

Market strategy and corporate performance: the contextual application of pims principles in Kenya

Abstract:

The influence of market strategy on corporate performance has been and still is a central issue in Strategic Management Discipline. In spite of immense academic curiosity in this area, exemplified by extensive empirical research, results still remain inconclusive. Some argue that performance differences across firms is as a result of strategic choice the firm makes regarding the market and its subsequent positioning while others argue that firm performance is influenced by the context within which it operates. Besides, empirical studies that forge these propositions in an African setting, and specifically in Kenya using empirically grounded PIMS (Profit Impact of Market Strategy) principles, are scanty. This study examined the influence of PIMS principles on corporate performance in Kenya. Both primary and secondary data were collected from Listed Companies in Kenya. Primary data were collected via a structured close ended Likert type questionnaire administered to all 56 CEOs of quoted companies in a census survey. Secondary data were collected on financial performance of the same companies for a period of five years between 2002 and 2006. Data were analyzed using descriptive and multivariate techniques. Theory testing shows that Kaplan and Norton's Balanced Score Card (BSC) conforms to Kenyan context and remains a viable measure of Corporate performance. Further, the study provides additional support for the linkages between PIMS principles and corporate performance, suggesting that PIMS principles are generalizable across a broad spectrum of contexts though the veracity of prediction varies across the principles and the model is also context specific. In Kenyan context, the PIMS model explains up to 53.9% ($Adj.R^2 = 0.539$) of variation in corporate performance. These findings hold implications for corporate managers. They should pay special attention to market positioning strategies especially product quality and market share. These strategies should be specifically targeted to cash generating portfolios calibrated in such a manner as to avoid investment intensity that acts as a drag to profitability. Future studies should seek to replicate the findings of this study to Small and Micro Enterprises. Also open to further study is extension of this study results by employing optimization methodology procedures to address the limitation of spuriousness.