



PIMS® – Profit Impact of Market Strategy

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The Profit Impact of Market Strategy (PIMS®) programme is an empirical research initiative that analyses the relationship between business strategy and performance outcomes. Launched at General Electric in the 1960s, the programme maintains a database of 4,300 Strategic Business Units (“SBU”) across multiple industries and geographies, yielding 12,600 observations (3-year snapshots) and over 25,000 business-years of longitudinal data. The database comprises 500 variables per SBU covering market position, customer value, cost structure, and competitive dynamics. Currently operated by pims.ai after a management buy-out, the programme provides predictive analytics and benchmarking methodologies. Key strategic metrics include market share, product quality, investment intensity, and service quality, which the program correlates with financial performance outcomes.

History

The PIMS® project was originally initiated by senior managers at General Electric (GE) who sought to understand why some of their business units were more profitable than others. Under the direction of Sidney Schoeffler, an economics professor hired by GE for the purpose, the project was launched in the 1960s as an internal empirical study analyzing approximately 200 business units ranging from light bulbs to nuclear power stations. The aim was to make GE’s SBUs comparable and identify factors that would impact economic success regardless of product type. Return on investment (ROI), i.e. the profit per unit of tied capital, was used as the primary measure of success.

1960s: Project launch at GE. The results were startling: a model with two dozen metrics capturing competitive strength, market health and productivity explained 70% of the variation in profits – and the results were independent of product and geography. It explained why GE’s foray into computers had failed and set clear priorities for resource allocation across the portfolio.

1972: After huge interest across corporate America, the project was transferred to the Marketing Science Institute, then under Harvard Business School, transforming it into a multi-company programme.

1976: The American Strategic Planning Institute (SPI) in Cambridge, Massachusetts, took charge of the project, focusing on developing tools to support business decisions based on the empirical findings.

1982: A European branch was established. With hundreds of companies participating, the program demonstrated that its identified factors - termed “the laws of the marketplace” - operated consistently across time, geography, and industry.

1990s: PIMS Associates in London became the worldwide competence and design centre for PIMS®, backed by 3i plc private equity.

2005: PIMS Associates became part of Malik Management Zentrum St. Gallen, Switzerland.

2022: A management buyout established pims.ai as an independent London-based advisory and software company specializing in predictive analytics, incorporating licensed Malik Management methodologies and expanding into organizational transformation.

As of December 2025, the database continues to grow through anonymised client engagements, and is still drawn upon by academics and companies today.



Database and Data Collection

As of December 2025, the PIMS® database contains:

- **4,300** SBUs across industries and geographies, yielding 12,600 observations (3-year snapshots of each SBU)
- **500** variables per observation covering market position, customer value, cost structure, capital allocation, competitive dynamics, and financial outcomes
- **25,000+** business-years of longitudinal, panel data (average 5 years per SBU, minimum 3 years)

Data is collected at the strategic business unit level – the level where strategy is made and executed. Each SBU is analyzed as an independent competitive entity with its own market definition, rivals, customers, and strategic choices. This granularity enables the program to observe how the same SBU's performance changes as it adjusts market share, quality position, or R&D spending over time.

Variables are carefully selected and normalized across decades, enabling like-for-like comparisons. Complete variable definitions, calculation formulas, and collection protocols are maintained and stored for methodological transparency.

The database reflects the program's General Electric origins, with greater representation from pre-2000, North American, manufacturing-intensive businesses, though it has continuously expanded across sectors and geographies. Data comes from anonymized, confidential client engagements, capturing internal metrics from management accounts that are not publicly disclosed.

The original PIMS study surveyed more than 50 different core metrics. The most important include:

Characteristics of the business environment (market attractiveness):

- Market growth (short-term and long-term)
- Market size
- Distribution channels (direct, wholesale, retail, etc.)
- Customer characteristics (purchase amount, frequency, importance, etc.)
- Inflation (materials, energy, labor costs, prices)
- Position in product life cycle

Competitive strength:

- Relative market share (compared to the three largest competitors)
- Relative innovation rate and product line breadth
- Location cost advantage
- Relative marketing effort (salesforce, advertising, promotion)
- Relative market coverage
- Relative product quality
- Service characteristics

Supply chain fitness:

- Investment intensity (investment volume / turnover)
- Extent of vertical integration versus outsourcing
- labor productivity
- Capacity utilisation
- Investment mix (fixed versus working capital)
- Overhead efficiency
- Marketing intensity (marketing expenditure / sales)
- Research and development intensity (research and development expenses / sales)

Dynamics of change:

- Changes in competitive strengths
- Changes in supply chain fitness

Economic success factors (dependent variables):

- Return on investment (ROI) (profit / tied capital)
- Return on sales (ROS) (profit / sales)
- Real growth

Key Findings

The following factors (among others) demonstrate strong correlation with ROI and ROS:

- **Investment intensity** (negative correlation): Higher investment volume in relation to sales increases depreciation as a proportion of sales, reducing profit margins. Additionally, high fixed assets create pressure to utilize capacity, potentially leading to lower prices and reduced profit margins.



- **Relative market share** (positive correlation): Higher market share enables economies of scale, reducing unit costs through increased production volume, consistent with experience curve effects. Greater market share also increases bargaining power with suppliers.
- **Relative product quality** (positive correlation): Premium products command higher prices and generate greater customer willingness to purchase, increasing sales volume and market share (see above). High-quality products also incur lower complaint and warranty costs.

Overall, the factors surveyed explain approximately 70-75% of the differences in profitability between successful and unsuccessful business units in the PIMS database.

Analytical Methodologies

Companies participating in the program provide detailed information for each strategic business unit. based on this data, PIMS provides several analytical frameworks that translate raw data into strategic intelligence:

Profit Potential Analysis (Par): Taking inspiration from golf, where par indicates the expected number of swings to complete a hole, the Par model predicts an SBU's expected profitability given its strategic position. By evaluating 15 key factors, Par establishes a benchmark profitability („Par“ or „profit potential“) for any business. These factors explain up to 75% of variation in profitability between businesses. The model enables statements such as „Businesses like yours typically achieve 12% return on sales. You are currently at 8%, indicating a gap and potential upside of 4% of sales revenue.“

Strategic Peer Analysis: This methodology selects businesses in the PIMS database with closely matching strategic profiles (similar scale, market dynamics, comparable competitive position). It contrasts top performers versus laggards within this peer cohort to isolate the drivers of performance gaps, yielding evidence-based targets and pinpointing priority strategic and operational improvements.

The PIMS Cause-Effect Model: This analytical model maps the interdependencies among variables affecting business performance. Rather than identifying isolated factors, it reveals how the system of interdependent variables (market, customer, cost, capital) interacts to shape outcomes like profitability and growth. The model shows how shifts in one part of the system can ripple across the business and how

seemingly obvious moves can backfire when system dynamics aren't well understood.

The Operations Room (application framework): Offered by pims.ai, this is an integrated decision environment that combines a company's operational data with PIMS® insights. It quantifies three dimensions: (1) actuality (current performance), (2) capability (achievable performance with existing resources), and (3) potentiality (performance ceiling given strategic repositioning). This enables adaptive decision-making where strategy adjusts continuously to environmental shifts, and acts as the foundation for the entry of a new, digital board room member.

Academic Foundation

PIMS® methodologies have been published in peer-reviewed academic literature and leading business journals over six decades, including Harvard Business Review, Strategic Management Journal, and Journal of Marketing. Key publications include:

- Buzzell, R. and Gale, B. (1987). The PIMS® Principles: Linking Strategy to Performance. New York: Free Press.
- Farschtschian, P. (2010). Private Equity for the Challenges of the New Era. Campus Verlag, Frankfurt.
- Schoeffler, S., Buzzell, R. and Heany, D. (1974). „Impact of Strategic Planning on Profit Performance.“ Harvard Business Review, March-April 1974.

The programme continues to publish practitioner research exploring cause-effect relationships between strategic choices, market conditions, and financial outcomes.

Strategic Relevance

The PIMS® programme continues as an active research and advisory initiative through pims.ai, but has potential as an empirical foundation for further modern applications:

- **AI Research:** Clean, normalised variables form a uniquely rich environment for training world models that learn economic behaviour, competitive dynamics, and strategic decision-making from first principles. PIMS® is a real-world „economic world model“ dataset, and it cannot be artificially reproduced.



- **Strategic Decision-Making:** PIMS® is the empirical backbone that separates evidence-based strategy from plausible-sounding speculation. When AI models claim „businesses should invest more in R&D“ or „market share drives profitability,“ PIMS® validates whether claims hold and quantifies when, why, and by how much they apply.
- **Enterprise Intelligence:** PIMS® transforms strategic benchmarking from a consultant-dependent, months-long process into a repeatable, data-driven capability. It enables executives to answer: „What performance should I expect?“ „What do the best companies in my situation do differently?“ with auditable answers grounded in 60 years of research.
- **M&A and Investment:** PIMS® provides the only empirical basis for valuing strategic positioning beyond historical financials. PIMS® reveals profit potential – what a business should earn given its strategic profile. This identifies mispriced assets (underperformers with structural advantages) and exposes overvalued targets (current performance exceeds sustainable potential).

The programme maintains its analytical foundation in the PIMS® variables, which capture the key relationships between market conditions, competitive position, cost structures, and financial outcomes.

These variables have demonstrated consistent explanatory power, accounting for up to 75% of the observed variation in business performance across industries and geographies, and dictating the „laws of the marketplace“.

Today, PIMS® data and methodologies underpin a range of pims.ai solutions, including Strategic Benchmarking and Customer Value Analysis (CVA®), which are used by multinational firms across sectors. A related, industry-specific programme – PIMS® Global Lubricants & Greases Benchmarking – was established in the early 1990s and remains the largest operational benchmarking initiative in its field, with over 200 participating plants in each cycle.

The PIMS® programme continues to serve as a cornerstone of evidence-based management science, supporting organisations in making data-driven strategic decisions rather than relying on intuition.

PIMS® and pims.ai | malik

Following its integration into pims.ai | malik, the PIMS programme continues as a leading empirical research initiative on business strategy and performance. Now headquartered in London and St. Gallen, pims.ai applies the PIMS® evidence base – covering over 25,000 business-years of data from approximately 4,300 strategic business units (SBUs) – to deliver predictive analytics and AI-assisted management tools for strategic decision-making and organisational transformation.



I apologize if I haven't covered every possible alternative to using PIMS for these key tasks. Presumably there are business geniuses out there who will do it right anyway. But since there is a proven way for non-geniuses to improve the chances of success, that requires less than a man-month of effort to apply to a strategic business unit, it must surely be worth every company doing.

The process for using PIMS starts with business unit definition and data collection (typically a week for a company with <10 related business units and data held centrally). PIMS uses three main tools to identify performance potential and identify what needs to change.

Applying these tools to a portfolio of businesses takes 2 – 3 days unless the company really has no idea of customer perceptions for the CVA, in which case some external research is required.

The result is a prioritized list of what needs to be changed, where resources can be most productively invested (or released), and quantified performance expectations under a range of economic scenarios.

PAR ROI model	Par measures business potential and identifies strategic transformation or just operational improvement.
Report on look-alikes (ROLA)	The ROLA allows you to learn from strategic peers, businesses in a similar position as you are in now. What improvements are key to realising your full potential.
Customer Value Analysis	CVA leads to correct segmentation and enables you to create clear water ahead of competitors. How much do target customers value key attributes and are you hitting the right price points?

Table 1: Three main PIMS tools

The PIMS evidence and analysis form an ideal first step for a rapid integrated business improvement programme using the Syntegration®. This harnesses the collective intelligence of the whole organization, with the Malik framework for better business functioning, to create and implement action programmes for markedly improved – and sustainable – business results.

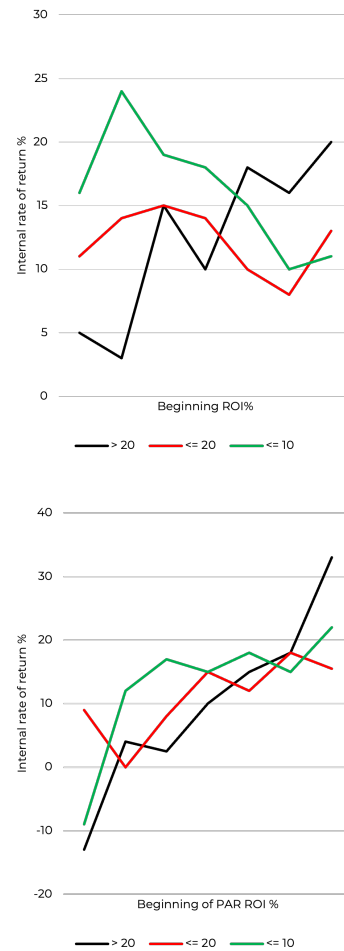


Figure 8: Par ROI, not actual ROI, tells you where to invest

IRR measures the shareholder's growth in wealth from buying the business in year 1, running it for 4 years and getting its free cash flow, and selling it in year 4. For all rates of investment growth, the slope for wealth creation vs beginning par is much steeper than the slope for wealth creation vs beginning actual. Source: PIMS database. The data points show the average values (ROI, ROS, etc.) for all businesses in the PIMS Strategy database within the defined bands.