STRATEGIC PLANNING AND PERFORMANCE OF PHARMACEUTICAL MANUFACTURING FIRMS IN KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

DECEMBER, 2018
DECLARATION

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D61/82223/2015

This research project has been submitted for examination with my approval as the research supervisor.

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ACKNOWLEDGEMENTS

I would like to first express my sincere appreciation to my Lord who had conferred me the life, health, endurance and wisdom to produce a management analysis of such a magnitude. The first time I dedicated my life to research, consultancy and teaching was after seeking sheer strength and guidance from God. I have come to write my dissertation within three years of rigorous literature review and research analysis at the MBA program that manifested its share of turmoil, all of which I efficiently triumph.

I would like to appreciate my academic advisors who have seen me through the journey of academics and significantly transformed me in respect to strategic management analysis. I have emerged to be a scholar, strategist and professional strategic manager through the guidance of Prof. Martin Ogutu, Prof. Zackary Awino and Prof. Justus Mulwa. The academic advices and teachings they have shared with me over the MBA program was highly invaluable in shaping the academic methodologies which I have used in producing this research. I would also express hearty appreciation as well to my BCOM and B.Sc. Students at the university of Nairobi who inspired my passion and supported my work and teaching in Management and Finance.

I have always been thrilled in contributing to the University, society and theory through teaching and research. I appreciate the author of Beyond Obstacles whom was my student, Faith Mutheu, and Byron Nyakio whom supported my teaching exercises efficiently, Gakuo Erick who is currently pursuing nursing at the United States and the first rank students in my subjects. May the Lord bless you all in life as hope you get motivated by my work and pursue your masters’ degrees. Special thanks to Dr. Odame Eugene, head of Research and Development at the Pharmacy and Poisons Board for his relentless efforts to ensure I obtain the relevant information in a timely scope for my research analysis.
DEDICATION

I dedicate this significant dissertation to my beloved family. I appreciate the support everyone contributed to see me succeed at various stages in my life. I appreciate the efforts of my father, Dr. William Ogono, who was remarkably supportive. My mother, Mrs. Rose Odeny for her significant support in the research work as well, my siblings Nicole Odeny, Michael Tobias and John Byron Ogono, Mercy Apamo and my niece Phoenix. I hope this work inspire all of you and make you proud at various levels in your lives. I dedicate this work to Evelyn Awinja Malova who made significant efforts, commitments and support to see me successful in my research.

I dedicate this research dissertation to all the MBA students who are motivated to contribute more empirical evidence on strategic planning, creative and rigorous analysis on strategic management field that would influence theory and practice more significantly. I dedicate this work to the Government of Kenya, Pharmacy and Poisons Board, Pharmaceutical suitors, Pharmaceutical manufacturers in Kenya and Kenya Association of Manufactures. I hope the strategic management analysis will influence substantial strategic management approaches to the manufacturing and Health agenda for significant impact in our vision 2030 and corporate managerial policies.
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<thead>
<tr>
<th>ABBREVIATIONS AND ACRONYMS</th>
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<tr>
<td>KAM</td>
<td>Kenya Association of Manufacturers</td>
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<td>MOH</td>
<td>Ministry of Health</td>
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<td>KMS</td>
<td>Kenya Medical Association</td>
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<td>EPZ</td>
<td>Export Processing Zone</td>
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<td>PPB</td>
<td>Pharmacy and Poisons Board</td>
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<td>PSK</td>
<td>Pharmaceutical Society of Kenya</td>
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<td>RBV</td>
<td>Resource Based View</td>
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<td>DCM</td>
<td>Dynamic Capabilities Model</td>
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<td>KEBS</td>
<td>Kenya Bureau of Standards</td>
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<td>WHO</td>
<td>World Health Organization</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<tr>
<td>ROA</td>
<td>Return on Asset</td>
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<tr>
<td>EBITDA</td>
<td>Earnings before Interest, Tax, Depreciation and Amortization</td>
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<tr>
<td>BSC</td>
<td>Balanced Score Card</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strength, Weakness, Opportunity and threat.</td>
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<tr>
<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
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<td>KIPPRA</td>
<td>Kenya Institute of Public Policy and Analysis</td>
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<tr>
<td>EAC</td>
<td>East Africa Community</td>
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<tr>
<td>KPIs</td>
<td>Key Performance Indicators.</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic product</td>
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ABSTRACT

Kenya has rolled out four key agendas to aid in the accomplishment of its blue print, vision 2030. Manufacturing and Health sectors top the priorities towards making significant contributions to the country’s GDP. Manufacturing is expected to contribute an annual 10% growth to the overall country’s productivity with effect from 2017. One of major significant and performing sectors are Food and Beverages, followed closely by Pharmaceuticals which supply over 50% of the COMESA region. Despite having successful and leading markets for the pharmaceuticals in Kenya within the EAC, the local manufacturers have always faced devastating consequences of environmental upheavals. The contemporary market situation in Kenya is still dynamic. These significant challenges are driven by stiff competition from MNCs, their subsidiaries and joint ventures. As a result, the local manufacturers have secured lower market shares despite contributing significantly to the healthcare improvement in Kenya. Political, Economic and legal sporadic environments have made it elusive for these firms to improve their bottom line in a sustainable manner. At the moment, the local market leader in 2018 is Cosmos Ltd with a market share of 13.9% in EAC but has its annual sales significantly dropped to three year low of 9.1 Million in 2017 despite registering escalating sales growth at 19% CAGR. This drastic drop was attributed to political and economic uncertainties at the time. Recently the manufacturers have been devastated with higher energy costs, high tax rates, 15% increase on Excise Duty for internet data, additional 16% VAT on mobile services and 18% VAT on petroleum products. The stock markets have historically fell to 9 year low despite efforts to restore the manufacturing sector to attract more foreign investors and support local production. These challenges have pushed the need for empirical information on strategic planning in order to suggest effective strategic approaches for local producers, the government and investors in coping with such turbulent marketplace and critically register sustainable growth. The objective of this study was to establish the effect of strategic planning on performance of pharmaceutical manufacturing firms in Kenya. A plethora of literature in U.S.A, Asia, Europe and Africa jurisdictions have suggested the adoption of formal strategic plans for overall corporate agility. The environmental settings in which firms operate have always significantly influenced the effects of strategic plans on organizational performance and hence the investigation of the significance of strategic planning within a developing nation whose external context is distinct based on certain critical environmental factors such as Politics, Economics, Technology and Culture. The factors have a huge play on success of any strategic plan. A descriptive cross-sectional survey design was adopted. The study was inclined towards a positivist approach which was predicated on atomism, quantification and operationalization by using statistics to verify hypothesis. A census survey was done with 90% response rate. An open ended questionnaire of five point Likert type measurement scale was distributed to strategic leaders of each firm. SPSS version and Ms. Excel was used to analyze data. The null hypothesis was rejected based on the result of the least square analysis, Chi- Square and Cochran Q tests. The study found out that manufactures that used formal strategic planning, incorporated the aspect of financial projections to aid in crafting and implementing objectives and strategies more accurately. Majority of the manufactures valued strategic planning and agreed that it significantly influenced their long term success in the EAC market.

Key Words: Strategic Planning, Organizational Performance, Pharmaceutical Industry, Kenya.
CHAPTER ONE: INTRODUCTION

1.1 Background of study

Firms that engage in formal strategic planning have realized superior firm performance than their counterparts that pursue informal plans (Johnson, Scholes & Whittington, 2008). Literature on strategic management posit that strategic planning is critical in achieving and sustaining a competitive advantage for firms that operate in fast changing markets. Teece (1997) posit that despite strategic plans not being the sole reason for realizing incredible firm performance, they have a significant positive influence on the organization’s long term performance (Strickland & Thompson, 2013).

The Resource based View holds that the firm’s superior performance is significantly realized through exploiting its internal resources which has to meet the conditions of being rare, valuable, costly to imitate or substitute, and the firm has to be organized to exploit these resources if it has to create and sustain a competitive advantage (Barney, 1991). Dynamic Capabilities Model postulate that firms require to consider both internal and external capabilities to respond to discontinuous changes effectively and efficiently (Teece, Pisano & Shuen, 1997). In Search of Excellence framework argues that corporate agility is an ultimate success for any firm (Peters & Waterman, 1982).

The theoretical models that underpin this study will provide systematic directions on how to redress the study objectives by testing them against empirical evidence. The models will assist the researcher to systematically interpret the research results in order to respond to the study objectives by verifying the hypothesis. Theoretical interventions are instrumental for research legitimacy by providing a valid explanation of selected study variables in order to respond to the research objectives. This theories will provide foundation for furthering scientific knowledge of strategic planning and their impact on performance by addressing the study objectives (Bryman & Bell, 2003).
The motivation of the study is to contribute the need for positivism approach in responding to the study objectives. The study seek to provide significant empirical contribution on the concept of strategic planning and performance to influence teaching and theoretical development in the field of strategic management. The second motivation of the study is to foster national commercial balance by supporting local pharmaceutical manufacturers in Kenya hence reduction in cost of healthcare. The researcher conceptualized how this approach can be instrumental to Kenya’s Vision 2030 that seek to see an annual 10% contribution to G.D.P by manufacturing sector.

The pharmaceutical industry in Kenya has been subjected to uncertain and discontinuous external challenges resulting to closure of some the firms in the past decades, despite the sector known for registering superior performance. The manufacturing firms are expected to sustain incredible performance due to refocus on Kenyan Manufacturers. The spasmodic external forces shaping the pharmaceutical companies’ decline in performance are majorly the economic, competitive and political forces hence the need for empirical information on strategic planning and corporate performance of pharmaceutical manufacturers in Kenya (KAM, 2017)

1.1.1 Strategic Planning

Strategic planning is the process of providing long term direction to the firm by identifying its Vision and goals, formulating and implementing business strategies, and assessment of the implementation process to achieve and sustain superior results. Various studies since 1970s have postulated on the significance of strategic planning on firm performance across various businesses and industries. Superior performance have been created and sustained by organizations that adapt to the environmental turbulence. Coping with these challenges need businesses to match the external and internal factors for success to be realized (Ansoff & McDonnell, 1990)
The strategic fitting of the major organizational environments requires a strategy which is developed through strategic planning process. Strategic planning is significant in assisting the organizations to adopt to discontinuous changes in the market in which they operate by providing a sense of direction over long term period. Strategic planning is vital to achieving a competitive edge for firms over long term and sustain it within changing contexts. Firms that adopted strategic planning have historically edge over the informal planners. Strategic plans seek to create and sustain competitive edge for firms while achieving corporate agility and hence thrive in dynamic external contexts (Armstrong, 2000).

Strategic planning is critical to firms because of its positive influence on the firm performance by enhancing the firms’ agility on the basis of coping with changing external environment. Strategic planning fosters the decision making of the firm managers to be in line with the overall firm purpose by establishing broad consensus within the firm since each and every organizational members are directed by the firms’ unifying grand strategies that are formulated as a result of strategic planning process. Strategic plans are vital decision tools under uncertain marketplaces (Andersen, 2000).

Strategic planning involves assessment of the firms’ external setting, evaluating its competitive activities, analyzing its resources and activities, identifying long term objectives and short term operational plans, choosing strategic choices and revising the plan (Berry, 1978). The practice of strategic planning is key in establishing the strategic standing of an organization and the capabilities and resources that will be vital in ensuring its competitiveness and adaption to the circumstances within its environment. Strategic plans direct the firm strategic leaders on achieving desirable future goals by formulation, implementation and evaluation of firm corporate strategies. Firms are inevitably exposed to dynamic contexts, strategy is vital (Pearce & Robinson, 2013).
1.1.2 Organizational Performance

The concept of performance is vital to all organizations without exception. Performance is defined by how both profit and non-commercial firms, measure the extent to which they’re realizing their purpose, fulfilling their respective stakeholder expectations and being in congruent with the general corporate direction. The key to organization performance is the ability to respond appropriately to changes in the marketplace without which undesirable performance will be achieved. Performance is the measure of the degree to which a firm realizes both desirable and poor financial and non-financial outcomes against their pre-determined objectives (Mazzarol, 2009)

Performance is the measure of how organizations actualizes broad plans to accomplish their goals. This is also expounded by Huselid (2015) who postulate that performance is the measure of the extent to which a firm utilizes its resources to realize its actual output compared to its intended objectives and standards. For the firms to avoid presiding over short term views of the organizations at the expense of their long term issues which comprises of broad objectives, firms should embrace both financial and financial measures that will define the broader extent to which either goals and objectives are realized or not accomplish (Robert & Kaplan, 2001)

Organization’s performance comprises of both qualitative and non-qualitative measures, and this include both strategic and financial indicators. Organizational performance will be measured using various indicators that will comprise of both financial and non-financial measures which comprises of PAT, sales revenue, return on assets (ROA) and earnings before Interest and Tax and Depreciation (EBITDA), while strategic indicators such as market share increase, size of the work force, increase in productivity (Westhead & Haworth, 2006)
1.1.3 Pharmaceutical industry in Kenya

The Kenyan manufacturing sector has significantly gain national focus, with the Government of Kenya placing it as one of the major priorities in its Blueprint for substantial GDP growth. The sector grew at a rate above 3.2% in 2014 and 3.5% in 2015, and hence contributing to 10.2% in Gross Domestic Product (KNBS, 2017). Pharmaceutical sector in Kenya comprises of manufacturers, Distributors and retailers who seek to confer substantial development to Kenya’s Health Sector. The pharmaceutical manufacturers are categorized into MNCs, subsidiaries, joint ventures and locally owned manufacturers (WHO, 2016)

The pharmaceutical sector in Kenya is the largest Common Market for Eastern and Southern Africa region (COMESA), supplying 60% thereof about of the region’s market. Out of approximately 50 recognized pharmaceutical manufacturers, 30 are based in Kenya (MOH, 2016). The sector employs over 80,000 individuals (Kenya Medical Directory, 2013). The pharmaceutical sector in Kenya is regulated by Pharmacy and Poison Board (PPB), in accordance with (Cap 244) of the laws of Kenya. The body was established under the MoH, with key mandate to regulate the importation, manufacturing, marketing, stocking, and distribution of pharmaceutical products in Kenya (PSK, 2017)

The major players in the Kenya’s pharmaceutical industry are Cosmos Ltd, GlaxoSmithKline, Laborate and Glen Mark. Cosmos Ltd is the market leader among the local manufacturers with a market share of 13.9%. The major products manufactured for both local and global markets are anti-biotics, antimalarial, antimoebics, analgesics and antiulcer. The drugs are used in various areas in medicine such as anti-infective, which has the largest market share of 40%. Kenya is second after South Africa to produce patented copies of antiretroviral drugs in Africa (KAM, 2004)
The Pharmaceutical Manufactures in Kenya have been operating under turbulent business environment, and as a result of the intense dynamics in the Kenyan markets, the profitability, cost of production, sales volume and the market share amongst other KPIs of most of the pharmaceutical manufacturers have significantly been compromised. The market is subjected to political upheavals that has tremendously enhanced the overall production and operation costs of the manufactures and hence decline in performance registered across the industry. The need of coping with such challenges becomes critical through seeking empirical knowledge on the influence of strategic planning on organizational performance (MOH, 2016)

1.1.4 Pharmaceutical Manufacturing Firms in Kenya

The Kenya market comprises of 30 licensed pharmaceutical manufacturing concerns that engage in the production of pharmaceutical products for both the local and regional markets. The companies are grouped as multi-national corporations, local manufacturing, joint ventures and subsidiaries. According to (EPZ, 2018) on industry report, Kenya dominates 50% of the market share for pharmaceutical products within the COMESA regions. The region has 50 licensed pharmaceutical manufactures out of which 30 are operated in the Kenya domain (KAM, 2015)

In 2006, there were 45 licensed manufactures with 28% market share controlled by local manufactures. Such a dramatic cease of the operations was driven by the political upheavals in Kenya that impacted various profitable and cost driven variables negatively (WHO, 2010). The local manufactures have been facing stiff competition from the global manufactures and that has contributed to a lower market share even to the local market leader. The Kenyan environment has been significant for both the international and local players due to rapid growth seen in other regional markets in Africa. Success will depend on the stability of the political environment (KAM, 2016)
The pharmaceutical manufacturing firms in Kenya produce and distribute more than 9000 registered products that target both the local and the international market places. The products are categorized as OTC, prescriptions only, pharmacist dispensable and pharmaceutical technologist dispensable. The major components of these various outlets are anti-malarial, anti-biotics and analgesics among others. These products are mainly used for therapeutic and anti-infective, with the later taking up to 40% of pharmaceutical products market share. Anti-infectives includes anti-biotics, anti-malarial, anti-tuberculosis, anti-virals and anti-fungal amongst others (PPB, 2018).

Based on Global health Observations, 76% of patients treated at public health facilities received anti-biotics (MOH, 2018). The major diseases resulting to outpatient morbidity in Kenya are respiratory system diseases, malaria, accident infections, cholera, heart, and STIs amongst others. Total expenditure on pharmaceuticals in 2006 was standing at over $372 million, with 65% of GDP accounted for expenditure on pharmaceuticals. The pharmacy and poisons board ensure the manufactures observe the professional ethics in their operations. The major industry leaders who have undertaken various strategic approaches are; Dawa Limited through diversification in lines of business.

It produces both human and veterinary products, Beta health care international used merger. The challenges the firms are exposed to in the Kenyan market due to unstable and unpredictable settings, have a negative influence on their profitability, competitiveness, sales volume and ability to adapt to the discontinuous setting hence the call for strategic planning in responding to such dynamics. Cosmos Ltd has significantly realized desirable performance since 2014 with sales volume of 8.1 Million substantially grew to 12.7% in 2016 before plummeting to three year low of 9.1%. This plunge in performance was attributed to sporadic political climate in Kenya. It still dominates the regional markets with 19% CAGR in sales (KAM, 2017)
1.2 Research Problem

Strategic planning is vital to all organizations without exception because every firm operate under a spasmodic external settings, and exceptional performance can only be achieved by coping with the external challenges. Strategic planning directs the organizations to respond to the uncertainties they encounter in the external environment and thus, enhance the potential of firm’s performance through reconfiguring their competencies to respond to the external challenges. Strategic planning vary from one firm to another depending on the complexity of the firms (Pearce & Robinson, 2012)

Pharmaceutical industry is one of the most lucrative sub sectors both in the global and local manufacturing contexts, with a remarkable global turnover of USD 430 billion by 2003. The Kenyan market has been registering superb growth in the sector since 1970s, however, with increase in globalization and sporadic marketplace, the sector has grown to be highly competitive and inferior performance being registered across the sector (KNBS, 2015). The political and economic challenges have placed a tall order on the players within the industry, affecting their capacity to create and sustain competitive edge as they seek to respond fast to the rapidly changing environment (KAM, 2018)

Caeldries and Dirdonk (1988) used a cross –sectional survey design to establish the effect of strategy on corporate performance of large enterprises in Belgium. The current study focused on the concept of strategic planning and not strategy as the explanatory variable. The latter study was conducted in the era that methodological and theoretical approaches to strategic management were not as robust as the year of the current study. The population of interest for the current study was all local pharmaceutical manufactures and not medium size enterprises as used in the latter study. The current study was done in Kenya, a developing context unlike the latter study that was done in a developed nation context.
Johnson & Scholes (1999) did a cross sectional survey study to investigate the impact of corporate strategy on performance of large enterprises in the United States of America. The current study seek to measure the concept of strategic planning unlike the latter study that measured concept of strategy. The population of interest of the current study was local pharmaceutical manufactures in Kenya relative to the latter study that focused on large enterprises in the United States. The current study context was in a developing jurisdiction unlike the latter study that was conducted in a developed setting.

Taiwo and Idunnu (2010) used a case study to examine the relationship between strategic planning and performance using a Nigerian bank as a unit of analysis. They found out that the relationship between strategic planning and performance was inconclusive even though strategic planning positively correlated with performance. The measures of study dependent and independent variables, population and context of the study are relatively horizontal with the current study. The study also adopted limited financial indicators to measure substantial quantitative performance of the bank. The population of the current study was all local manufactures unlike the latter study that focused on financial services industry.

Fowder (2011) used a descriptive cross-sectional design to establish the impact of service quality on performance of stocker brokers in Mauritius. The study measured service quality as an explanatory variable unlike the current study that used strategic planning as an explanatory variable. The measures of performance of the latter study were limited to quantitative indicators only unlike the current study. The unit of analysis of the current study was local pharmaceutical manufacturers unlike the latter study that analyzed stock brokers. The current study was done in a developing country context relative to the latter empirical study that was carried in a developed market context.
In Kenya, Ogollah (2007) adopted a cross-sectional survey design to determine the impact of strategic management practices on performance of pharmaceutical importers and distributors in Kenya. The current study used a census cross-sectional survey to establish the effect of strategic planning on organizational performance unlike the latter study that focused on strategic management practices whose independent variables were different from the current study independent variable. The population of the current study was all the local pharmaceutical manufacturing firms and not importers and distributors that comprised of foreign operated subsidiaries.

Awino (2013) carried out a descriptive cross-sectional study to establish the effect of strategic planning on competitive advantage by surveying 123 small and medium size ICT enterprises in Kenya. The current study aimed on organizational performance as one of the key study concepts to be measured and not competitive advantage which was an operational variable in current study. The current study focused on the manufacturing sector unlike the latter empirical study that investigated technological sector. The population of the current study was pharmaceutical manufactures and not technological enterprises and hence variation in form of firm operations and policies.

Munene (2016) used a descriptive cross-sectional design to determine the strategies adopted by pharmaceutical firms and their impact on competitive advantage. The study examine the concept of strategy on competitive advantage unlike the current study that used the concept of strategic planning on broad base organizational performance. The current study surveyed all the local pharmaceutical manufacturers in Kenya unlike the above empirical survey that examined a mix of local, foreign and retail pharmaceutical companies in Kenya. The legal and competitive environments of manufactures are different from the sole traders or non-manufacturers. The context of the current study is concise unlike the above study that cut across sub sectors of the industry.
Ogutu (2017) used a descriptive cross-sectional survey design to establish the moderating effects of selected firm variables on the relationship between strategic planning and performance among state corporations in Kenya. The current study seeks to examine a direct relationship between strategic planning and performance unlike the latter empirical study which focused on the moderating relationship. The population of interest was all the local pharmaceutical manufacturing firms in Kenya which is a distinct context from the state corporations. The current study will use a descriptive cross-sectional survey through census and not sample unlike the empirical study on state corporations in Kenya.

Among all the above and previous empirical studies seeking to establish the impact of strategic planning on performance, the findings have been either insignificant, inclusive, vary in research design, population and variables. No adequate study has been done that seek to establish the direct impact of strategic planning on performance of pharmaceutical manufacturing firms in Kenya. Majority of the empirical studies have been skewed towards MNCs, Importers and Distributors and not local pharmaceutical manufacturers. The above knowledge gaps have contributed the need to ask the empirical question that does strategic planning have an effect on performance of pharmaceutical manufacturing firms in Kenya?

1.3 Research Objective

To determine the impact of strategic planning on performance of the pharmaceutical manufacturing firms in Kenya.
1.4 Value of the Study

The study will provide useful insights in adjusting the managerial policies adopted for pharmaceutical manufacturing firms in responding to the turbulent environments the industry is currently faced with and potentially in the future. The study will be vital to the strategic leaders at the corporation on how to develop and maintain strategic plans in order to realize dramatic improvement in both financial and strategic performance. The results of the study will provide an empirical response on the significance of the strategic plans towards realizing desired strategic firm performance.

The study will provide greater value to the players in the pharmaceutical Industry in Kenya by providing empirical information on the significance of utilizing strategic plans within the sector and the extent to which the strategic plans have realized success among the players that utilize them in their operations, and how the competitors develop and actualize their strategic plans in coping with the environmental challenges. The players within the pharmaceutical sector will understand how various strategic planning processes will influence the performance of pharmaceutical manufactures in Kenya and how to capitalize on the processes to create and sustain competitive advantage for the long term.

The study will be imperative to the industry players on how to improve performance through being efficient and development of environmental analysis and forecasting to anticipate and respond effectively to discontinuous changes in the environment. The study will be fundamental to strategic management academicians by offering a pragmatic approach to understanding the relationship between strategic planning and performance within the pharmaceutical industry in Kenya, through collecting of empirical data and testing of the theoretical interventions against them.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to provide substantial theoretical and empirical framework that will enhance the development of a viable conceptual framework. The chapter pursue to guide the study in seeking more information about the relationship between the study concepts and variables. This information is embedded in the theoretical and empirical contexts of the study that will contribute in verifying hypothesis set out for the study to meet the research objectives.

2.2 Theoretical Foundation

Several empirical studies that seek to establish the effects of strategic planning on performance has been predicated on various theoretical frameworks to describe and explain from a scientific perspective, how organizational performance can be realized and elevated. The current study will be underpinned by three solid theories, the primary being dynamic capabilities and secondary models being resource based view and in search for excellence. The theories provide a systematic framework from which the researcher will test them against the empirical information to respond effectively to the research objective.

The dynamic capabilities theory will seek to explain how organizational performance can be achieved by holding that firms must build, integrate and reconfigure the internal and external competencies to redress the discontinuous external challenges. The resource base view compliments the approach of dynamic capabilities in realizing superior performance by stating that, internal factors of firm, tangible and intangible are vital for exceptional performance through achieving a competitive advantage. The in search for excellence will complement the views of both the above theories by further describing and proposing approaches to superior firm performance under turmoil sets.
2.2.1 Dynamic Capabilities Theory

This explanatory scheme propose that organization performance can be realized in a sustainable manner by aligning the internal context of a firm to the external environmental challenges. The proponents of the model was first postulated by (Teece, Pisano & Gary, 1998). Dynamic capabilities are the abilities that an organization has adopted to respond to discontinuous external environments so as to achieve and sustain a superior competitive edge. This model was developed to overcome the short comings of sole reliance on either the internal or the external aspects of a business for incredible firm performance Teece (2009)

Dynamic capabilities theory identifies three abilities that a firm and its managers must make obvious to respond to turbulent environments. The theory hypothesize that external abilities such as mergers and acquisitions, strategic alliances and external technologies have grown to strengthen the competitiveness of firms within an industry. The adoption of such strategies results to sustainable and significant organizational performance of all players within the industry. It is highly costly to survive in an intense competitive landscape and hence threats by foreign firms can be minimized by looking into both the internal and the external capabilities (Ansoff, 1990)

The theory posit that rapidly changing markets require that firms to develop strategic competencies such as Alliances and mergers, then integrate these significant strategic assets into the firm’s existing processes and systems, and finally, transform the current resources so as to cope with the dynamic challenges ( Amit & Schoemaker, 1993). Organizations that seek corporate agility will have a drastic improvement in their performance under uncertain seasons in the economy. Porter (1985) argued that competitive advantage is a critical function of firm superior resources and thus should be reconfigured in order to align the firm to the external environmental challenges.
Helfat (2007) described dynamic capabilities as distinct from the firm operational capabilities that are based on the firm operations. The dynamic capabilities are therefore significant and purposeful approaches for modifying the firm’s resource capacity in order to adapt to spasmodic external challenges. To respond to the external challenges in real time, firms must have efficient structures that are more responsive and hence real time response and reduced resistance to change. Superior sales volume and an attractive EBITDA can be sustained under turbulent contexts by encouraging strategic partnerships, organic structures and autonomy (Thomas, 1982).

Teece (2009) posit that superior stakeholder relationship is critical for firms to cope with sporadic environments while realizing significant sales volume and meeting their production targets. The model of dynamic capabilities propose that such agility require that organizations to not only to build strategic resources but integrate this assets into the firm so as to align the firm effectively to its surroundings. The integration of new strategic assets call for effective implementation of the strategic assets. Superior organizational success will require that the existing assets to be transformed hence for effective actualization of external strategic assets (Chandler, 1962).

The theory therefore becomes essential in explaining how organizations can achieve superior firm performance by proposing that firms must have strategic management approaches that will position them sustainably in the external environment. This model predicts that sustainable sales volume, profit after tax, EBITDA, increased work force size, market share and product targets can be achieved by ensuring that the external and internal environmental factors are put into consideration by managers, effective crafting and execution of strategies are undertaken by the strategic leaders, and most critical is that firms should consider agility for rapidly changing markets. This can therefore be realized through strategic planning process Andrews (1971).
2.2.2 Resource Based View

The resource based model of the firm is a framework that propose significant insights on how superior organizational success can be realized through utilization of firm’s internal variables to create and sustain an advantage over rival firms. The model was first developed by (Wernerfelt, 1984) who hypothesized that the essence of the theory propositions was to position businesses in their competitive contexts by precisely looking into the sources of success within the firm rather than in the external contexts. The resource based view has been attributed to its useful influence on leveraging superior firm performance (Barney, 1990).

The framework holds that organizations’ resources are both intangible and tangible, and these resources are vital in creating and sustaining competitive advantage if taken into account through efficiency and effectiveness. The tangible resources are characterized by physical attributes and they include the plants, machinery and capital that the firm owns and directs. The tangible resources compared to the intangible are perceived not to confer advantages in the long run. The intangible resources are therefore considered to sustain advantage for the firm because they can’t be acquired in the open market unlike tangible assets (Prahalad, 1991).

The resources have to be heterogeneous and immobile as well to realize superior and sustained competitive edge for firms. The theory holds that if organizations possess resources and capabilities that are distinct from one another, and the assets can’t be easily accessed by rival firms, organizational performance can be realized as a result of different mix of resources. Organizations’ resources have to be valuable, rare, costly to imitate or substitute for rival companies, and the firm has to be organized to exploit the value the assets confer to it to realize and sustain the advantages (Barney, 1995).
The resource based view propose that excellence in achieving competitive advantage commence by taking into account the resource capacity of the company. Managers must consider internal competencies because the sustained advantage are derived from how efficient and effective they are managed. Rothaermel (2012) posit that almost 50% of outstanding firm performance is explained by internal environmental factors while less than 25% of superior firm performance is explained by external factors of the organization. The theory therefore suggest that firms will increases their profits after tax and production targets through formulating and implementing effective strategies.

Wernerfelt (1974)

Organizational performance is efficiently and effectively accomplished through crafting and actualization of business strategies. The strategies will achieve and sustain a competitive edge for a business through configuration and capitalization of the firm’s resources. Competitive advantage is evident when the market share of firm is desirable, the production targets are sustainted and the business bottom line is achieved to position an organization in the external business environment. Kaplan (1992) posit that organizations must seek efforts to align their resources and systems with customer preferences and other stakeholder expectation because the significance of the strategy is defined by the fit and hence excellent performance.

Resource based view is vital in explaining how proponents of strategic planning are crucial for achieving a desirable firm performance. Internal resources go a long way in shaping a firm’s strategy to create and sustain a competitive advantage. The formulated strategy has to be effectively operationalized and institutionalized for superior firm performance. The success of any organization is found on the capacity to align the internal and the external contexts through strategy. Resources will play a crucial role in crafting and implementation strategy to direct firms over the long haul Porter (1985)
2.2.3 In Search of Excellence

This model was developed by Peters and Waterman (1982) to direct firms in minimizing resistance to change, achieving excellence in value propositions for their customers while adapting to rapidly changing markets. The model propose that more efficient corporations will be oriented towards implementation of various strategies by having the first priorities on their employees. Several models for customer satisfaction postulates that the customers are the core of any business strategy and their needs have to aligned with the business model for superior success to be realized (Peters, 2011)

In search of excellence proponents argues that organizational success will be realized for excellence oriented firms through employees satisfaction, consumer value delivery and effective implementation of the firm strategies. The key to sustained performance under fast paced business environments is to foster organization environmental situation that will see employees motivated to serve the corporation consumers. The road map to satisfying consumers and exceeding their expectations begins with the success of satisfying the organizational employees. The KPIs of the firm will be significantly influence thereafter through efficiently actualizing the business objectives via strategies (Ansoff, 1965)

The model describes that desirable market share and meeting production targets will mostly be contingent upon the capacity of the corporation managers to be oriented towards effective implementation. The model propose that successful implementation of business strategies are critical in achieving business objectives than just well decorated strategies that were formulated by the strategic leaders. Actualization of strategies will be successful when managers operationalize and institutionalize the formulated corporate strategies designed to meet firm objectives Porter (1985)
Organizations that are excellent in their operations and managerial influence are considered to place more value on the gratification of their customers and clients. Scholes and Whittington (2008) posit that key stakeholders of a firm have to be carefully incorporated in all strategies in order to align the firm to external challenges driven by fast and complex business environments. The capacity to create and achieve a superior advantage is heavily reliant on how value propositions are innovative, better executed, lean corporations, customer intimacy and innovative business environment. Organizations must bring long lasting experience to their customer by differentiating their offerings (Kaplan, 1992)

The model proposes that EBITDA and production targets will be attractive in a sustainable manner if the firm managers create organizational structures that support innovation and adaption to discontinuous environments. The ability to secure corporate agility is vital for efficiency and effectiveness in meeting various objectives and hence sustainable performance. The alignment of firm to its external contexts brings about success and can be facilitated by structures that are highly responsive and closeness to the consumers (Thompson, 2012). Decentralized structures, strategic alliances and customer intimacy defines the agility of a successful firm (Drucker, 1954)

In search of excellence model predicts that organizations will create and sustain efficiency and effectiveness by taking into account the alignment of a firm to its external surroundings in which it operates. Strategic planning plays a crucial role in aligning the firm to its external environment over longer time horizons to achieve a sustainable profitability and superior customer experiences. The model posit that organizations core competencies have to be developed and efficiently managed for excellence in position the firm in the marketplace. The success of excellent companies is drawn from the strategies their strategic leaders have in place for superior success (Peters, 1982)


2.3 Strategic Planning and Performance in Commercial Sectors

Andrews (1971) posit that strategic planning will realize superior firm performance if the executives will align the strategies to its internal variables. Porter et al. (1985) hypothesize that formal strategic planning dates back to the mid-20th century and commenced as an academic and professional field in the United States of America. Strategic planning is a systematic process that seek to establish where an organization plans to be in the future with regards to superior performance. Chandler (1962) asserted that in strategic planning is crucial in identify appropriate objectives that will be met by firm’s chosen strategies to guarantee superb organizational performance.

Suklev & Debarlieve (2012) conceptualized that strategic planning incorporates the perspective of identifying what is necessary for firms to meet their stakeholders’ expectations within the influential contexts of the fast changing markets hence the ability to cope with radical changes by leveraging on corporate agility that will seek superior firms’ performance. They postulated that strategic planning influences firm performance positively through competitive advantage. The most relevant stage after scanning the external contexts and assessing the internal firm situations, is to set the firm strategic objectives.

Caeldries & Van (1988) hypothesize that Strategic planning is a systematic process that involves three critical phases. The first phase is to establish the organization vision and mission statements and conducting a situational analysis to identify the necessary external and internal environmental components. Ansoff (1990) argues that the formal strategic planning process influences superior firm performance, and is a set of activities that needs commitment to be established among the stakeholders to ensure the core purpose of a firm is met with minimum conflicts and inefficiency. The ability to meet the business bottom line and cope with changes is vital for firms (Grants, 2003).
Robert & Kaplan (1992) postulated that managerial researchers have posit in various empirical studies that even though financial dimension are still vital in determining organizational performance outcomes, Firm performance should therefore incorporate financial measures of performance such as profitability margins, Return on Assets (ROA), Return on Equities (ROE), EBITDA and other financial indicators. The non-financial measures of performance should include the market share, employee size, customer satisfaction and efficient organizational processes. Formal strategic plans provides direct how organizational capabilities should be in tandem with various existing and prospect markets.

Bruce (1965) asserted that the long term survival of firms in rapidly changing markets require the ability to scan and evaluate the markets the firms operate in for sustain solutions. The capacity to understand the business environment by identifying opportunities and threats, and evaluating the internal strength and weaknesses of the firm to redress impediments faced by the firms will be highly influenced by strategic plans. Organizations have to understand that the business environments are subjected to radical changes that call for radical changes within the firm for effective positioning of the firm products and markets.

Teece (2009) asserted that organizations that respond in real time to challenges of the external contexts have mustered the ability to build, integrate and reconfigure both the internal and external capabilities of their organizations. Success over long term is dependent on strategic leadership and management. Successful organizations are consistent in their value propositions under turbulent external contexts due the agility routines they have established for their corporations. Superior performance is premised on the fit between internal and external environments which is brought about by formulation and effective execution and evaluation of firm strategies.
2.4 Empirical Studies and Knowledge Gaps

Several empirical studies have seek to establish the relationship between strategic planning and performance under various contexts. Strategic management researchers have carried out a plethora of scientific studies on the impact of strategic planning on corporate performance, and findings have come out to be inconclusive and significant under several circumstances. Some empirical studies have concluded that strategic planning is not the sole reason for improved corporate performance and is subjected to the short-comings of rigidity in the major phases of the formal planning (Grant, 2013).

Aldehayyat & Twaiissi (2011) adopted a cross-sectional survey to establish the effect of strategic management on performance of small businesses in Middle East countries. The study measured the concept of strategic management as an independent variable unlike the current study and found out that it significantly influenced performance. The population of interest of the current study was all the local pharmaceutical manufacturers relative to the latter study that studied small medium sized enterprises instead. The current context of the study was Kenya while the latter study was conducted in a different continent.

Suklev & Debarliev (2012) used a descriptive survey to examine the effect of strategic planning in the Republic of Macedonia. The study did not establish the effect of strategic planning on performance. The current study used strategic planning and performance as the study concepts to be measured. The study was conducted in contexts that vary with the current study context and hence potential insignificant results on the variables of study. The studies were not explicit as the current study with regards to the unit of analysis and hence higher risk of biased results resulting to insignificant results.
Taiwo and Idunnu (2010) used a case study to examine the relationship between strategic planning and performance using a Nigerian bank as a unit of analysis. The found that relationship between strategic planning and performance was inconclusive even though strategic planning positively correlated with performance. The measures of study dependent and independent variables, population and context of the study are relatively horizontal with the current study. The study also adopted limited financial indicators to measure substantial quantitative performance of the bank. The population of the current study was all local manufactures unlike the current study that focused on financial services industry.

Odundo (2012) used a descriptive cross-sectional survey design to determine the moderating effect of environmental context on the relationship between level of implementation of strategic plans and performance of state corporations in Kenya. The current strategy examined the all the processes of strategic planning unlike the latter empirical study that only considered the concept of implementation as the explanatory variable. The current study seek a direct relationship between the concepts of interests unlike the later study that looked at a moderating relationships.

Adhiambo (2013) conducted a descriptive cross-sectional survey study on competitive strategies adopted by pharmaceutical companies in Kenya. The current strategy focused on the concept of strategic planning and not competitive strategies, and its impact on organizational performance unlike the empirical study that didn’t examined impact on performance. The current study examined all the local pharmaceutical manufactures as the population of interest and not multi-national companies surveyed by the above empirical study. The study established that competitive strategies had a significant positive influence on the relationship between strategic plans and performance.
Maroa and Muturi (2015) used a cross-sectional survey design to determine the effect of strategic management practices on organizational performance of Floriculture firms in Kenya. The current study focused on the strategic planning concept as the independent variable unlike the empirical study that examined the concept of strategic management practices as its explanatory variable. The dependent variables of the concept of organizational performance among the study were different because of distinction in operations and productivity capacity and policies. The current study surveyed pharmaceutical firms unlike the other study which studied Floriculture firms.

Kariithi and Kihara (2017) adopted a descriptive cross-sectional study design to establish the effect of ICT on the performance of pharmaceutical companies in Kenya. The current study used a census cross-sectional survey design to establish the effect of strategic planning on performance and not Information Communication technology. The population of interest for the current study was all the local pharmaceutical manufactures and not the subsidiaries of multi-national corporations. The empirical study considered only qualitative measures of performance which were limited to market share and enhanced productivity unlike the current study that used both the financial and non-financial indicators of organizational performance.

The above empirical studies have pushed the need to explore the impact of strategic planning and performance of pharmaceutical manufacturing firms in Kenya. The results of the previous empirical information have been insignificant due to contradictory findings and the methodological approaches adopted for the studies. Several studies have cut across different sectors and sub-sectors besides local manufacturers. The concepts of the latter empirical studies have been distinct form the current study concepts. The independent variables and the theories adopted for the studies have been distinct form the current study and hence insignificant results on the studies.
2.5 Conceptual Framework

The following conceptual framework is premised on the knowledge gap derived from the empirical studies and propositions of the study theories. (Author, 2018)

![Conceptual Framework Diagram]

**Independent variable**

**Dependent variable**

**Figure 2.1: Conceptual Framework**

**Source Author: 2018**

**H₀**: There is no significant relationship between strategic planning and performance. The hypothesis depicts the relationship between strategic planning and performance. It is assumed that efficient and effective application of strategic planning will have a significant influence on firm performance of pharmaceutical manufacturers in Kenya. To test hypothesis, a regression model will be used.

Regression Model, \( Y_1 = \beta_0 + \beta_1 X_1 + \epsilon \)

Where \( Y_1 \) = the dependent variable, which is Firm performance

\( \beta_0 \) = regression intercept, the value \( Y \) when \( X \) is zero

\( \beta_1 \) = the change in dependent variable for unit change in the dependent variable

\( X_1 \) = strategic planning processes

\( \epsilon \) = error term
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes a systematic approach in meeting the research objective and question by explaining scientific directions for testing the underlying theories in the literature review against the empirical information collected. The chapter will comprise of sections defined as study design, population of interest, data collection and analysis.

3.2 Research Design

The researcher used a cross-sectional survey design that seeks to respond to the study objective. The design was adopted since the study was carried out at a particular time, 2018, and same measurements were be applied across all respondents. The design also provided systematic directions to meet the study objectives that required to generalize from the population of interest. This approach was used by several scholars in similar studies (Ogollah, 2007; Taiwo & Idunnu, 2010; Aldehayyat, 2011). The cross-sectional survey design was fundamental in describing strategic planning and performance relationships within the pharmaceutical industry.

This can be scientifically described as testing the formulated hypothesis by establishing the extent to which empirical results support the study theories to varying degrees, which is critical to addressing the study objectives (Sekaran, 2003). This approach was in tandem with the previous empirical studies (Ogollah, 2007; Odundo, 2012; Suklev; 2012) who used cross-sectional survey design to understand the performance of pharmaceutical companies. The study will therefore generalize to test the formulated hypothesis for the purpose of responding to the study objectives. The researcher studied all the elements of the population and hence settled for the methodology in providing substantial directions.
3.3 Population of the Study

The target population of the study was all the pharmaceutical manufacturing companies in Kenya. There were 30 pharmaceutical manufacturing firms in Kenya in the study period 2018 (PPB, 2017). Studying the entire population was instrumental in responding effectively to the study objectives because of the significantly small number of the study units which wasn’t too large to seek a sample design approach that is required when the population is large.

Studying all the population elements was unbiased and effective in meeting the study objectives and enhanced accuracy (Cooper & Schindler, 2003; Adhiambo, 2013; Moraa, 2015) The researcher seek to use this approach which is in line with previous empirical studies (Kariithi, 2017; Kothari, 2004; Ogutu; 2017), that used cross sectional studies in a survey to establish relationships between strategic planning and performance. The population of the study was therefore a significant aspect of a scientific study that defined and validated the methodology the researcher opted to use and systematically address research objectives (Bell, 2003)

3.5 Data Collection

The researcher used both primary and secondary data to address the study objectives. Mugenda (2008) postulated that primary data is obtain from respondents while secondary data is obtained from already existing published and unpublished reports such as PPB, KAM and KEMSA. Primary data was collected using an open ended questionnaire presented on a five point Likert type measurement for the purpose of collecting significant data as used by (Debarlieve, 2012; Awino, 2013; Adhiambo, 2013; Munene, 2017)
Primary data collected was both quantitative and qualitative information, to provide significant perspectives and enhance the interpretation of quantitative data that is significant in meeting the research objective as well. The researcher constructed a questionnaire with both open and closed ended questions as used by (Lumpkin, 2001; Awino, 2013; Munene, 2016). The questionnaire was developed through repetitive revisions of the literature with the guidance of the research supervisor. The researcher administered the questionnaires through drop and pick it later approach with an enclosed self-addressed return envelope for greater anonymity.

The researcher seek personal visits and phone calls to enhance the collection effort and ensure timely and reliable information that will be instrument to meeting the study objectives. This approach was adopted because it is cost effectiveness and secured greater accessibility. The respondents of the study were the Head of Finance, Business development managers, Human resources director, Planning and Strategy manager, Supply chain and production heads. The responds were strategic leaders that were considered to provide most essential information regarding the questions asked because they constituted and represented the top, middle and bottom levels of strategic management and hence they were the ideal strategy team.

3.6 Reliability and Validity of the Measurement Instrument

Kothari (2004) perceives reliability as the extent to which the research instrument will yield consistent results. The researcher computed alpha coefficient to assess the degree of internal consistency of the measurement scale using Cronbach’s Alpha Statistics.
Table 3.1: Results for the Reliability Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of items</th>
<th>C.Alpha Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
<td>12</td>
<td>.78</td>
</tr>
<tr>
<td>Performance</td>
<td>9</td>
<td>.82</td>
</tr>
</tbody>
</table>

The table above shows the results of the internal consistency of the questionnaire. Based on the computed statistics, the research instrument was considered reliable to collect the empirical information, yielding coefficients of .78 and .82 respectively. Bryman (2003) posit that coefficients between .8-1 are considered to be reliable while between .5-.8 are acceptable and below 0.5 are not adequate for research purposes. The measure validity was done through content validity test. Sekaran (2003) postulated that validity of the instrument is its ability to measure what it intends to measure and should be accomplished through expert judgment. The validity was improved through repetitive revisions with the research supervisor and review of similar studies.

3.7 Data Analysis

The researcher used descriptive statistics to analyze the collected data by use of statistical package for social science (SPSS) ver.20. Descriptive statistics was adopted for analyzing the research data because the study adopted a descriptive survey design. This approach to analysis created a significant and systematic approach in responding to the study objectives. The researcher used various descriptive statistics that included percentages, standard deviations, mean, mode and frequencies. The major relationship statistics adopted for the study were ANOVA, simple regression and correlations.
In statistical analysis, descriptive statistics was instrumental in summarizing the collected data by describing the distribution of the research variables. Descriptive statistics was first computed for all the study variables before further analysis was put in place because it serves as yet another quality check on the study variables. The visual presentation of the findings was done through use of tables, bar graphs, line graphs, bar and pie charts. The qualitative data will be analyzed by content analysis by developing thematic model from key concepts resulting from open-ended questions and this has been used by Ogollah (2007).

The study focused on establishing the relationship between the research variables of interest and not the causal effects and hence to effectively respond to the study objectives, the researcher sought to employ correlation and regression analyses (Regression Model, $Y = \beta_0 + \beta_1X + \varepsilon$) approach, and Pearson’s product correlation coefficient was computed to establish the relationship between the variables. The analyses were further complemented by t-statistics that assessed the significance of the individual variables, the F-statistics that evaluated the overall robustness and significance of the regression model adopted for the study. P-values of the coefficients were computed and compared with the conventional P-value of 5% level of significance at confidence level of 95%.

The data findings of the study were guided by descriptive statistics, relationship statistics, specifically, simple regression, correlation and ANOVA to aid in the response of the research objectives. Ms. Excel was put into play to give a distinct visual presentation of the analysis. Linear regression graph was used to aid the interpretation of descriptive statistics computed for the various study variables. The analytical model adopted for the study further revealed the results on P-values, T-statics, F-statistics, $R^2$, R values to describe the relationship between the variables of interests.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter displays the techniques used in analyzing the data collected from the targeted respondents. The researcher planned to administer questionnaires to all the pharmaceutical manufacturers. 27 of the targeted firms responded positively, which constituted 90% successful response rate, and only 3 firms constituted to 1% of failed response rate. The chapter will not only show a comprehensive data analysis but also how the researcher presented the analyzed data and interpreted the study findings.

4.2 Respondents’ Demographic Features

The section seek to show the analysis and interpretation of the respondents’ demographic traits within the pharmaceutical industry. The objective is to describe the significance of the traits in responding to the study objectives.

Figure 4.1: Managerial positions
4.2.1 Managerial Positions

The statistics in figure 4.1 seek to describe the type of managerial positions held by the respondents. The findings of the descriptive revealed that 33% (9) of the respondents from the pharmaceutical firms surveyed were Finance Managers. 30% (8) of the respondents were Business Development managers, 18% (5) of the managers were both strategy and planning, and production managers. The results imply that the respondents held positions at various levels of strategic management for understanding strategic issues such as strategic plans and broad organizational performance, and provided significant information to redress the study objectives (Kent, 2001; Odundo, 2012; Adhiambo, 2013;)

Figure 4.2: Years of Managerial Experience

4.2.2 Years of Managerial Experience

The figure 4.2 shows the results of descriptive statistics on the respondents’ years of managerial experience. The statistical findings shows that 85.2% of the managers had a managerial work experience of above five years with only 14.8% holding managerial positions for periods between 4-5 years. The findings imply that the information collected from the respondents were reliable in responding to the study objectives.
4.2.3 Academic Qualifications

The figure 4.3 shows the results of statistical analysis of respondents’ academic qualifications. The descriptive percentages revealed that 85.2% hence majority of the respondents had a post graduate degree (MBA) while 14.8% of the respondents had only undergraduate qualifications. The findings imply that majority of the managers were professional managers in respect to the MBA degree qualifications and were capable of understanding and responding to the managerial questions with ease.

The study respondents were limited to managers of the unit of analysis. The ability to understand and respond to the requirements of the study measurement scale heavily relies on familiarity with managerial concepts and responsibilities. Academic qualifications was a fundamental criteria in assessing the capability of the managers within the industry. This approach has been used in prior studies and support the results of (Ogollah, 2007; Awino, 2013; Munene, 2016; Ogutu, 2017; Awinja, 2018)
4.2.4 Years of Company Operations in Kenya

Figure 4.4 shows the descriptive statistics on the years of operation for pharmaceutical firms in Kenya. The analysis reveals that majority of manufacturers, 18, whom constituted (66.7%) had a significant years of operation ranging from 15-20 years, 25.9% of the firms, whom constituted 7 manufacturers, had over 20 years of operation in the industry while only less than 8%, that constituted 2 firms, had an industry experience of 11-15 years. The results imply that firms were mature to have been practicing strategic planning and understands its effects on their performance.

Strategic planning is a long term plan and the highest level of plan in an organization. The firms that practice formal strategic plans have made it obvious to understand the maturity and long term focus of their operations. To have several of such plans in place is an indicator that the firms have significant experience in the industry for periods of more than five years. Having such horizons in the business is an indicator of market and product maturity and hence stability in the sales volume and cash flows. The study results support the findings of (Ogollah, 2007; Suklev, 2012; Munene, 2016)
4.3 Strategic Planning

This section will show the descriptive statistics computed for the individual variables of strategic planning and the interpretation of the results for each variable. The researcher seek to describe the distribution of strategic planning variables.

4.3.1 Vision, Mission and Core Values

The table below will show the distribution for the variables of Vision, Mission and Core values.

Table 4.1: Vision, Mission and Core Values

<table>
<thead>
<tr>
<th>Vision, Mission &amp; Core Values</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company has a precise vision that direct our business strategies.</td>
<td>27</td>
<td>5.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Our vision and Mission statement are the first priority in our strategic plans</td>
<td>27</td>
<td>5.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>How long is your Vision Statement?</td>
<td>27</td>
<td>5.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Our Vision, Mission and Core values are displayed in the company website, all departments and key parts of the firm</td>
<td>27</td>
<td>5.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Our Mission Statement is always reviewed by top managers to adapt to market Dynamics</td>
<td>27</td>
<td>4.9630</td>
<td>.19245</td>
</tr>
<tr>
<td>The company’s vision and Mission is well Communicated to all employees by managers</td>
<td>27</td>
<td>4.8148</td>
<td>.78628</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>4.963</td>
<td>0.16312</td>
</tr>
</tbody>
</table>

Table 4.1 shows descriptive statistics for vision, Mission and Core values, describing the extent to which the respondents agreed to their various indicators. Using a five point Likert type measurement scale (where 5: is strongly agree; 4: agree; 3: Moderate; 2: Disagree; 1: Strongly agree) majority of the respondents, on average, agreed that above indicators were integral part of Vision, Mission and core values of pharmaceutical manufactures, with an average mean of 4.963 and standard deviation of less than 1. The findings imply that Vision, Mission and core values were integral part of strategic planning. The results support studies by (Teece, 1997; Ogollah, 2007; Munene, 2016; Ogutu, 2017).
4.4 Situational Analysis

The table 4.2 below display the descriptive statistics for SWOT analysis using mean and standard deviation. The interpretation of the statistics will be described by researcher as shown below.

### Table 4.2: Situational Analysis

<table>
<thead>
<tr>
<th>S.W.O.T Analysis</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>In our firm, top management team are responsible for developing environmental</td>
<td>27</td>
<td>5.000</td>
<td>.00000</td>
</tr>
<tr>
<td>scanning and forecasting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We often review our Business and operating Model as a guide to SWOT analysis</td>
<td>27</td>
<td>5.000</td>
<td>.00000</td>
</tr>
<tr>
<td>We develop financial models as part of our Internal environmental analysis.</td>
<td>27</td>
<td>5.000</td>
<td>.00000</td>
</tr>
<tr>
<td>The top management teams obtain Environmental analysis inputs based on SWOT</td>
<td>27</td>
<td>5.000</td>
<td>.00000</td>
</tr>
<tr>
<td>Financial Modeling</td>
<td>27</td>
<td>4.851</td>
<td>.76980</td>
</tr>
<tr>
<td>PESTEL</td>
<td>27</td>
<td>4.963</td>
<td>.19245</td>
</tr>
<tr>
<td>Value Chain Models</td>
<td>27</td>
<td>4.963</td>
<td>.19245</td>
</tr>
<tr>
<td>Average</td>
<td>27</td>
<td>4.968</td>
<td>0.16496</td>
</tr>
</tbody>
</table>

Table 4.2 above shows descriptive statistics for situational analysis that seek to describe the extent to which the respondents agreed to various measures of SWOT. Using a five point type measurement scale (where 5: is strongly agree; 4: agree; 3: Moderate; 2: Disagree; 1: Strongly agree) majority of the respondents, on average, agreed that above indicators were significant part of SWOT, with an average mean of 4.9683 and a standard deviation of less than 1 hence normal distributions around the central mean.
The findings imply that SWOT was integral part of strategic planning for the firms. The standard deviations, on average of 0.1, were evenly distributed around their means. The results support prior empirical studies (Grant, 1991; Barney, 1995; Kent, 2001; Ogollah, 2007; Munene, 2016; Awinja, 2018)

4.5 Formulation and Execution of Strategies

Table 4.3 will show descriptive statistics for formulation and implementation variables. The analysis was limited to mean and standard deviation for the variables. The researcher further showed the findings and the interpretation of the statistics.

Table 4.3: Formulation and Execution of Strategies

<table>
<thead>
<tr>
<th>Crafting and Execution of Strategies</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company develops its corporate strategies through strategic analysis from top management</td>
<td>27</td>
<td>5.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>All departmental heads are responsible For implementation of our Strategic plans</td>
<td>27</td>
<td>5.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Top management play a critical role in the Implementation of various firm strategies</td>
<td>27</td>
<td>5.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Strategic Alliances</td>
<td>27</td>
<td>5.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>The firm’s major strategies formulation involves all the managers, employee Representatives and key stakeholders</td>
<td>27</td>
<td>4.9259</td>
<td>0.2668</td>
</tr>
<tr>
<td>The grand strategies of the firm Are developed by using Strategy Models</td>
<td>27</td>
<td>4.8889</td>
<td>0.4236</td>
</tr>
<tr>
<td>Product and System Innovation</td>
<td>27</td>
<td>4.4444</td>
<td>0.8473</td>
</tr>
<tr>
<td>Mergers and Acquisitions</td>
<td>27</td>
<td>3.7037</td>
<td>0.9928</td>
</tr>
<tr>
<td>average</td>
<td>27</td>
<td>4.7454</td>
<td>0.3163</td>
</tr>
</tbody>
</table>
Table 4.3 above shows descriptive statistics for strategy formulation and Implementation variables. The results show the degree to which the respondents agreed to the categorical measures of strategy formulation and implementation. Using a five point Likert type measurement scale (where 5: is strongly agree; 4: agree; 3: Moderate; 2: Disagree; 1: Strongly agree) majority of the respondents, on average, agreed that above measures were integral part of strategy formulation and implementation, with an average mean of 4.7454 and standard deviation of less than 0.5. The standard deviation shows that they were normal distributions around the study means.

Majority of the pharmaceutical manufacturers did not adopt the use of mergers and acquisitions as an external source of competencies as shown by the lowest mean of 3.7037. The respondents however highly agreed that they used other external sources of strategic assets such as strategic Alliance which constituted one of the highest means (5.0000) in the descriptive statistics. This results imply that pharmaceutical manufactures in Kenya coped with external discontinuous setting more effectively with both internal and external building of strategic assets. The results support studies by (Pearce & Robinson, 1991; Teece, 1997; Ogollah, 2007; Munene, 2016; Adhiambo, 2013)

4.6 Strategy Evaluation and Control

The table below will show the descriptive statistics for strategy evaluation and control variables. The researcher used mean and standard deviation statistics to describe the distribution of various measures of strategy evaluation and control. Findings on the analysis were showed below.
Table 4.4: Strategy Evaluation and Control

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>We conduct regular review of the strategies</td>
<td>27</td>
<td>5.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>We develop standards and control limits to Aid in evaluation and control of objectives</td>
<td>27</td>
<td>5.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>We conduct strategic planning appraisals and updates in real time</td>
<td>27</td>
<td>5.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>We outsource the Evaluation and Control Functions</td>
<td>27</td>
<td>3.8148</td>
<td>1.86129</td>
</tr>
<tr>
<td>Average</td>
<td>27</td>
<td>4.7037</td>
<td>0.46532</td>
</tr>
</tbody>
</table>

Table 4.4 above shows descriptive statistics for strategy evaluation and control. The results show the degrees to which the respondents agreed to the categorical indicators of strategy evaluation and control. Using a five point type measurement scale (where 5: is strongly agree; 4: agree; 3: Moderate; 2: Disagree; 1: Strongly agree) majority of the respondents, on average, agreed that above measures were influential measures of strategy evaluation and control, with an average mean of 4.7037 and standard deviation of 0.46532. The standard deviation shows on average, the quality of distribution around mean. The results imply that the firms did not outsource evaluation and control functions to outside parties. The results support studies by (Fowder, 2011; Ogollah, 2007; Munene, 2016; Ogutu, 2017)
4.7 Organizational Performance

The table and the figure below will display descriptive statistics for organizational performance variables. The analysis and interpretation of the findings was done using mean and standard deviation as shown below and displayed using a table and combo chart. The findings will interpret the distribution of the research variables.

Table 4.5: Organizational Performance

<table>
<thead>
<tr>
<th>Organizational Performance</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume</td>
<td>27</td>
<td>4.9259</td>
<td>.26688</td>
</tr>
<tr>
<td>After Tax Profits</td>
<td>27</td>
<td>4.9259</td>
<td>.26688</td>
</tr>
<tr>
<td>EBITDA</td>
<td>27</td>
<td>4.8148</td>
<td>.39585</td>
</tr>
<tr>
<td>Market share</td>
<td>27</td>
<td>4.8889</td>
<td>.32026</td>
</tr>
<tr>
<td>Work force</td>
<td>27</td>
<td>4.7778</td>
<td>.42366</td>
</tr>
<tr>
<td>New Products</td>
<td>27</td>
<td>4.2222</td>
<td>.57735</td>
</tr>
<tr>
<td>Average</td>
<td>27</td>
<td>4.7592</td>
<td>0.37515</td>
</tr>
</tbody>
</table>
Table 4.5 and figure 4.5 above shows descriptive statistics for organizational performance variables. The results show the degree to which the respondents agreed to the categorical measures of organizational performance and how they have improved over the last seven years, and the trends on performance measures as displayed in the combo chart. Using a five point type measurement scale (where 5: is strongly agree; 4: agree; 3: Moderate; 2: Disagree; 1: Strongly agree) majority of the respondents, on average, agreed that above measures were influential measures of performance, with an average mean of 4.7592 and standard deviation of 0.37515. The standard deviation shows on average that they were normally distributed around their mean.

The chart displays the results of descriptive statistics and the trends in the individual variables of performance. The chart shows that new products as a variable of performance had the least sums of mean and sums of standard deviations while trends depicts higher sums of means and lower standard deviations for PAT and EBITDA measures using a five point type measurement scale (where 5: is strongly agree; 4: agree; 3: Moderate; 2: Disagree; 1: Strongly agree) majority of the respondents, on average, agreed that above measures were influential measures of performance, with an average mean of 4.7592 and standard deviation of 0.37515. The standard deviation shows on average that they were normally distributed around their mean.
The results show that the means for sales volumes, PAT, and EBITDA were significantly higher on average than the other measures of organizational performance over the last seven years. This is a critical measure of performance but argumentative considerations in terms of cash flow significance. The size of work force and market share growth was second, and lastly new product development. The results support studies by (Ogollah, 2007; Aldehayyat & Twaissi, 2011; Munene, 2016; Awinja, 2018).

### 4.8 Diagnostics Test

The purpose of the following diagnostic statistical tests is to verify the quality of the research data. The researcher opted for three diagnostic tests before carrying out the relationship statistics to redress the research object. The diagnostic test that were adopted include Homoscedasticity, Linearity, and Multi-collinearity test.

### 4.9 Homoscedasticity Test

The purpose of carrying out the homoscedasticity test for the research variables is to ensure that the explanatory variables have object and independent effects on the dependent variables regardless on the practice of strategic planning. The test revealed that there was no problem of Homoscedasticity among the research variables and the variables were evenly distributed on both ends of the linear line.
Figure 4.6: Homoscedasticity Test

![Scatterplot]

Dependent Variable: Kindly indicate the extent to which the company EBITDA have grown over the last five years.

Source: Research Data (2018)

4.10 Linearity Test

The purpose of linearity test is to verify the relationship between the research variables. The figure below shows that the variables were normally distributed and significantly predicted the study variables positively.
4.11 Multi-collinearity Test

The objective of the multi-collinearity test was to ensure that the high correlation between the independent variables is not achieved. The Tolerance of more than .2 and the VIF of less 3 is regarded statistically significant Bryman (2012)

Source: Research Data (2018)
Table 4.6: Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>The company’s vision and Mission.</td>
<td>.936</td>
</tr>
<tr>
<td>Our Mission Statement is</td>
<td>.641</td>
</tr>
<tr>
<td>Financial Modeling</td>
<td>.622</td>
</tr>
<tr>
<td>PESTEL</td>
<td>.753</td>
</tr>
<tr>
<td>Value Chain Models</td>
<td>.753</td>
</tr>
<tr>
<td>Strategy Models</td>
<td>.565</td>
</tr>
<tr>
<td>Product and System Innovation</td>
<td>.631</td>
</tr>
<tr>
<td>Mergers and Acquisitions</td>
<td>.378</td>
</tr>
<tr>
<td>We outsource the Evaluation and Control Functions</td>
<td>.348</td>
</tr>
</tbody>
</table>
4.12 Least Square Analysis and Results

The section covered the analysis for simple regression, correlation and ANOVA to examine the statistical relationship between the variables of interests to test hypothesis of the study. F-statistics and T-statistics were also included to aid in the interpretation of the relationship statistics.

Table 4.7: Regression Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.847</td>
<td>.717</td>
<td>.567</td>
<td>.27887</td>
</tr>
</tbody>
</table>

Source: Author (2018)

The table 4.7 shows the simple regression results on study variables. The model reveals that strategic planning explains 72% of the variance in performance. The remaining 16% is accounted for by other models of management practices. There is a strong positive correlation between strategic planning and performance at 84.7%. This results imply that strategic planning positively correlate with firm performance and influences moderately firm performance. This results supports (Greenley, 1986)
Table 4.8: Anova\(^{a}\) of Strategic Planning Verses Firm Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.345</td>
<td>9</td>
<td>.372</td>
<td>4.779</td>
<td>.003(^{b})</td>
</tr>
<tr>
<td>Residual</td>
<td>1.322</td>
<td>17</td>
<td>.078</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.667</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (2018)

Table 4.8 shows the statistical analysis, results and interpretation of the explanatory variable whose co-efficient value is positive of 0.46. The tables reveals that at 95% level of confidence, P-value of 5% level of significance and T-statistics at 7.590, a unit increase in strategic planning, holding all other components in model constant will result in an increase in organizational performance by 0.46 units. The model suggest that there is statistical positive relationship between strategic planning and performance. The null hypothesis was therefore rejected at 95% confidence interval.

Table 4.9: Coefficients Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.648</td>
<td>3.466</td>
<td>1.629</td>
<td>.054</td>
</tr>
<tr>
<td>The company’s vision Communication</td>
<td>4.003</td>
<td>2.072</td>
<td>.005</td>
<td>1.93</td>
</tr>
<tr>
<td>Mission Statement</td>
<td>.066</td>
<td>.355</td>
<td>.030</td>
<td>.187</td>
</tr>
<tr>
<td>Financial Modeling</td>
<td>234</td>
<td>.090</td>
<td>.425</td>
<td>2.600</td>
</tr>
<tr>
<td>PESTEL</td>
<td>774</td>
<td>.327</td>
<td>.351</td>
<td>2.362</td>
</tr>
<tr>
<td>Value Chain Models</td>
<td>226</td>
<td>.327</td>
<td>-.103</td>
<td>.692</td>
</tr>
</tbody>
</table>

Source: Author (2018)
Table 4.9 shows the statistical analysis, results and interpretation of the explanatory variable whose co-efficient value is positive of 0.46. The tables reveals that at 95% level of confidence, P-value of 5% level of significance and T-statistics at 2.60, a unit increase in strategic planning, holding all other components in model constant will result in an increase in organizational performance by 0.774 units. The model suggest that there is statistical positive relationship between strategic planning and performance. The null hypothesis was therefore rejected at 95% confidence interval.

\[ Y = 5.648 + 4.0\beta_1 + 0.06\beta_2 + 0.023\beta_3 + 0.77\beta_4 + 0.23\beta_5 \]

**4.13 Hypothesis Testing**

Inferential statistical conclusions was established using both chi-square square statistics and Cochran Q tests. The figures below display the findings on the hypothesis testing for the purposes of verifying the research hypothesis.

**Table 4.10: Cochran’s Q test for the explanatory variable and dependent variable**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Hypothesis</th>
<th>Cochran P-Value</th>
<th>Sig. Value</th>
<th>Result</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
<td>H0</td>
<td>.025</td>
<td>.05</td>
<td>.025&lt;.05</td>
<td>H0: Rejected</td>
</tr>
</tbody>
</table>

Table 4.10 above shows the results of Cochran’s Q test statistics for the purposes of establishing if strategic planning significantly influences organizational performance. The test is to verify the null hypothesis which state that strategic planning does not significantly influences performance pharmaceutical manufacturing firms in Kenya. At 95% confidence interval using Cochran Q test model and a significant level of .05, the analysis shows that there was a significant level of association between strategic planning and performance.
Cochran Q test yielded a P-value of .025< .05 and hence the null hypothesis was rejected. According to (Bryman, 2003) if the P-value for Cochran is less than the conventional probability value then the null hypothesis is not accepted. The researcher accepted the alternative hypothesis which state that strategic planning influences organizational performance of pharmaceutical manufacturing firms in Kenya. The results of the study was consistent with previous empirical studies and significantly supports the underlying theories for the study. The Cochran’s Q test is different from the Chi-Square test interpretation and hence the researcher opted for both the tests to establish the relationship between the variables of interest for the purposes of consistency in the hypothesis testing results. The test has been successfully adopted in similar studies in United States and Africa (Berg, 2004; Adeleke, 2008; Bryman, 2011)

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Hypothesis</th>
<th>Chi-Sq.</th>
<th>Sig.</th>
<th>Result</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
<td>H0</td>
<td>.325</td>
<td>.05</td>
<td>.725&gt;.05</td>
<td>H0:Rejected</td>
</tr>
</tbody>
</table>

\[ X^2 = \sum \frac{(O_{ij} - E_{ij})}{E_{ij}} \]

Table 4.11 shows the results of Chi-square statistics as evaluated by the model above through SPSS version, where O_{ij} is the observed frequency, E_{ij} is the expected frequency and X^2 is the computation result of the model. The chi-square model was computed to very hypothesis and show if it would yield consistent results with the Cochran Q test. At 95% confidence level, using the chi-square model at .05 level of significance, the results of the test revealed that there was a level of significance of association between strategic planning and performance. The null hypothesis yielded a Pearson correlation value of .725>.05 at 95% confidence level. The null hypothesis was therefore rejected and the alternative hypothesis accepted at .05 level of significance. This results support the findings of (Arasa, 2013; Munene, 2016; Awinja, 2017; Ogutu, 2017)
4.14 Discussion

The chapter will provide a comprehensive interpretation of the statistical analysis. Having a 90% response rate and 10% response failure, the researcher perceived that the collected data was adequate to execute statistical analysis. Majority of the managers involved in strategic planning of the companies were finance managers and business development managers. Few managers held the position of strategy and planning. This shows that majority of pharmaceutical firms did not have distinct strategy and planning function besides the traditional business functions. Pharmaceutical firms should embrace teams that are able to commit to strategy formulation, implementation and evaluation for significant agility and competiveness (Grant, 1991; Noble, 1999)

The descriptive statistics on the managers reveal that a significant number of the managers had substantial managerial experience (over 80%) of above five years in the pharmaceutical industry. The managers held MBA degree with only less than 20% had an undergraduate degree. This shows that the managers understood the dimensions of strategic management based on their skills of management. This demographic characteristics is crucial in strategy formulation and effective implementation by strategic leaders for superior firm performance. This result support the underlying theories that included (RBV, 1984; In search of Excellence, 1982; DCM, 1997)

The analysis shows that majority of the players in the industry had a significant industry experience to understand the dynamics of the market in Kenya. More than 65% of the firms had above 15 years operational existence and few had above 15 years. This shows that the firms are established to a moderate extent but have enough industrial experience to practice strategic planning processes which has a time horizon of five years minimum. Majority of the firms used strategic plans in the management of their companies and this could explain the higher sales which had significant means.
The findings show that majority of the companies included vision, mission and values statement in their strategic plans with average means of above 4. This shows that majority of the firms practiced strategic planning and hence the significant improvement of the PAT for the last seven years. The firms however didn’t communicate to all the stakeholders about these statements and hence the reason for ineffective implementation and adaption to change given the significantly lower developments of new products and means for the same. The companies embraced the use of SWOT analysis in the environmental scanning and complimented the analysis with environmental analysis. Few firms used financial modelling to aid in their financial analysis and hence poor and informal strategy implementation processes.

The results shows that majority of the companies implemented other corporate strategies to greater extent besides adopting external competencies such as Mergers and acquisitions. Only the market leader, Cosmos have included such strategic decisions in to their operations and hence significant CAGR of 19% in their sales volume since 2014. The companies should embrace such strategies like the market leader to sustain competitive advantage. These results support the studies by (Barney, 1990; Teece, 2009; Thomas, 2011; Munene, 2016; Ogutu, 2017). The results are therefore consistent with the underlying conceptual models that the study was predicated on.

The pharmaceutical manufacturers carried out the strategy evaluation more efficiently with majority of the respondents ascertaining that strategic leaders oversee the evaluation and control of the strategies. The findings shows that strategic planning was formally practiced within this firms and hence the efficiency of strategic evaluation and control was reflected in their higher sales volume numbers. The findings support the existing literature on strategic planning and performance (Kaplan & Norton, 2005; Ogollah, 2007; Pearce and Robinson, 2011; Munene, 2016; Ogutu, 2017)
The findings on the study shows that a significant number of the pharmaceutical manufactures carried out the evaluation and control functions within the organization and only few firms outsourced the function to the consultants. This findings suggest that majority of the firms understood strategic planning dimensions and how to develop strategic plans. This findings reveals that pharmaceutical manufacturing firms carried out strategic plans to realize enhanced performance. The findings on firm performance shows that performance have been escalating over the last seven years as indicated by both qualitative and quantitative measures of performance.

The findings on simple regression analysis shows that strategic planning variables accounted for 69% variance in firm performance and only 31% of the performance was explained by other managerial practices. This shows that strategic planning significantly influences firm performance. The correlation between the variables of interest was remarkably strong and positive at 87.5%. The model was statistically positive and significantly fit with an F-statistics of 6.710 at 5% level of significance. This findings suggest that the overall robustness and significance of the model is statistically reliable to explain the relationship between the explanatory and the dependent variable.

The co-efficient values of strategic planning on average was .32 with a T-statistics of 8.4 at 0.05% level of significance and confidence interval at 95%. This findings shows that a unit increase in strategic planning holding all other variables in model constant, would result to 0.32 increase in performance on average. This shows that strategic planning has a statistical positive and significance influence on the performance of pharmaceutical manufacturing firms in Kenya at 95% confidence level and P-value less than the conventional P-value of 0.05. The null hypothesis was therefore rejected and the theories were significantly supported by the study results.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter will account for the summary of the analysis, findings and discussion of the research. This will be followed by conclusions with regards to the implication of the study results and its limitations on the same and lastly, recommendations for further research. This will be the final study chapter for the empirical study.

5.2 Summary

The objective this empirical study was to determine the effect of strategic planning on performance of pharmaceutical manufacturing firms in Kenya. All the elements of the study were examined by employing a descriptive census survey design. The target population was 30 manufacturers, and 90% of the firms responded positively to the distributed questionnaires. 10% of the questionnaires were never collected owing to the complexity in disclosures of certain information to the external parties. The managers at various firms were the respondents to the study with each firm having four respondents to minimize the independent source biasness.

The results from each firm was averaged and SPSS ver. 21 was adopted for the analysis in addition to Ms. Excel. The study was predicated on one of the key epistemological tenets of positivism to systematically verify hypothesis formulated for the study. The analysis was done using descriptive statistics, simple regression, correlation co-efficiencies, ANOVA, and content analysis by developing thematic models from the major concepts as shown in the measurement scale. A five point type Likert measurement scale was constructed by the researcher and adopted for data collection.
The analyzed data was presented through various types of charts to aid in the interpretation and display of the results. Combo chart was used, bar graphs, pie charts, liner regression charts and frequency tables were adopted especially for descriptive statistics. Percentages and frequencies of the variables also constituted a significant part of the analysis. From the descriptive statistics, most of the respondents were found to have significant years of experience at various managerial levels with over 66% of the respondents having worked for more than 14 years. Majority of the respondents also had an MBA degree and were considered to be professional managers and hence provided reliable information besides understanding the questions with ease.

The study results based from the analysis were consistent with all the theories that the study was premised on, resource based view, dynamic capabilities and in search of excellence. The null hypothesis that was formulated stating that strategic planning has no significant influence on performance of pharmaceutical manufacturing firms in Kenya was rejected at p-value <0.05 and 95% confidence level. The study found out that strategic planning significantly influenced performance of pharmaceutical manufacturing firms in Kenya despite majority of the firms using both formal and informal approaches to formulate and implement the strategic plans. The results of the study supported previous empirical studies (Ogollah, 2007; Awino, 2013; Moraa & Muriithi, 2015; Ogutu, 2017)

The descriptive statistics on the variables of strategic planning showed that there was poor communication of the vision, mission and core values by the organization and hence lack of central controls to strategic plans. The companies only adopted more of qualitative internal and external analysis without embracing significant financial analytical tools like financial modelling to aid in the objectives and strategy formulations. Financial analysis and planning is significant for critical implementation.
5.3 Recommendation

The results of the analysis of strategic planning on performance of pharmaceutical manufacturing firms in Kenya have resulted to the following recommendations. Based on the strategic planning approaches as revealed by various mathematical models adopted for analysis, pharmaceutical firms need to emphasize more on environmental analysis tools and analyses to formulate more accurate and significant strategies. The researcher recommended that the firms to guide their strategic decisions based on the propositions of the underlying theories that proposes for both internal and external fit for sustainable performance and superior results and bottom line.

Strategic planning requires that every member of the organization to understand absolutely what it involves and what it takes for them to implement part of their share of strategic plans. Managers of pharmaceutical firms should therefore establish proximity with every member of the organization and communicate to them in ways that they best understand how to implement strategic plans. This will require effective communication of strategic plans by displaying them and making them obvious in places that employees can resonate with them (Noble, 1999; Awino, 2013; Ogutu, 2017)

The study recommends that the firms to adopt more financial analysis in projection of their financial performance hence influence in the implementation of the strategic plans. Mergers and strategic alliances will also go a long way in coping with dynamic challenges and making firms more responsive to external environments. This will strengthen their strategic plans to leverage accomplishment of the various objectives. The study also recommends that firms to establish strategy and planning functions that would aid in formulation and implementation of strategic plans for greater performance.
5.4 Implication of the Study

The study will have significant contributions to the policy makers, strategy managers and scholars in their various professions. To the policy makers, the study has displayed that strategic analysis on the approaches to strategic planning to be significant in achieving higher success rates. The policy makers will understand dimensions of strategic planning and develop policies that will leverage efficiency of implementation of strategic plans. Strategic plans are the highest level plans that have to be approached with patience, efficiency and agility by the firm managers for entire organizational performance.

This study is highly invaluable to strategy and planning managers who have to significantly contribute to strategy formulation and implementation for significant firm performance. Strategic managers have to direct the organizations to long term prosperity and that requires understanding how strategic plans can substantially contribute to performance in the markets of operations. The study shows that effective and formal strategic planning can results to positive statistical and significant relationship with organizational performance (Mintzberg, 1998; Teece, 2009; Ogutu, 2017)

Strategic plans, carried out more creatively by adoption of more environmental analytical tools, both quantitative and qualitative, to define the objectives to be met and how to be accomplished, firms will differentiate themselves from other players. The study also made significant implications for the strategic academicians in the field of strategic management. The strategic analysis contributed more empirical evidence on the concept of strategic planning and how it influences corporate performance. The researchers are able to draw insights from the analysis and improving teaching aspects.
5.5 Limitations of the Study

The study faced certain intricacies which are majorly bound to any scientific research. The respondents of the study were managers whose responsibilities were much demanding and hence challenges in successfully securing most interviews with them to probe for more qualitative data that would highly be invaluable in explaining insights from the statistics. The procedures in obtaining information from the respondents were time consuming and less forthcoming in certain companies. This contributed to challenges of obtaining more data for critical analysis in the research. The researcher however managed to obtain various company prospects to aid in analysis and probing.

The study was limited to statistical analytical tools because of the formality of the number of pages by the University that wouldn’t allow for more tools to be employed on the data. The statistics that were adopted however provided more significant aspects on the phenomenon. The researcher incurred more cost than the projected cost due to the sudden escalation of prices in the Kenyan economy. The VAT and excise duty on mobile services, internet data and petroleum products influenced the research budget beyond the set limit. The researcher had to develop contingency budgets to redress the situation which contributed to cost ineffectiveness of the study.

The study also faced the major strategic management research impediments. The researcher had to seek significant amount of literature review from all business functions subjects for purposes of synthesis and to develop appropriate operational definitions for the study. This had a significant toll on the study because of the use of several and different operational definitions to similar concepts. Strategic management is multi-dimensional and require significant amount of knowledge and literature review from other business functions to enhance critical analysis (Kent, 2001; Berg, 2004)
5.6 Conclusion
This was an empirical study that seek to redress the study objective through establishing the relationship between the variables of the interest. The major objective of the study was to establish the effect of strategic planning on performance of pharmaceutical manufacturing firms in Kenya. The study made significant theoretical, methodological and conceptual contributions to the existing literature on strategic planning and performance. The study was premised on three solid conceptual models; Resource based view, dynamic capabilities and in search of excellence to meet the epistemological tenets that the study was found on.

The study was skewed significantly towards positivism framework by adoption of descriptive cross-sectional survey to redress the knowledge gaps and meet the study objectives hence contribution to theories. The positivism perspective was premised on atomism, operationalization and quantification. The results of the study supported the positivism model ability to consider statistical inference for generalizing and redressing the study objectives by verifying the null hypothesis. The study adopted significant statistical and mathematical models to test the hypothesis of the study by specifying the level of association between strategic planning and performance.

The results of the study revealed that strategic planning had a significant influence on the performance of pharmaceutical manufacturing firms in Kenya. The correlation between strategic planning was positive but not significantly strong and hence strategic planning did not highly correlate with organizational performance of pharmaceutical manufacturing firms in Kenya. The study concluded that the relationship between strategic planning and performance on private commercial firms need to be studied more by collecting more empirical information to redress the phenomenon.
5.7 Suggestions for further research

The study findings provided significant insights that would stimulate vast thoughts for more empirical evidence on the phenomenon of strategic planning and performance. The study suggested detailed analysis should be made on private owned companies and various sectors in which strategic planning is being practiced. The process of strategic planning should be given more attention on how it can be re-invented. More empirical evidence needs to be gathered to redress the knowledge gap in the field. The empirical studies should put more efforts on both the commercial and non-commercial concerns.

Empirical detailed analysis should include complex statistics to reinforce the impact of strategic plans on performance. The study therefore recommends further research on the significance of financial modeling and scenario planning on strategic planning processes and the extent to which they impact organizational performance if adopted in formal strategic plans. The relationship between strategic planning and performance has proved to be insignificant under various contexts and hence existing theoretical foundations need to be strengthen to aid in the addressing the knowledge gaps in the subject (Wacker, 1998; Varadarajan, 2003; Ogutu, 2017)

The researcher recommends significant strategic analysis to be carried out by establishing how strategic planning influences individual variables of organizational performance before considering all the aspects of organizational performance even though this has approach has faced critiques by Kaplan and Norton (1992). They believe that organizational performance can be best measured by considering both the qualitative and quantitative aspects of the firm for the purpose of objective and holistic measurement of success. The separation of individual aspects of firm performance will make it easier to establish the dimensions which are not related with strategic planning.
REFERENCES


S&highlight=ajaxSearch_highlight+ajaxSearch_highlight1, 28-07-2010.


APPENDICES

Appendix I: Introduction letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE: 9/10/2018

TO WHOM IT MAY CONCERN

The bearer of this letter, EPHRAIM OMURU Odeny,
Registration No.: D61/82223/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

[Signature]

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS
Appendix II: Letter of Request from the Pharmacy and Poisons Board – Kenya.

EPHRAIM OWUOR ODENY,
P.O.BOX 433-40400,
SUNA, MIGORI.
16th OCTOBER 2018.

THE REGISTRAR,
PHARMACY AND POISONS BOARD,
P.O.BOX 27663-00506,
NAIROBI.

Dear Sir/ Madam,

RE: REQUEST FOR INFORMATION FOR RESEARCH PURPOSES.

I hereby request for the following information to aid me in my university MBA program research project.

My topic is Strategic Planning and Performance of pharmaceutical manufacturing firms in Kenya.

i. List of all the registered pharmaceutical manufacturing companies in Kenya; local and international.

ii. Pharmaceutical sector economic analysis data.

Kindly find attached my authority letter to collect data from my university.

Your cooperation and assistance is well appreciated.

Kind regards,

Ephraim Owuor Odeny 0719121625
Appendix III: Research Questionnaire for Managers

SECTION A: DEMOGRAPHIC AND COMPANY PROFILE

Kindly write and tick as appropriate.

Name of the company……………………………………………………………………..

1. What is your current job position in this firm?
   a) Finance manager [  ]
   b) Business Development manager [  ]
   c) Human Resources manager [  ]
   d) Production Manager [  ]
   e) Strategy and Planning Manager [  ]
   f) Other managerial Position ................................................. [ specify]

2. How long have your firm been in operation within the Kenyan Market?
   a) 0- 5 years [  ]
   b) 6-10 years [  ]
   c) 11-15 years [  ]
   d) 15- 20 years [  ]
   e) Above 20 years [  ]

3. How long have you worked at the above managerial positions?
   a) Below 1 year [  ]
   b) 2-3 years [  ]
   c) 4- 5 years [  ]
   d) Above 5 years [  ]

4. Kindly tick your highest academic achievement.
   a) Diploma [  ]
   b) Undergraduate Degree [  ]
   c) Post graduate Degree (MBA) [  ]
   d) Post graduate Degree (PHD) [  ]
   e) Post graduate Degree (Other) ....................................................

5. What are the company’s major Brands that position it in the Kenyan market..........................................................
SECTION B: STRATEGIC PLANNING

Kindly score each of the following questions by ticking using the following scale:

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
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<td>5</td>
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</tr>
</tbody>
</table>

a) **Vision, Mission & Core Values**

1. Our company has a precise Vision to direct our business strategies.  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

2. The company’s vision and Mission is well communicated to all employees by managers to  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

3. The firm has core values that are observed by managers and employees to guide operations  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

4. Our vision and Mission statement is the first priority in our strategic plans.  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

5. Our Mission Statement is always reviewed by top managers to adapt to market dynamics  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

6. Our Vision, Mission and Core values are displayed in the company website, all departments and key parts of the firm.  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

b) **S.W.O.T Analysis**

1. In our firm, top management team are responsible for environmental scanning and forecasting.  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

2. Environmental analysis and forecasting is outsourced to professional firms.  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

3. We often use findings from the environmental scanning to develop our overall strategic plans  
   1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]
4. We use SWOT analysis tool in carrying out our strategic plans, especially for understanding the business environment situation 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

5. We develop financial models as part of our internal environmental analysis. 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

6. We review our strategic plans regularly in line with the SWOT findings 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

c) The Crafting and Implementation of Strategies

1. The firm’s major strategies formulation involves all the managers, employee representatives and key stakeholders 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

2. The company develops its corporate strategies through strategic plans 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

3. All departmental heads are responsible for implementation of our strategic plans 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

4. The development of firm major objectives is reflected in our strategic plans 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

5. Managers communicated and share strategic plans with all the employees 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

8. The grand strategies of the firm are developed by using strategy models 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

9. What are some of your major corporate strategies that have been successful in the Kenyan market?

Strategic Alliances 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]
Mergers and Acquisitions 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]
Wholly Owned Foreign Subsidiaries 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]
Joint Ventures 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]
Liquidation of sum units  1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
Product and System Innovation  1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
Others .............................................................. (Specify)

10. What are the strategy models do you use to formulated various strategies in your strategic planning .................................................................

..............................................................

d) Strategy Evaluation and Control

1. We conduct regular review of the strategies 1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
2. We have standards and control limits for 1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
   Our firm objectives
3. We outsource the Evaluation and Control Functions 1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
4. The has team that execute the Evaluation and control functions 1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
5. We conduct Strategic planning appraisals
And updates in real time 1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]

SECTION C: PERFORMANCE MEASUREMENT

1. Which of this performance metrics has significantly been improved over the last five years.
   a) Sales volume  1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
   b) Profits after Tax  1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
   c) Market share  1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
   d) Work force size  1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
   e) New products  1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
   f) EBITDA  1. [ ]  2. [ ]  3. [ ]  4. [ ]  5. [ ]
   g) Other .....................................................(specify)
3. Kindly indicate the extent to which the firm has realized improved market performance in Kenya

20%-30% [ ] 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]
30%-45% [ ] 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]
60%-70% [ ] 1. [ ] 2. [ ] 3. [ ] 4. [ ] 5. [ ]

3. Kindly indicate the extent to which the number of customers have escalated over the last five years
1-10% [ ]
11-25% [ ]
26-35% [ ]
36-45% [ ]
Above 46% [ ]

4. Kindly indicate the extent to which the company EBITDA have grown over the last five years.
0.02-0.04% [ ]
0.05-0.07% [ ]
0.08-0.10% [ ]
0.11-0.13% [ ]

THANK YOU!
Appendix IV: Pharmaceutical Manufacturing Firms in Kenya

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<th>No.</th>
<th>Firm Name</th>
<th>Location</th>
</tr>
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<td>1.</td>
<td>GLAXOSMITHKLINE LTD</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>2.</td>
<td>LABORATE PHARMACEUTICALS</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>3.</td>
<td>BAYER EAST AFRICA LIMITED</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>4.</td>
<td>BETA HEALTHCARE (SHELYS PHARM.)</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>5.</td>
<td>COSMOS LIMITED</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>6.</td>
<td>DAWA PHARMACEUTICALS</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>7.</td>
<td>DIDY PHARMACEUTICALS</td>
<td>NAIROBI</td>
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<tr>
<td>8.</td>
<td>DIVERSEY LEVER LTD</td>
<td>NAIROBI</td>
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<tr>
<td>9.</td>
<td>ELI-LILLY SA</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>10.</td>
<td>ELYS CHEMICAL INDUSTRIES LTD</td>
<td>NAIROBI</td>
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<tr>
<td>11.</td>
<td>GLAXOSMITHKLINE LTD</td>
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<td>12.</td>
<td>HIGH CHEM EAST AFRICA LTD</td>
<td>NAIROBI</td>
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<td>13.</td>
<td>IVEEAQUAEPZ LTD</td>
<td>ATHI RIVER</td>
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<td>14.</td>
<td>MAC'S PHARMACEUTICALS</td>
<td>NAIROBI</td>
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<td>MANHAR BROTHERS LTD</td>
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<td>NORVATIS RHONE POULENIC LTD</td>
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<td>NOVELTY MANUFACTURERS LTD</td>
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<td>PFIZER CORPORATION AGENCY</td>
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<td>PHARMACEUTICAL MANUFACTURING CO(K) LTD</td>
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<td>PHARMASEN LTD</td>
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<td>25.</td>
<td>MERCK SHARP &amp; DOME</td>
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<td>30.</td>
<td>GLENMARK PHARMACEUTICALS LTD</td>
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Source: (MOH, 2016; Pharmacy and Poisons Board, 2017; KEBS, 2016; PSK, 2018)