



NAVIGATING STRATEGIC TRADE-OFFS AND FINANCIAL PERFORMANCE: EVIDENCE FROM SOMALI FIRMS

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ABSTRACT: *Somalia's private sector, which contributes over 90% of employment and trade output, operates within a fragile economic landscape marked by limited access to formal financing, reliance on internal funds, and institutional weaknesses. This study examines the impact of mutually exclusive business strategies—namely, new capital investments, project selection, and stock investments—on the financial performance of Somali firms. Grounded in Decision Theory, the research employed a descriptive, explanatory, and correlational design under a positivist philosophy to ensure objective measurement and statistical rigor. Data were collected from 160 departmental heads across 53 companies using structured questionnaires and analyzed through SPSS. Descriptive statistics captured respondent perceptions, while Pearson correlation and univariate regression tested relationships and hypotheses. Results revealed that mutually exclusive strategies significantly and positively influence firm performance, with a moderate correlation ($R = 0.381$, $p = 0.004$). The findings underscore the role of strategic investment decisions, stakeholder engagement, and diversification in enhancing profitability, return on assets, and return on equity. The study concludes that implementing mutually exclusive strategies individually strengthens financial outcomes, while coordinated integration maximizes synergistic benefits, minimizes resource overlap, and supports sustainable growth in Puntland's business environment. Recommendations include prioritizing high-potential projects, establishing clear guidelines for stock investments, and embedding these strategies within comprehensive strategic plans to optimize long-term performance.*

KEYWORDS: Mutually Exclusive Business Strategies, Financial Performance, Capital Investment, Project Selection, Stock Investments.



INTRODUCTION

Somalia's private sector is the backbone of its economy, contributing over 90% of employment and trade output (World Bank, 2024). Despite decades of political instability, firms have sustained operations through informal networks and adaptive business models, particularly in trade, logistics, and telecommunications (IFC, 2024). However, the economy remains predominantly informal, with approximately 85% of firms unregistered, limiting access to structured financing and constraining large-scale strategic investments (UNCTAD, 2023). In this context, the effective planning and execution of mutually exclusive business strategies—where firms must prioritize one initiative at the expense of others—becomes critical for optimizing scarce resources. Evidence from fragile economies underscores that strategic alignment and disciplined resource management are essential for enhancing profitability and resilience (Muteti & Kariuki, 2025).

Access to formal capital markets in Somalia is severely restricted. Internally generated funds account for over 92% of working capital, while bank financing contributes only 2–3% (IFC, 2024). This reliance on internal resources heightens the importance of careful capital deployment in machinery acquisition, technology upgrades, and market expansion. Firms that strategically allocate new capital report improvements in efficiency, revenue growth, and cost management, whereas poorly planned investments exacerbate financial vulnerability (World Bank, 2024; Muteti & Kariuki, 2025). Thus, capital investment decisions are a critical determinant of firm survival and performance.

Mutually exclusive project selection further shapes organizational outcomes. Such decisions require firms to commit resources to one initiative while foregoing alternatives. For instance, expanding a logistics hub may preclude investment in digital payment platforms, thereby limiting diversification opportunities (UNCTAD, 2023). Firms that systematically evaluate expected returns, risks, and resource constraints achieve superior profitability, while poor project selection leads to resource wastage and diminished financial outcomes (World Bank, 2024). In fragile economies, prioritizing high-value projects is particularly vital given volatile markets and weak institutional frameworks.

Institutional weaknesses compound these challenges. Weak contract enforcement, limited investor protection, and regulatory fragility increase the risks of large-scale investments, often resulting in cost overruns and delays (IFC, 2024). Empirical evidence from comparable fragile economies shows that firms employing structured evaluation and risk mitigation strategies achieve significantly better profitability than those relying on reactive approaches (Muteti & Kariuki, 2025).

Stock investments represent an emerging mechanism for financing mutually exclusive strategies in Somalia. The establishment of the Somalia National Securities Exchange in 2025 provides firms with opportunities to raise capital, improve liquidity, and distribute risk (IFC, 2024). However, low market confidence, evolving regulatory oversight, and high transaction costs pose challenges (UNCTAD, 2023). Firms that strategically integrate stock investments with other mutually exclusive strategies may enhance long-term financial performance while mitigating liquidity constraints.

Empirical evidence from developing economies indicates that targeted capital allocation, project prioritization, and stock investments yield measurable financial benefits. Firms



prioritizing high-impact projects report profitability gains of 10–20%, while judicious stock investments improve liquidity ratios by 12–15% (World Bank, 2024). These outcomes, however, depend on managerial expertise, reliable market information, and institutional support. Somalia's fragile business environment—marked by volatility, limited financial infrastructure, and governance challenges—necessitates empirical investigation to determine whether similar gains can be achieved locally (IFC, 2024).

Integrating new capital investments, mutually exclusive projects, and stock investments offers Somali firms a comprehensive framework for strategic decision-making. Coordinated implementation enhances profitability, liquidity, and operational efficiency, while overcommitment to a single strategy increases exposure to risk and reduces overall returns (Muteti & Kariuki, 2025). Firms that balance resource allocation across high-return projects and cautiously leverage emerging equity markets are better positioned to achieve sustainable financial performance.

Statement of the Problem

Somali firms operate in a fragile economic environment where over 85% rely on internally generated funds, and formal bank financing accounts for less than 3% of total funding (World Bank, 2024; IFC, 2024). This severely limits their ability to implement new capital investments, which are critical for scaling operations, upgrading technology, and improving productivity. While studies in other developing economies show that targeted capital investments can raise revenue growth by 10–18% and ROA by 12–15% (Muteti & Kariuki, 2025), evidence on whether Somali firms can achieve similar outcomes under conditions of liquidity constraints and high operational risk remains scarce.

Mutually exclusive projects further complicate strategic planning, as firms must commit resources to one initiative while foregoing others. Approximately 70% of Somali firms report difficulties in project prioritization due to inadequate feasibility data, market volatility, and high costs (UNCTAD, 2023). Misallocation often results in underperformance, delayed returns, and resource wastage, highlighting the need to examine how project selection influences financial outcomes (IFC, 2024).

Stock investments, though recently enabled by the Somalia National Securities Exchange, remain underutilized, with fewer than 5% of firms participating (Somalia National Securities Exchange, 2025). In other developing markets, stock financing has improved liquidity ratios by 12–15% and ROE by 10–14% (Muteti & Kariuki, 2025), but Somali firms face weak market confidence and regulatory fragility.

Taken together, these challenges reveal a critical empirical gap: the effects of mutually exclusive business strategies—new capital investments, project selection, and stock investments—on the financial performance of Somali firms remain largely unexplored. Addressing this gap is essential for informing strategic resource allocation and enhancing firm resilience in fragile economies.



Objective and Significance of the Study

The primary objective of this study is to examine the effects of mutually exclusive business strategies—specifically new capital investments, project selection, and stock investments—on the financial performance of Somali firms. By focusing on these strategic choices, the study seeks to provide empirical evidence on how resource allocation decisions influence profitability, return on assets, and overall firm growth in a fragile economic environment.

The significance of this research extends to multiple stakeholders. For trading companies, the findings offer practical guidance on designing and implementing effective strategies that enhance competitiveness and financial outcomes. For the Puntland government and the Chamber of Commerce, the study provides insights that can inform the development of business-friendly policies, tax measures, and investment frameworks aimed at strengthening private sector growth. At the societal level, the results demonstrate how structured and evidence-based business strategies can foster sustainable enterprise success, contributing to broader economic resilience.

Finally, the study holds academic value by addressing existing knowledge gaps and offering a foundation for future research on the relationship between strategic investment decisions and financial performance. While grounded in the Somali context, the findings also carry relevance for other fragile and developing economies, thereby enriching global discourse on strategic management and financial sustainability.

LITERATURE REVIEW

Theoretical Review

This study is anchored in **Decision Theory**, which offers a structured framework for understanding how managerial choices shape the financial performance of firms, particularly in contexts where mutually exclusive business strategies must be adopted. By applying Decision Theory, the study underscores how deliberate, well-informed decisions can enhance profitability, optimize resource allocation, and strengthen overall firm performance in Somalia's fragile and volatile economic environment.

Decision Theory, originally advanced by Myerson (1991), provides insights into how organizations can mitigate risk and uncertainty through systematic and inclusive decision-making processes. Widely applied across economics, statistics, and management, the theory emphasizes the identification of uncertainties arising from imperfect information and limited stakeholder participation (Pan, 2016). It is commonly divided into two components: **descriptive decision theory**, which examines how individuals actually make choices—often deviating from rational behavior—and **normative decision theory**, which prescribes optimal decision rules for achieving desired outcomes (Giacomini, 2019; Chen, Hua, & Liu, 2019). By focusing on information quality and stakeholder involvement, Decision Theory highlights the importance of deliberate and evidence-based choices in minimizing organizational risk.

Despite its utility, Decision Theory is not without limitations. Decision-making processes can be time-intensive, particularly in group settings where diverse opinions may lead to compromise rather than optimal outcomes (Shahar et al., 2019). Managers often face



constraints such as limited time, inadequate data, and uncertainty about future conditions, which reduce the effectiveness of decision analysis (Bielczyk et al., 2019). Furthermore, scholars have criticized the theory's broad and fragmented nature, arguing that the proliferation of decision-making models can overwhelm managers and obscure a clear strategic direction (Burford & Pettit, 2018).

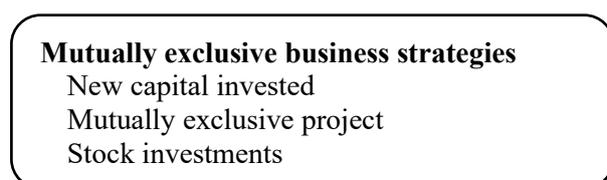
Decision theory has proved relevant to the current study. In the Somali context, Decision Theory provides a pertinent lens for examining the effects of mutually exclusive business strategies on financial performance. Firms operating in fragile environments face heightened uncertainty, making strategic choices—such as whether to pursue expansion, replacement, or retrenchment—particularly risky (Pan, 2016). Because the adoption of one strategy often precludes others, poor decision-making can undermine profitability, liquidity, and long-term sustainability. Decision Theory suggests that involving managers and employees in evaluating strategic alternatives reduces uncertainty and improves outcomes (Myerson, 1991). Accordingly, the theory supports this study's focus on how mutually exclusive strategies—capital investments, project selection, and stock investments—affect firm performance, emphasizing the role of informed and participatory decision-making in enhancing resilience under conditions of volatility and institutional fragility.

Conceptual Framework

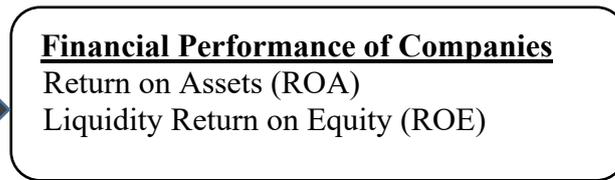
The conceptual framework provides a relationship between the independent variable and the dependent variable (Mugenda & Mugenda, 2003). In this researcher's expansionary business strategies is the study's independent variable, whereas the financial performance of selected Companies in Somalia is the dependent variable.

Figure 1: Conceptual framework

Independent Variables



Dependent Variable



Researcher (2025)

Empirical Literature Review

Mutually exclusive business strategies involve strategic alternatives where the adoption of one course of action excludes others, making capital allocation decisions critical to firm survival and performance (Myerson, 1991; Pan, 2016). Such strategies are particularly relevant in resource-constrained environments, where firms must prioritize competing investment options. Empirical evidence from developed economies shows that these choices significantly influence profitability, liquidity, and long-term sustainability by determining how effectively scarce resources are deployed (Brealey, Myers, & Allen, 2020). However, most findings are derived from stable institutional contexts, creating a gap in understanding their applicability in fragile economies such as Somalia, where uncertainty, weak capital markets, and infrastructural deficiencies may alter financial outcomes.



New capital investment is one of the most impactful mutually exclusive strategies. Studies in developed and emerging markets report that firms investing in new capital assets achieve improvements in return on assets, productivity, and revenue growth ranging from 12% to 25% (Farida & Setiawan, 2022; Teece, 2018; Silva & Costa, 2021). While such investments enhance competitiveness, they involve high sunk costs and delayed returns. Inferential studies confirm positive relationships between capital investment and profitability ($\beta > 0.30$, $p < 0.05$) (Brown & Miller, 2022; Walia & Kiran, 2015; Baby, Mia, & Pitchay, 2024), yet these analyses are situated in predictable environments. In Somalia, regulatory uncertainty, infrastructure gaps, and volatile demand may weaken these effects, raising questions about whether new capital investments remain financially optimal under severe resource constraints (World Bank, 2023).

Mutually exclusive project selection also shapes financial performance through capital budgeting. Financial theory prescribes selecting projects with the highest net present value to maximize firm value (Brealey et al., 2020). Empirical studies in emerging economies show profitability gains of 10–18% from high-return projects (Silva & Costa, 2021). However, fragile economies often lack reliable data and strong accounting systems, undermining project appraisal accuracy. Evidence suggests that firms may prioritize short-term cash-generating projects over long-term value creation, with cross-sectional studies offering limited insights into sustained financial outcomes (Tan & Wong, 2023). This highlights a methodological gap in assessing how project selection affects profitability, liquidity, and efficiency in Somalia.

Stock investments represent another mutually exclusive strategy, requiring firms to choose between financial asset allocation and reinvestment in core operations. In developed economies, stock investments improve liquidity and diversification, contributing 8–15% to firm returns (Baker & Wurgler, 2015). These benefits, however, depend on robust capital markets and regulatory frameworks. In fragile economies, shallow markets, weak investor protection, and volatility often diminish the financial advantages of stock investments, potentially diverting resources from productive activities.

In Somalia, the financial effects of mutually exclusive strategies—new capital investments, project selection, and stock investments—remain largely unexplored. Decision Theory suggests that such choices significantly affect firm performance under uncertainty (Myerson, 1991). Yet, the absence of firm-level empirical studies examining their impact on return on assets, liquidity, and revenue growth represents a critical gap. Addressing this gap is essential for providing evidence-based guidance to managers and policymakers seeking to strengthen financial performance in fragile economic environments.



METHODS AND MATERIALS

This study employed a descriptive, explanatory, and correlational research design to comprehensively address the research problem. The descriptive component facilitated observation and documentation of mutually exclusive business strategies without manipulation of study variables, while the explanatory aspect enabled examination of causal relationships between independent variables and financial performance (Singpurwalla, 2013). The independent variables comprised **new capital investment, mutually exclusive project selection, and stock investments**, whereas the dependent variable was the financial performance of selected companies in Puntland. The correlational design allowed measurement of the strength and direction of relationships between strategic choices and financial performance indicators, ensuring systematic analysis of how alternative decisions influence firm outcomes.

The study was grounded in a positivist research philosophy, which emphasizes objective measurement, hypothesis testing, and statistical analysis of observable phenomena. Positivism was appropriate given the study's focus on quantifiable strategic variables—capital investment, project selection, and stock investments—and measurable financial performance indicators such as return on assets, revenue growth, and profitability (Bryman & Cramer, 2012; Russell, 2013). This philosophical orientation ensured objectivity, replicability, and logical inference in assessing the financial effects of mutually exclusive business strategies.

The target population comprised 265 departmental heads (finance, marketing, ICT, procurement, sales, and operations) drawn from 53 companies in Puntland across accommodation, banking, construction, manufacturing, general trading, and telecommunications sectors. These respondents were selected due to their direct involvement in strategic and financial decision-making. The sample size was determined using Slovin's formula with a 5% margin of error, yielding 160 respondents (representing 60.37% of the population). To ensure representativeness, stratified random sampling with proportionate allocation was employed, thereby enhancing the generalizability and reliability of findings (Bhattacharjee, 2012; Wilson, 2010).

Data were collected using structured questionnaires comprising closed-ended items measured on a five-point Likert scale. The instrument captured respondents' perceptions of mutually exclusive business strategies—capital investment decisions, project selection choices, and stock investment practices—as well as financial performance outcomes. The drop-off–pick-up (DOPU) method was adopted to distribute and collect questionnaires, ensuring a high response rate despite geographical dispersion. Pilot testing was conducted with 16 respondents (10% of the sample) from companies outside Puntland to assess clarity, validity, and reliability. Face and content validity were enhanced through expert review, while internal consistency reliability was confirmed with Cronbach's alpha coefficients exceeding 0.7 (Creswell, 2014; Russell, 2013).

Data analysis was conducted using SPSS version 22, applying both descriptive and inferential statistical techniques. Descriptive statistics summarized respondent characteristics and study variables using frequencies, percentages, means, and standard deviations. Inferential analysis involved Pearson correlation to establish the direction and strength of relationships, and univariate regression analysis to test hypotheses. The regression model was specified as:



$Y = \beta_0 + \beta_1 X_1 + \varepsilon$. Where: Y = Financial performance of companies, X_1 = Mutually exclusive business strategies (new capital invested, project selection, stock investments) β_0 = Constant term, β_1 = Regression coefficient, ε = Error term. This analytical framework ensured rigorous testing of the hypothesized relationships between mutually exclusive strategic choices and firm financial Performance.

RESULTS

Mutually Exclusive Business Strategies

Departmental heads were asked to indicate the extent of their agreement with statements relating to mutually exclusive business strategies within their firms. Responses were captured using a five-point Likert scale ranging from *strongly agree (1)* to *strongly disagree (5)*. The data were analyzed using mean scores, standard deviations, and coefficients of variation to assess the consistency and strength of responses. In this analysis, lower mean scores reflected stronger agreement with the statements, whereas higher mean scores indicated stronger disagreement.

Table 1: Mutually Exclusive Business Strategies

Statement	N	Mean	Standard Deviation
Companies in Puntland have never invested in mutual projects	142	4.22	0.835
Investments in mutual projects enhances performance of companies in Puntland	142	2.56	1.146
Companies in Puntland have experts of who assist them in making mutual investment decisions.	142	2.20	0.827
Poor investments strategies on mutual project negatives affects are performance of the firms in Puntland	142	1.83	1.065
Lack of enough funds affects investment in mutual Companies in investments.	142	2.21	1.030
Investment in mutual exclusives financial assets contributes to growth of companies in Puntland.	142	2.10	0.853
Aggregate Mean	142	2.52	0.959

Source: Research Data (2020)

Results on Mutually Exclusive Business Strategies indicate that indicate that departmental heads disagreed with the statement that companies in Puntland have never invested in mutual projects (M = 4.22, SD = 0.835). This aligns with Desigan et al. (2006), who observed that limited knowledge of mutual investment procedures can hinder participation in such projects. Respondents were neutral regarding whether investments in mutual projects enhance company performance (M = 2.56, SD = 1.146), a result consistent with Bollen (2017), who argued that mutual investments positively influence firm performance.

Participants **agreed** that insufficient funds constrain investment in mutual projects (M = 2.21, SD = 1.030). These findings support Rao (2011), who noted that mutual funds, once obscure, are increasingly recognized for their benefits, with private sector investors in advanced economies adopting mutually exclusive investment schemes more widely.



Financial Performance of Selected Companies in Somalia

The study assessed the financial performance of firms in Puntland using three key indicators: profit after tax, return on assets (ROA), and return on equity (ROE). Participants were asked to evaluate how their firms' performance compared with that of other firms in the region. Responses were captured on a five-point Likert scale ranging from Strongly Agree (1) to Strongly Disagree (5), enabling systematic measurement of perceptions regarding relative financial performance.

Table 2: Financial Performance of Selected Companies in Somalia

Statement	N	Mean	Standard Dev
Informed strategically Investment enhances performance of companies in Puntland	142	1.89	0.905
Fear to undertake more risk investments declines performance	142	1.86	0.591
Lack of investment in new projects affects performance	142	1.35	0.508
Use of differentiation of products and services offered by companies in Puntland has enhanced performance.	142	1.70	0.702
Involvement of all stakeholders in decision making has contributed to high performance	142	2.47	0.750
Lack of diversification has to decline in performance.	142	1.27	0.448
Aggregate Mean	142	1.757	0.651

The findings on financial performance revealed that respondents **agreed** that stakeholder involvement in decision-making contributes to improved financial performance, measured in terms of profit after tax, ROA, and ROE ($M = 2.47$, $SD = 0.750$). This result supports Naidoo and Pillay (2024), who emphasized that inclusive decision-making facilitates the implementation of business strategies and enables early identification of potential challenges.

Respondents also **agreed** that informed strategic investment enhances firm performance ($M = 1.89$, $SD = 0.905$). This finding is consistent with Mokoena and Dlamini (2022), who argued that investment decisions are fundamentally concerned with whether current capital commitments generate sufficient future revenues to cover costs, thereby influencing profitability.

Similarly, respondents agreed that reluctance to undertake risky investments negatively affects profit after tax, ROA, and ROE ($M = 1.86$, $SD = 0.591$). This aligns with Fratianni and Savona (2017), who noted that while risk-taking is a defining characteristic of entrepreneurship, excessive risk can lead to losses. Handley and Limao (2015) further observed that poor investment decisions may result in severe financial setbacks, while Brigham and Ehrhardt (2013) highlighted that riskier investments can yield either substantial gains or losses, whereas low-risk investments typically generate modest returns.

The results also indicated agreement that product and service differentiation enhances firm performance ($M = 1.70$, $SD = 0.702$). This finding supports Barney (2021), who identified diversification as a critical strategic decision, and Hitt, Ireland, and Hoskisson (2022), who argued that entry into new markets and product diversification, though requiring significant capital outflows, can have far-reaching effects on organizational performance.



Inferential Statistics - Mutually Exclusive Business Strategies

Univariate analysis was carried out to evaluate the effect of mutually exclusive business strategies and companies' financial performance in Puntland.

Table 3: Regression results on mutually exclusive business strategies and financial performance of companies

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate		
1	.381 ^a	.145	.142	.66533		
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1 Regression	.13.030	1	.4.34.	9.812	.004 ^b	
Residual	76.580	140	.443			
Total	89.610	141				
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1 (Constant)	2.407	.161		14.930	.000	
Mutually exclusive business strategies	.346	.100	.305	3.465	.004	

The model summary indicates an R value of 0.381, signifying a moderate positive correlation between mutually exclusive business strategies and financial performance. This suggests that firms implementing strategies such as new capital investments, project selection, or stock investments generally experience improved financial outcomes, although the relationship is not particularly strong. The R² value of 0.145 shows that approximately 14.5% of the variance in financial performance is explained by these strategies, while the adjusted R² of 0.142 confirms that the model accounts for a meaningful proportion of variation even after adjusting for sample size. The standard error of the estimate (0.66533) reflects moderate dispersion, indicating the average deviation of observed financial performance values from the regression line.

The ANOVA results further validate the model's robustness. The F-statistic of 9.812 with a p-value of 0.004 falls below the 0.05 significance threshold, confirming that the regression model is statistically significant. This demonstrates that mutually exclusive business strategies collectively exert a meaningful influence on financial performance, and that the model provides a better prediction of firm outcomes than would occur by chance alone.

DISCUSSIONS

The study found that mutually exclusive business strategies significantly influence the financial performance of firms in Puntland. Respondents confirmed that engaging experts in investment decisions improves outcomes, consistent with prior evidence that specialized knowledge enhances decision quality (Nandan & Thomas, 2013; Farida & Setiawan, 2022). Investments in mutually exclusive financial assets were also reported to contribute positively to firm growth, aligning with earlier findings that strategic financial choices strengthen profitability (Walia & Kiran, 2015; Baby, Mia, & Pitchay, 2024).



Conversely, poor investment strategies were shown to negatively affect firm performance, supporting arguments that unstructured and informal practices lead to financial losses (Saini et al., 2011). Lack of investment in new projects and limited diversification were further identified as constraints, reducing profitability, ROA, and ROE. These results reinforce the importance of diversification and project investment for sustaining competitiveness and achieving economies of scope (Francois et al., 2015; Teece, 2007; Farida & Setiawan, 2022).

Regression analysis confirmed the statistical significance of these strategies, with results showing that each unit increase in mutually exclusive business strategies improves financial performance by 0.346 units. This finding supports prior studies emphasizing that carefully targeted investment strategies positively influence organizational outcomes, though not all strategies contribute equally (Sajid et al., 2015). Overall, the discussion highlights that expert involvement, strategic capital allocation, diversification, and structured project selection are critical drivers of financial performance in fragile economies such as Puntland.

IMPLICATIONS TO RESEARCH AND PRACTICE

Based on the empirical findings, the following recommendations are proposed:

I. Strategic Capital Investments

Firms should continue to invest in new capital projects, ensuring that funds are directed toward initiatives with the highest potential for profitability. Rigorous evaluation of project viability and alignment with organizational objectives will enhance returns and strengthen overall financial performance.

II. Effective Project Selection

Companies should design and implement mutually exclusive projects that avoid overlap with existing operations or resources. This minimizes internal competition, optimizes resource utilization, and maximizes the efficiency and impact of each strategic initiative.

III. Structured Stock Investment Policies

Organizations should establish clear guidelines for stock investment decisions, focusing on opportunities that complement core operations and generate measurable financial benefits. Continuous monitoring of market trends and careful assessment of risk-return trade-offs will improve profitability and reduce financial exposure.

IV. Integrated Strategic Planning

While each mutually exclusive strategy individually contributes to financial performance, firms should coordinate capital investments, project selection, and stock investments within a comprehensive strategic plan. Such integration ensures synergistic benefits, reduces resource wastage, and promotes sustainable growth in Puntland's business environment.



CONCLUSION

The study concludes that mutually exclusive business strategies have a statistically significant and positive effect on the financial performance of firms in Puntland. Specifically, strategies involving new capital investments, project selection, and stock investments were found to enhance profitability, return on assets (ROA), and return on equity (ROE). The regression results confirmed that each unit increase in the implementation of mutually exclusive strategies leads to measurable improvement in financial performance. These findings underscore the importance of strategic resource allocation in fragile economic environments, where firms must balance risk, liquidity constraints, and institutional weaknesses.

FUTURE RESEARCH

While this study provides empirical evidence on the positive relationship between mutually exclusive business strategies and financial performance in Somali firms, several avenues remain open for future inquiry. First, the research was limited to firms in Puntland, and expanding the scope to include other regions of Somalia would enhance generalizability and capture potential regional variations in strategic decision-making and financial outcomes. Comparative studies across fragile economies could also provide deeper insights into how institutional environments mediate the effectiveness of mutually exclusive strategies.

Second, the study employed a cross-sectional design, which restricts the ability to observe long-term causal effects. Future research should adopt longitudinal approaches to examine how sustained implementation of capital investments, project selection, and stock investments influences profitability, return on assets, and return on equity over time. Such designs would also allow scholars to assess the resilience of firms under prolonged economic volatility.

Third, while Decision Theory provided a useful framework for analyzing strategic trade-offs, future studies could integrate complementary theories such as Resource-Based View (RBV) or Institutional Theory to explore how internal capabilities and external institutional pressures jointly shape financial performance. This theoretical triangulation would enrich understanding of the mechanisms through which mutually exclusive strategies operate in fragile contexts.

Fourth, future research should incorporate qualitative methods, such as interviews and case studies, to capture managerial perspectives, stakeholder dynamics, and contextual nuances that quantitative surveys may overlook. This mixed-methods approach would provide a more holistic understanding of strategic trade-offs and their implications for firm performance.

Finally, given the emerging role of digital finance and fintech solutions in fragile economies, future studies could investigate how technology-enabled investment platforms and alternative financing mechanisms interact with mutually exclusive strategies to influence firm outcomes. Exploring these intersections would provide timely insights for policymakers and practitioners seeking to strengthen Somalia's private sector resilience and competitiveness.



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