International Journal of Business Marketing and Management (IJBMM)
Volume 11 Issue 3 May-June 2026, P.P. 128-133
ISSN: 2456-4559
www.ijbmm.com

A Systematic Literature Review of Business Profitability: Determinants, Managerial Strategies, and Sustainable Performance

Halim M. Bato[1], Dr. Rasmiah M. Mama[2]
[1]*(Department of Plant Science, College of Agriculture/ Mindanao State University - Zamboanga Sibugay, Philippines)*
[2]*(Department Agribusiness Management, College of Agriculture/ Mindanao State University Marawi, Philippines)*

ABSTRACT : *Profitability has long been recognized as the central indicator of a firm's economic vitality and strategic efficiency. However, in the evolving landscape of modern enterprises, particularly within resource-dependent sectors, profitability management demands a multidimensional understanding that transcends traditional financial measures. This literature-based exploration critically examines the management of business profitability by synthesizing insights across three thematic pillars: the determinants influencing profitability, the managerial practices enhancing it, and the sustainability principles ensuring its longevity. Findings from global and sectoral studies reveal that profitability is shaped by an interactive network of internal efficiencies, external market dynamics, leadership strategies, and technological innovations. Moreover, the transition from short-term profit maximization toward long-term sustainability underscores the growing integration of ethics, innovation, and environmental stewardship in financial management. By comparing and contrasting classical and contemporary perspectives, this study presents profitability as an adaptive and strategic construct that links operational control, financial intelligence, and sustainable growth. The review contributes to scholarly understanding by reframing profitability as both a measure of performance and a mechanism for enduring enterprise development. It serves as a foundation for further research in strategic finance, management sciences, and the evolving domain of sustainable business systems.*

KEYWORDS - *Financial performance; strategic leadership; operational efficiency; innovation management; sustainable enterprise development.*

I. INTRODUCTION

Profitability remains the cornerstone of business sustainability and the ultimate indicator of financial health in any enterprise. As a quantitative measure of success, it reflects the efficiency with which a firm converts its resources into income and value (Brigham & Ehrhardt, 2022). However, the understanding of profitability has evolved beyond mere numerical gains to encompass the strategic, operational, and ethical dimensions that define long-term business viability. In an increasingly volatile global economy characterized by digital transformation, supply chain disruptions, and fluctuating consumer preferences, managing profitability is not only a financial concern but also a strategic imperative. Scholars such as Kaplan and Atkinson (2018) emphasize that profitability is a multidimensional construct influenced by leadership decisions, resource utilization, market adaptation, and innovation—factors that determine whether firms can sustain competitiveness over time.

Recent empirical studies have illustrated that business profitability is no longer secured solely through cost control or sales optimization. Instead, it is increasingly shaped by dynamic capabilities, technological adaptation, and data-driven decision-making (Grant, 2023). Firms that strategically align financial management practices with operational goals often demonstrate superior profit performance compared to those with isolated financial strategies (Lazonick & Shin, 2019). For example, effective cost accounting systems, strategic budgeting, and performance management tools collectively allow businesses to anticipate market trends and respond proactively. These approaches reveal that profitability management requires integrating both financial and non-financial metrics, positioning profitability not as an endpoint but as a continuous process of value creation and preservation.

Moreover, the growing attention to sustainability and corporate responsibility has reshaped how businesses define and pursue profitability. According to Porter and Kramer (2011), firms that incorporate social and environmental considerations into their core strategies tend to build stronger stakeholder trust, leading to sustained financial performance. The shift toward “shared value” frameworks and circular economy principles has made profitability a moral and ecological issue as much as an economic one. This is particularly relevant in resource-based and agribusiness sectors, where ecological stewardship and economic resilience are deeply interlinked (Elkington, 2018). The interdependence between profitability, ethics, and environmental governance has thus expanded the analytical scope of management studies, demanding more holistic examinations of profit generation.

Given these evolving dimensions, reviewing the management of business profitability becomes essential for both scholars and practitioners. A systematic review allows for the synthesis of diverse perspectives—financial, managerial, technological, and ethical—into a coherent framework for understanding how modern enterprises achieve sustainable profitability. By comparing classical theories with emerging insights, the present review seeks to clarify the dynamic relationship between financial performance and managerial decision-making. It provides a structured understanding of the mechanisms through which profitability is influenced, managed, and sustained under contemporary business pressures.

Therefore, the objective of this review is to critically examine the management of business profitability through three thematic lenses: (1) determinants of profitability, (2) managerial strategies and practices for profit optimization, and (3) sustainability and innovation as long-term profitability drivers. Through this lens, the review aims to contribute to the growing body of literature that reconceptualizes profitability not merely as a financial output but as a multidimensional strategic process that ensures enduring business success.

II. LITERATURE REVIEW

2.1 Determinants of Business Profitability

The literature converges on the idea that profitability is determined by both internal capabilities and external conditions, yet studies vary in their emphasis. Alarussi and Alhaderi (2018) underscore internal financial efficiency, highlighting liquidity management, firm size, and asset utilization as key profit drivers. Their quantitative study in Malaysia shows that internal management practices outweigh external factors in explaining profit variations. Similarly, Kiran and Majumdar (2022) conducted a global meta-analysis revealing that operational efficiency and managerial competence consistently have the strongest correlation with profitability across sectors.

In contrast, Aremu, Ayeni-Agbaje, and Adeyemi (2020) argue that external determinants—such as macroeconomic stability, inflation, and government policy—exert a stronger influence, particularly in emerging economies where institutional support and financial markets are underdeveloped. This aligns with findings by Anderson and Feder (2020), who emphasized that profitability in agribusiness often fluctuates based on input prices, trade liberalization, and climate variability.

Comparative analysis between developed and developing contexts reveals a crucial difference in the profitability architecture: firms in advanced economies rely more on internal innovation and capital optimization, while those in emerging markets are more vulnerable to external shocks (Deloitte, 2022; FAO, 2021). These studies collectively affirm that profitability is a systemic outcome—one that emerges from the strategic balance between managerial control and environmental uncertainty.

However, Deloof (2003) and more recent evidence by OECD (2023) caution against oversimplifying determinants into dichotomies. They argue for an interactive model in which internal efficiency amplifies the positive effects of favorable external conditions. For instance, a company with strong cost management and flexible production systems benefits more from economic liberalization than firms without such internal resilience. Thus, profitability determinants operate as co-dependent forces, requiring managers to synchronize internal agility with external adaptation.

2.2 Management Practices for Profitability Enhancement

While the determinants explain what affects profitability, management practices illustrate how profitability is enhanced and sustained. Kaplan and Norton (2001) introduced the Balanced Scorecard framework, establishing that financial performance is the outcome of four interconnected dimensions: internal processes, learning and growth, customer satisfaction, and innovation. This multidimensional view shifted profitability from a narrow accounting measure to a strategic management function.

Porter's (1985) generic strategies further reinforce this idea, identifying cost leadership and differentiation as complementary paths to profitability. However, empirical studies present divergent evidence on which approach yields higher returns. In resource-intensive industries such as agribusiness, cost leadership through economies of scale and process optimization has shown to yield short-term profitability (FAO, 2021). Conversely, in markets with growing consumer sophistication, differentiation—through branding, quality assurance, and traceability—creates stronger long-term profit margins (Porter & Kramer, 2011).

Brigham and Ehrhardt (2019) emphasize that profitability enhancement is largely contingent on financial decision-making, especially capital allocation, investment appraisal, and debt management. Meanwhile, Lari (2020) demonstrates that digital management systems and data analytics improve profit predictability by reducing decision uncertainty. The findings of Bass and Riggio (2006) complement this perspective by highlighting the human dimension of profitability—leadership and organizational culture. Transformational leadership, which encourages innovation and collaboration, often results in better financial outcomes than transactional control mechanisms.

Comparing across studies, it becomes clear that effective profitability management is context-dependent but principle-driven. In volatile markets, dynamic decision systems and real-time analytics (Lari, 2020; Deloitte, 2022) are indispensable, while in stable markets, strategic cost discipline (Kaplan & Norton, 2001; Brigham & Ehrhardt, 2019) remains the dominant driver. Thus, managerial practices function as adaptive levers—fine-tuned according to environmental volatility and strategic goals.

2.3 Sustainable Profitability and Long-Term Business Growth

Recent scholarship introduces a paradigm shift from profitability as an end to profitability as a process aligned with sustainability and social value creation. Elkington's (1998) concept of the triple bottom line—economic, social, and environmental performance—redefined corporate profitability by embedding ethics and sustainability into profit models. Subsequent scholars such as Dyllick and Muff (2016) expanded this view, arguing that "true business sustainability" integrates profitability with systemic value creation, where firms contribute positively to society and the planet while maintaining economic viability.

Porter and Kramer's (2011) Shared Value Theory further advances this concept, asserting that profitability and social progress are not mutually exclusive but mutually reinforcing. For instance, agribusiness firms adopting sustainable sourcing and resource-efficient production often report higher profitability due to improved brand reputation, reduced waste, and enhanced market access (Carroll, 2016; FAO, 2021).

Contrasting perspectives, however, persist in the literature. Some scholars (e.g., Brigham & Ehrhardt, 2019) caution that sustainability-driven investments may impose short-term cost burdens that dilute immediate profitability. Yet empirical studies increasingly refute this concern: firms that integrate environmental management systems tend to outperform competitors in profitability metrics over the long run (OECD, 2023). The apparent paradox between short-term cost and long-term gain is resolved when sustainability is understood as strategic reinvestment rather than operational expense.

Moreover, innovation acts as the unifying variable across sustainable profitability studies. Technological advancements—from precision agriculture to AI-driven logistics—enable firms to simultaneously lower costs and reduce ecological footprints (Deloitte, 2022; Anderson & Feder, 2020). Thus, sustainable profitability is not a trade-off model but an integrative strategy that harmonizes financial success with responsible resource management and social legitimacy.

III. RESEARCH METHODOLOGY

This study adopted a qualitative literature review to examine how businesses manage profitability across different contexts. The approach allowed a critical synthesis of theories, frameworks, and case-based findings rather than numerical measurement, which aligns with the interpretive nature of the topic. Relevant studies were gathered from reputable databases such as Scopus, ScienceDirect, Emerald Insight, and Google Scholar. The selection focused on peer-reviewed works published between 2015 and 2025, complemented by classical references that remain central to profitability analysis. The inclusion criteria emphasized studies addressing at least one of the following themes: determinants of profitability, managerial practices and decision-making, and sustainability and innovation as profitability drivers. Articles lacking clear methodology or business relevance were excluded. A total of seventy-four papers met the standards of quality and thematic fit.

The analysis followed a thematic synthesis approach, identifying recurring patterns and contrasting perspectives across studies. Data were coded, grouped, and interpreted under the three central themes of the review. Cross-referencing and comparison of findings strengthened the credibility of interpretations, while theoretical triangulation ensured a balanced view. All sources were properly cited following APA 7th edition standards, with careful consideration of authors' original contexts and interpretations. Although limited to English-language publications, this review provides a reliable synthesis of current knowledge on profitability management and offers a framework for further research in strategic and financial management.

IV. RESULTS AND DISCUSSION

The synthesis of literature reveals that business profitability is a multidimensional and dynamic construct influenced by the interaction of internal efficiencies and external environmental conditions. Across the reviewed studies, there is strong agreement that profitability is not determined solely by revenue generation or cost reduction, but also by managerial competence, operational efficiency, innovation capability, and adaptability to market conditions. Internal factors such as leadership effectiveness, resource utilization, and financial management significantly affect organizational performance, while external forces including economic instability, government regulations, competition, and climate-related disruptions shape the broader profitability environment. These findings suggest that firms capable of balancing internal strategic control with external adaptation are more likely to achieve sustainable financial performance.

Another major finding from the literature is the critical role of managerial practices in enhancing profitability. Studies consistently emphasize that strategic planning, budgeting systems, performance monitoring, and digital management technologies improve decision-making and organizational responsiveness. Leadership and organizational culture also emerge as central determinants of profitability outcomes. Firms that encourage innovation, collaboration, and employee engagement tend to demonstrate stronger long-term financial performance than those relying solely on traditional control-oriented approaches. This indicates that profitability management is not purely financial in nature but also behavioral and organizational, requiring effective coordination between people, systems, and strategic objectives.

The reviewed literature further highlights a growing shift from short-term profit maximization toward sustainability-oriented profitability management. Contemporary perspectives increasingly integrate environmental stewardship, corporate social responsibility, and ethical governance into business strategies. Concepts such as the triple bottom line and shared value theory demonstrate that profitability and sustainability are no longer viewed as conflicting goals but as mutually reinforcing dimensions of long-term business success. In agribusiness and resource-dependent industries, sustainable practices contribute to profitability through improved resource efficiency, stronger stakeholder trust, reduced operational waste, and enhanced market competitiveness. These findings suggest that sustainability has become an essential component of modern profitability management.

Technology and innovation also emerge as significant drivers of profitability enhancement and organizational resilience. Digital systems, automation, data analytics, and innovation-based management practices improve operational efficiency, forecasting accuracy, and strategic decision-making. In highly competitive and volatile business environments, firms that adopt technological advancements are better positioned to respond to changing consumer demands and market uncertainties. Overall, the literature demonstrates that profitability should be understood not merely as a financial outcome but as a continuous strategic process requiring integration of leadership, innovation, sustainability, operational efficiency, and environmental responsiveness to ensure long-term business growth and competitiveness.

V. CONCLUSION

The management of business profitability is an evolving discipline that integrates financial rigor, strategic foresight, and sustainability consciousness. The reviewed literature underscores that profitability is influenced by a dynamic interplay of determinants, managerial practices, and long-term sustainability strategies. Internally, firms must strengthen cost management, innovation, and leadership competence; externally, they must navigate regulatory environments, market competition, and global disruptions. Enhancing profitability requires not only efficient management but also adaptive thinking — integrating technology, ethical governance, and long-term sustainability into the profit framework. For agribusiness enterprises, in particular, profitability management must balance productivity with environmental stewardship and community well-being. As global markets grow more complex, the most profitable businesses will be those that align short-term efficiency with long-term resilience, positioning profitability as both a measure and a mission of sustainable enterprise growth.

REFERENCES

Journal Papers:

[1] Alarussi, A. S., & Alhaderi, S. M. (2018). Factors affecting profitability in Malaysia. Journal of Economic Studies, 45(2), 442–458.

[2] Anderson, J. R., & Feder, G. (2020). Agricultural extension services and technology adoption. World Bank Research Observer, 35(1), 1–25.

[3] Aremu, M. A., Ayeni-Agbaje, A. R., & Adeyemi, S. L. (2020). Determinants of firm profitability: Evidence from emerging economies. International Journal of Business and Economics, 19(3), 175–189.

[4] Carroll, A. B. (2016). Carroll’s pyramid of CSR: Taking another look. International Journal of Corporate Social Responsibility, 1(1), 1–8.

[5] Deloof, M. (2003). Does working capital management affect profitability? Journal of Business Finance & Accounting, 30(3-4), 573–588.

[6] Dyllick, T., & Muff, K. (2016). Clarifying the meaning of sustainable business: Introducing a typology from business-as-usual to true business sustainability. Organization & Environment, 29(2), 156–174.

[7] Elkington, J. (2018). 25 years ago, I coined the phrase “triple bottom line.” Here’s why it’s time to rethink it. Harvard Business Review.

[8] Kiran, R., & Majumdar, M. (2022). Determinants of profitability: A global meta-analysis. International Journal of Business and Finance Research, 16(1), 45–60.

[9] Lari, M. A. (2020). The impact of management information systems on business performance. Journal of Management Studies, 12(3), 112–126.

[10] Porter, M. E., & Kramer, M. R. (2011). Creating shared value. Harvard Business Review, 89(1-2), 62–77.

Books:

[11] Bass, B. M., & Riggio, R. E. (2006). Transformational leadership. Psychology Press.Mintzberg, H. (1994). *The rise and fall of strategic planning*. Free Press.

[12] Brigham, E. F., & Ehrhardt, M. C. (2019). Financial management: Theory & practice (16th ed.). Cengage Learning.

[13] Brigham, E. F., & Ehrhardt, M. C. (2022). Financial management: Theory and practice (17th ed.). Cengage Learning.

[14] David, F. R., & David, F. R. (2023). Strategic management: A competitive advantage approach (17th ed.). Pearson.

[15] Elkington, J. (1998). Cannibals with forks: The triple bottom line of 21st century business. Capstone.

[16] Grant, R. M. (2023). Contemporary strategy analysis (12th ed.). Wiley.

[17] Kaplan, R. S., & Atkinson, A. A. (2018). Advanced management accounting (4th ed.). Pearson.

[18] Kaplan, R. S., & Norton, D. P. (2001). The strategy-focused organization: How balanced scorecard companies thrive in the new business environment. Harvard Business School Press.

[19] Lazonick, W., & Shin, J.-S. (2019). Predatory value extraction: How the looting of the business corporation became the U.S. norm and how sustainable prosperity can be restored. Oxford University Press.

[20] Porter, M. E. (1985). Competitive advantage: Creating and sustaining superior performance. Free Press.

Internet:

[21] Deloitte. (2022). The digital enterprise: Unlocking profitability through technology. Deloitte Insights.

[22] FAO. (2021). The State of Food and Agriculture 2021: Making agri-food systems more resilient to shocks and stresses. Food and Agriculture Organization of the United Nations.

[23] OECD. (2023). Sustainable business models for the future of the economy. OECD Publishing.