

Firm-Level Institutions and Performance of Publicly Quoted Companies in Kenya

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Abstract:

Firm-level institutions constitute the internal organizational environment which define the context in which strategic decisions are made and implemented. Effective and successful strategy implementation requires apt institutionalization of the strategy. Logically, firm-level institutions have an indirect effect on corporate performance through their direct effect on strategy implementation. In this study, a direct effect of the firm-level institutions on corporate performance was investigated. Based on a survey of 23 companies listed on the Nairobi Stock Exchange, ten firm-level institutions were captured under two broad dimensions of administrative systems and resource competencies. Performance implications of these firm-level institutions were then examined. The study reports that for the surveyed companies, most of the firm-level institutions were manifest to a large extent. The results also indicate that a very strong positive relationship exists between firm-level institutions and various indicators of corporate performance. However, the overall results for the effect of firm-level institutions on corporate performance were statistically not significant. The results partially concur with pertinent theories as well as similar empirical studies. Based on the findings, implications for theory, methodology, and managerial practice as well as areas for further study are identified. Key words: Firm-Level Institutions, Corporate Performance, Publicly Quoted Companies, Kenya