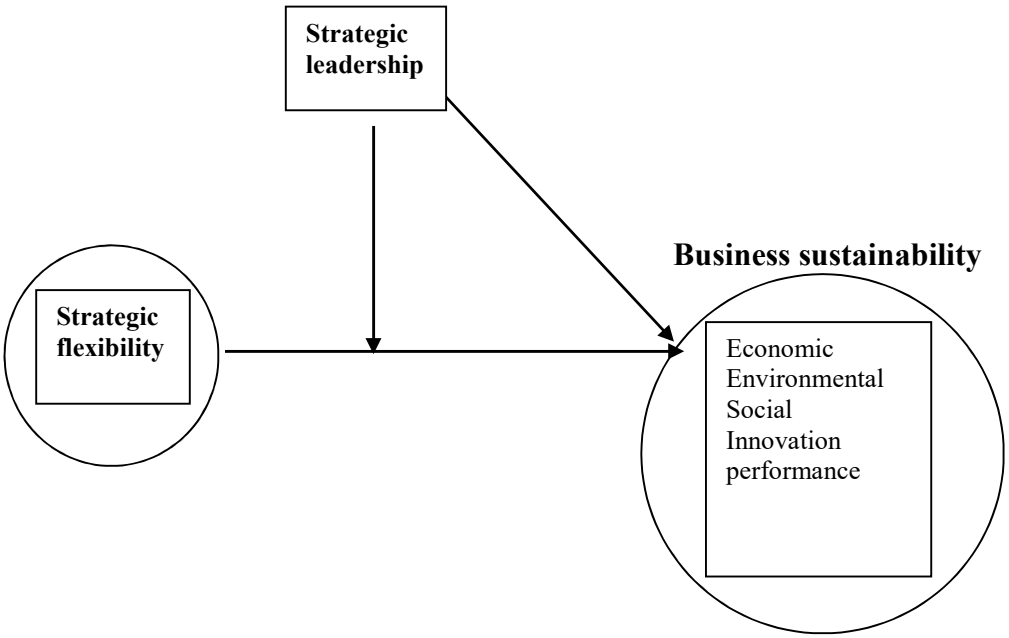

Figure 1. Conceptual model showing the relationship between study variables

Table 1. Descriptive statistics and Correlation analysis of variables (N= 311)

	Mean value	Std.deviation	Strategic leadership	Strategic flexibility
Strategic leadership	4.41	0.90		0.462
Strategic flexibility	3.63	0.86	0.462	
Economic	3.61	0.97	0.556	0.243
Environmental	3.94	0.85	0.638	0.417
Social	3.78	0.87	0.698	0.445
Innovation performance	3.79	0.87	0.414	0.401
Business sustainability	4.10	0.76	0.710	0.473

Note ** $p < 0.01$

Regression results

Table 2. Regression results of variables (N= 311)

Model	β	p-value
M1: strategic flexibility- business sustainability	0.185	0.000
M2: strategic flexibility-economic	0.243	0.000
M4: strategic flexibility-social	0.156	0.001
M3: strategic flexibility-environmental	0.157	0.001
M5: strategic flexibility-innovation performance	0.267	0.000
M6: strategic leadership -business sustainability	0.625	0.000
M7: strategic leadership-economic	0.556	0.000
M8: strategic leadership-social	0.625	0.000
M9: strategic leadership- environmental	0.564	0.000
M10: strategic leadership-innovation performance	0.291	0.000
VIF 1.271		
Durbin Watson 1.643		

Note ** $p < 0.01$

Table 3. Hierarchical regression results of the moderating effect of strategic leadership (N= 311)

	R	R^2	ΔR^2	Δ Sig.
Strategic leadershipXBus.Sustain	0.704	0.496	0.272	0.000

Strategic leadershipXeconomic	0.583	0.340	0.281	0.000
Strategic leadershipXenvironmental	0.605	0.366	0.191	0.000
Strategic leadershipXsocial	0.657	0.432	0.234	0.000
Strategic leadershipXInnovation performance	0.466	0.217	0.056	0.000

VIF 3.197

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4. Hypotheses test results/decision

Hypotheses	**P-value**	**Remark/decision**
H1	0.000	supported
H2	0.001	supported
H3	0.000	supported