

**STRATEGIC RESPONSES TO CHALLENGES OF GLOBALIZATION IN THE  
PHARMACEUTICAL INDUSTRY IN KENYA**

**BY**

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**UNIVERSITY OF NAIROBI  
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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE  
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## DECLARATION

### Student's declaration


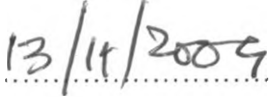
This management research project is my original work and has not been submitted for exam to any other university.

Signature .....  ..... Date.....  .....

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### Supervisor's declaration

This management project has been submitted for examination with my approvals as University supervisor.

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## **DEDICATION**

I dedicate this project to my mum. For your unconditional love, care and support.

Your energy, passion and drive motivate me.

I love you mum.

## ACKNOWLEDGEMENT

I acknowledge the following people who made this project a success.

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## ABSTRACT

The study aimed at establishing the challenges posed by globalization to the pharmaceutical industry in Kenya and identifying the strategic responses to globalization adopted by the pharmaceutical companies in Kenya

The population of interest in this study comprised companies in the pharmaceutical industry in Kenya. The industry consisted of three segments namely the manufacturers, distributors and retailers. Stratified sampling technique was used to select the sample. Primary data was collected using a questionnaire with both close ended and open ended questions administered to the managers. The method of analyzing the data was content analysis. It involved observation and detailed description of objects, items or things that comprised the object of study.

The study concludes that most of the pharmaceutical companies were faced by challenges posed by globalization and these included innovation and increased competition as the main challenges. In addition, partnership to improve productivity and fear of loss of jobs were also cited as challenges brought by globalization to the pharmaceutical industry.

In addition, the study concludes that globalization had affected most company's business operations in various areas such as compliance of regulations, volume of business and service quality. The study also concludes that the pharmaceutical companies had developed various strategic responses to globalization and these included restructuring of the companies that was aimed at strengthening international competitiveness and draw policy implications, mergers with other leading companies to increase productivity

The study recommends that in order for pharmaceutical companies to overcome challenges posed by globalization, they need new competencies and capabilities, and they have to excel at them. In addition, the study recommends that for pharmaceutical companies to avoid financial breakdown in this times of globalization, they need to increase the volume of business and improve on service quality in order to increase sales.

The study also recommends that pharmaceutical companies need to invest in infrastructure and technology such as e commerce.



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## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the study

Strategy, according to Hill and Jones (2001) is an action that a company takes to attain one or more of its goals. More precisely, it is the action that an organization takes to attain superior performance. Strategy is the pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organization's mission (Thompson and Strickland, 1993).

#### 1.1.1 Strategy

One of the concepts that has developed and that is useful to management is strategy. In this regard, perhaps a good grip of strategic management could be best achieved with a definition of the concept of strategy. Drucker (1954) viewed strategy as defining the business of a company. Chandler (1962) in support of Drucker, defined strategy as the determination of the basic long-term goals of the enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals. Andrews (1971) in a more elaborative version, recognized strategy as the pattern of major objectives, purposes or goals, stated in such away as to define what business the company is in or is to be in, and the kind of company it is to be.

Mintzberg (1987) gives perhaps the most inclusive view. He argued that we could not afford to rely on a single definition of strategy despite our tendency to want to do so. He proposed five definitions of strategy. To him, strategy can be seen as a plan, a ploy, a pattern, a position and a perspective. As a plan, strategy specifies a consciously intended course of action of an organization. The strategy is designed well in advance of action and it is developed purposefully. As a ploy, strategy is seen as a manoeuvre intended to outwit a competitor. As a pattern, strategy is seen as emerging in a stream of actions. Here, strategy is seen as a consistency in behaviour. As a position, strategy is a means of locating the organization in its environment. Lastly, as a perspective, strategy consists of a position and of an ingrained way of perceiving the world. It gives a company an identity or a personality. Pursuance of a strategy is what precipitates strategic management.

Strategy represents therefore, the managerial game plan for running an organization. It is nearly always, a blend of prior moves, approaches already in place, and new actions being mapped out. Thompson and Strickland (1993) add that crafting strategy is an exercise in entrepreneurship. This is because some degree of venturesomeness and risk taking is inherent in choosing among alternative business directions. Managers face an ever present entrepreneurial challenge in keeping the organization's strategy fresh, responding to new and changing conditions, and steering the organization into the right business activities at the right time (Mintzberg, 1987).

### **1.1.2 Strategic Responses**

Survival and success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy (Grant, 2000). Strategic response requires organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises. If its internal capabilities are not matched to its strategy, then a capability gap arises. Porter (1985) affirms that it is important that organizations be able to shift strategy with changes in the environment and match their capabilities to the selected strategy in order to survive, succeed and remain relevant. Firms therefore employ strategies in a dynamic environment in order to adapt to new realities such as increased competition, unstable markets and unpredictable and turbulent environment. Firms in dynamic industries respond to environmental changes and competitive forces in different ways. Some improve current products, diversify and divest, while others employ techniques that ensure operational effectiveness (Migunde, 2000).

Strategic responses adopted by companies reflect the firm's internal strengths and the opportunities faced in the external environment. Strategy will also consider how best to deal with internal weakness and avoid external threats. Internal new venturing is a strategy employed when a company has a set of valuable competencies in its existing business than can be leveraged to enter a new business area (Hill and Jones, 2001). Science based companies use their technology to create market opportunities in related area mainly through internal new venturing. A firm can also use this strategy to enter and compete in a new business area or an emerging market where there are no established players. Joint ventures as a strategy is adopted where a firm sees an opportunity in a growth industry but is unable to

undertake the risks and costs associated with the project. Restructuring is a strategy for reducing the scope of a firm by exiting some business areas. In many cases, companies restructure to divest from diversified activities in order to concentrate on their core business (Hatfield 1996).

### 1.1.3 Globalization

Globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services (Thompson and Strickland, 1993). Globalization is multi-faceted with economic, political-legal, social-cultural and environmental dimensions. Globalization also refers to the strategy of approaching worldwide markets with standardized products (Johnson and Scholes, 2002). Globalization of the world economy is the integration of economies throughout the world through trade, financial flows, the exchange of technology and information and the movement of people. It refers to the strategy of approaching worldwide markets with standardized products. Globalization, the growing integration of economies and societies around the world, has been one of the most hotly debated topics in international economics over the past few years. Advances in communication and transportation technology, combined with free-market ideology, have given goods, services, and capital unprecedented mobility. Northern countries want to open world markets to their goods and take advantage of abundant, cheap labor in the South.

Globalization refers to the strategy of approaching worldwide markets with standardized products (Levit, 1982). Such markets, according to Pearce and Robinson (1999) are commonly created by end customers who prefer lower priced standardized products, over the higher priced, customized products, and by global corporations that use their worldwide operations to compete in local markets. Global corporations headquartered in one country with subsidiaries in other countries experience difficulties that are understandably associated with operating in other countries experience difficulties that are understandably associated with operating in several distinctively different competitive arenas. Awareness of the strategic opportunities faced by global companies and of the threats posed to them is important to planners in every industry (Porter and Rudden, 1982). Understanding global markets is rapidly becoming a required competence of strategic managers.

#### 1.1.4 Globalization and Strategic Responses

Globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services (Ball and McCulloch, 1993). Globalization of the world economy is the integration of economies throughout the world through trade, financial flows, the exchange of technology and information and the movement of people. Companies aspiring to meet the challenges of today's rapidly changing markets and increasing global competition require management decisions to be founded on well conceived strategies and plans that are vital if the firm is to achieve its objectives while optimizing the use of its limited resources. Intense global competition has forced many firms to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Many companies have had to critically assess their key competencies and develop strategies to compete effectively in a global economy (Alan and Rugman 1985). At the forefront of these efforts have been attempts to improve flexibility and quality, stimulate innovation, and reduce lead times, while simultaneously keeping costs down.

Underlying responses to global competition has been the recognition of the role of product and process improvement in business strategy. Throughout the 1990s, firms examined and, in many cases, changed their quality focus. Instead of relying on inspecting quality into products, they emphasized improving product and process design, implementing process control, and continually improving processes (Burns, 1961). Total quality management became a major element in corporate strategy (Calingo, 1989). Indeed significant numbers of large firms adopted quality programs during the 1990s (Cvar, 1984) though with mixed results. Quality improvement is but one-way for an organization to improve its competitiveness. Even in the absence of competition, improvements in quality can facilitate an organization's competitiveness, though as witnessed over the last decade, competition has for many organizations been the driver of quality improvement efforts. Commercial openings and economic activities resulting from globalization have introduced new competitive strategies among organizations.

### 1.1.5 Pharmaceutical Industry in Kenya

The pharmaceutical industry in Kenya has undergone numerous changes since being liberalized in the early 1990s. There has been an influx of many pharmaceutical companies into the market, either as direct investments or through franchise holders (Ronoh, 2002). The product range within the industry can be broadly categorized into prescription medication and non prescription medication. In 2007, there were 9,640 medical doctors with less than 20% of these being in the public sector (Kenya Medical Directory, 2008). This translates to approximately 15 doctors per 100,000 people. Similarly, there were 3,050 pharmacists, which roughly translate to 6 pharmacists per a population of 100,000.

The target market for the pharmaceutical industry comprises the doctors who eventually prescribe the medicine to the ultimate consumer or the patient. The other growing target market is the pharmacist who is increasingly playing a significant role in influencing or convincing doctors to change medication in the prescription (Ongubo, 2003). Patients also play a significant role in influencing the doctor's prescription by preferring certain brands on the basis of perceived effectiveness or origin. Though direct marketing of prescription drugs is illegal, patients are increasingly asserting their preference on the medication that doctors and pharmacists recommend particularly in the private health care setup where the patients pay directly for medication and service.

The industry consists of three segments namely the manufacturers, distributors and retailers. All these play a major role in supporting the country's health sector, which is estimated to have about 4,557 health facilities countrywide. Kenya is currently the largest producer of pharmaceutical products in the Common Market for Eastern and Southern Africa (COMESA) region, supplying about 50% of the regions' market (Cairns, 2009). Out of the region's estimated 50 recognized pharmaceutical manufacturers; approximately 30 are based in Kenya. It is estimated that about 9,000 pharmaceutical products have been registered for sale in Kenya. These are categorized according to particular levels of outlet as free sales over the counter, pharmacy technologist dispensable, or pharmacist dispensable and prescription only.

Expanding therapeutic areas are creating significant opportunities for growth within the Kenyan pharmaceutical industry. New analysis from Cairns (2009), finds that the market

earned \$208.6 million in 2007 and estimates this to reach \$557.8 million in 2014. The analysis covered generic pharmaceuticals, branded pharmaceuticals, anti-diabetic pharmaceuticals, oncology pharmaceuticals, cardiovascular pharmaceuticals and anti-infective pharmaceuticals. Although infectious diseases are still responsible for the largest burden of disease in Kenya, non-communicable diseases are becoming a major problem, with the incidence of type II diabetes, cardiovascular disease and cancer increasing rapidly.

## **1.2 Statement of the Problem**

The 1990's witnessed significant shifts in the environment. These shifts included globalization of the world's economy, deregulation and liberalization of markets, and privatization of industries. Sheikh (2000) notes that the business environment in Kenya changed drastically in the 1990's and these changes have raised serious issues about the way business processes are run. Hofer and Schendel (1978) observed that for firms to be effective and successful, they should respond appropriately to changes that occur in their respective environments.

The pharmaceutical industry in Kenya has been characterized by many changes and an increasingly turbulent environment. The configuration of competitive forces such as intensity of competition, new entrants, substitute products and supplier and buyer power have transformed the environment a great deal, creating the need for firms to change their competitive positions (Ndiho, 2001). Companies that pursue a global strategy focus on increasing profitability by reaping the cost reductions that come from experience curve effects and location economies (Wachira, 2002). The business environment within which the pharmaceutical industry operates has been very volatile. The dynamism of the pharmaceutical environment in the current times is posing a lot of challenges to all pharmaceutical companies. The most pressing need for many pharmaceutical companies is to ensure they generate sufficient new products to secure future growth.

Various researchers have studied the state of industries in Kenya in relation to changed economic conditions particularly after liberalization. They found that the changed environment has affected business practices and made firms more proactive and competitive (Abekah, 1999). To survive in such an environment, the firm has to adjust strategic responses and come up with competitive strategies for dealing with the environment. Sheikh (2000)



conducted a study of strategic responses by insurance companies following liberalization and concluded that firms in the industry consider strategic plans as important for their companies. Kandie (2001) studied the strategic responses of Telkom Kenya in a competitive environment and found that financial constraints and lack of managerial empowerment limited the capacity to respond to the environmental challenges. Isaboke (2001) investigated the strategic responses of oil companies in Kenya to the treat of new entrants and revealed that the responses included products, markets and technology as well as a combination of generic strategies and lobbying for a level playing field. Similar studies such as Kombo (1997) on the motor vehicle franchise holders, Muturi (2000) on the East African Breweries and Thiga (2000) on the airline companies confirm that firms respond differently to environmental challenges. Other studies by Wasunna (1999), Ndiho (2001), Wachira (2001), Rohoh (2002), and Ongubo (2003), Ndubai (2003), Nyaga (2007) have focused on consumer behaviour, brand loyalty, marketing practices, strategic alliances, mergers and acquisitions within the pharmaceutical industry in Kenya. None has specifically confronted the strategic responses to challenges of globalization in the pharmaceutical industry. This study will focus on strategic responses adopted by pharmaceutical companies in Kenya to challenges brought about by globalization in their industry.

As the business environment continues changing and presenting new challenges, it is important that the existing knowledge from these previous studies be updated. Previous studies have done little to address the issue of challenges posed globalization in the pharmaceutical industry. There is therefore need to conduct studies to fill this gap and investigate how pharmaceutical firms in the country are facing challenges arising from globalization in their industry. This study therefore focused on strategic responses adopted by pharmaceutical companies in Kenya to challenges posed by globalization.

### **1.3 Objectives of the Study**

The objectives of this study were to:

- i. Determine the challenges posed by globalization to the pharmaceutical industry in Kenya
- ii. Identify the strategic responses to globalization adopted by the pharmaceutical companies in Kenya

#### **1.4 Significance of the Study**

This study will help to sensitize companies in Kenya on the importance of strategic response and raise their awareness of the concept.

The companies the study focuses on will gain from the documentation and analysis of their response strategies and this will help them evaluate their current strategy and plan for the future.

Policy makers will benefit from the issues and insights raised in the study that are important in developing strategic response framework.

The study will add to the existing body of knowledge on the concept of strategic response to benefit academicians and aid further research on the concept.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are concept of strategy, levels of strategy, competitive strategy, global competitive strategy, strategy and environment, strategic responses, globalization, globalization and strategic responses and globalization and management in Kenya.

#### 2.1.1 The Concept of Strategy

One of the concepts that has developed and that is useful to management is strategy. In this regard, perhaps a good grip of strategic management could be best achieved with a definition of the concept of strategy. Drucker (1954) viewed strategy as defining the business of a company. Chandler (1962) in support of Drucker, defined strategy as the determination of the basic long-term goals of the enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals. Andrews (1971) in a more elaborative version, recognized strategy as the pattern of major objectives, purposes or goals, stated in such away as to define what business the company is in or is to be in, and the kind of company it is to be. Johnson and Scholes (1999) view strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and fulfill stakeholders' expectations. Goldsmith (1995) points out that strategy comprises actions employed to meet a firm's long-term objectives.

Mintzberg (1987) gives perhaps the most inclusive view. He argued that we could not afford to rely on a single definition of strategy despite our tendency to want to do so. He proposed five definitions of strategy. To him, strategy can be seen as a plan, a ploy, a pattern, a position and a perspective. As a plan, strategy specifies a consciously intended course of action of an organization. The strategy is designed well in advance of action and it is developed purposefully. As a ploy, strategy is seen as a manoeuvre intended to outwit a competitor. As a pattern, strategy is seen as emerging in a stream of actions. Here, strategy is seen as a consistency in behaviour. As a position, strategy is a means of locating the

organization in its environment. Lastly, as a perspective, strategy consists of a position and of an ingrained way of perceiving the world. It gives a company an identity or a personality. Pursuance of a strategy is what precipitates strategic management.

Ansoff and McDonnell (1990) see strategic management as a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises. Strategic management refocuses the management process, dealing rather with the long term issues instead of operational issues. Many of the challenges faced by managers during earlier periods were similar to those faced by managers today. Managers continue to face many challenges such as increasing worker productivity; meeting the challenge of international competition; replacing obsolete work methods and equipment with newer; more expensive equipment; developing and introducing new products; maintaining employee motivation and morale.

### **2.1.2 Strategy and Environment**

According to Johnson and Scholes (2003), dealing with the environment is difficult because of three factors. First is the diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may not be of much use because no overall picture emerges of the really important influences on the organization. The second difficulty is the speed of change. Managers typically feel that the pace of technological change and the speed of global communications mean more and faster changes than ever before. Third is the problem of complexity. Managers may try to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It is important to avoid these tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

Ansoff (1980) asserts that when a firm fails to respond to a threat, the losses that result continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the response is delayed past the rational trigger point due to four factors; systems delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990). Systems delay typically occurs in large firms due, in

part, to the time consumed in observing, interpreting, collating and transmitting information to responsible managers and due to the time consumed by these managers in communicating with one another and establishing a common understanding as well as the time necessary for processing the decisions among the responsible groups and decision levels. A verification delay occurs where managers will opt to wait a little longer to see if the threat will blow itself out. A political delay may occur if managers, whose domain contributes to the crisis, feel that the recognition of a crisis will reflect on their reputation and cause them to lose power. These delays will substantially increase the total cost to the firm.

Boseman and Phatak (1989) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition. Aaker (1992) also adds that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths.

Porter (1985) observes that for firms to be able to retain competitive advantage, they need to examine their environment both internal and external and respond accordingly. Ansoff and McDonnell (1990) point out that the success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence. This is because each level of environmental turbulence has different characteristics, requires different strategies and requires different firm capabilities. Therefore, each level of environmental turbulence requires a matching strategy and the strategy has to be matched by appropriate organizational capability for survival, growth and development. Being ahead of the game requires that firms employ competitive strategies that is sustainable and assures them of their market position.

To be successful overtime, an organization must be in tune with its external environment. There must be a strategic fit between the environment wants and what the firm has to offer, as well as between what the firm need and what the environment can provide (Wheelen and Hunger, 1995). The speed or response time to the environment challenges has been identified

as a major source of competitive advantage for numerous firms in today's intensely competitive global economy. It is thus imperative to quickly adjust and formulate strategies so as not to be overtaken by events.

## **2.2 Strategic Responses**

The alignment between strategy and environment lies at the center of strategic management. Correct alignment helps a firm maximize the economic benefits from resources, improve the effectiveness of operations, and boost the fulfillment of its strategic goals (Hambrick, 1983; Venkatraman and Prescott, 1990). Strategic responses differ from operational responses in several ways. While operational responses are short-term and focusing more on efficiency of operations, strategic responses are long-term in nature, embracing the entire organization and more concerned with the organization's effectiveness (Migunde, 2000). Strategic responses also involve large amounts of resources, and decisions relating to them are made at corporate and business level. According to Porter (1997), globalization, modern technology and knowledge transfer have contributed to the enormous expansion of industry over the years. This has in turn increased competitive pressures and contributed to the turbulent and dynamic environment. Strategic response requires organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises. If its internal capabilities are not matched to its strategy, then a capability gap arises. Porter (1985) affirms that it is important that organizations be able to shift strategy with changes in the environment and match their capabilities to the selected strategy in order to survive, succeed and remain relevant.

Strategy, being the game plan that creates a match between a firm's capabilities and the environment, is an action that a firm takes in order to achieve a set of goals aimed at responding to changes in the environment (Pearce and Robinson 2000). Strategy guides firms to superior performance by establishing a competitive advantage (Porter, 1979). Firms therefore employ strategies in a dynamic environment in order to adapt to new realities such as increased competition, unstable markets and unpredictable and turbulent environment. Firms in dynamic industries respond to environmental changes and competitive forces in different ways. Some improve current products, diversify and divest, while others employ techniques that ensure operational effectiveness (Migunde, 2000).

In recent years organizations have sought to create greater organizational flexibility in responding to environmental turbulence by moving away from hierarchical structures to more modular forms (Balogun and Johnson, 2004). Responsibility, resources and power in firms has been the subject of decentralization and delayering. Given an intensifying competitive environment, it is regularly asserted that the critical determinant in the success and, doubtlessly, the survival of the firm is the successful implementation of marketing strategies (Chebat, 1999). The role and tasks of those employees charged with strategy implementation duties, the mid-level managers, in these new restructured organizations is under scrutiny. There is a growing cognizance that in highly dynamic environments, traditional approaches to strategy development often do not lead to the intended results, and that organizations must move towards a more dynamic concept as the underlying conditions change before formulated strategies can be fully implemented (Fuerer and Chaharbaghi, 1994).

### **2.3 Globalization**

Globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services (Thompson and Strickland, 1993). Globalization refers to the strategy of approaching worldwide markets with standardized products (Levit, 1982). Such markets, according to Pearce and Robinson (1999) are commonly created by end customers who prefer lower priced standardized products, over the higher priced, customized products, and by global corporations that use their worldwide operations to compete in local markets. According to Hill and Jones (2001) globalization of production entails individual companies dispersing parts of their production process to different locations around the globe to take advantage of the national differences in the cost and quality of the factors of production. The objective is to lower costs and boost profits. Globalization of markets on the other hand, entails firms moving away from the economic system in which national markets are distinct entities, isolated from each other by trade barriers and barriers of time, distance, and culture, towards a system where national markets are merging into one, huge global market place (Dicken, 1992). Increasingly, consumers around the world demand and use the same basic product offering. Consequently in many industries, it no longer meaningful to talk about a national market, as there is only the global market.

The trend towards globalization of production and markets has several important implications for competition within an industry first, it is crucial for companies to realize that an industry's boundaries do not stop at National borders. Because many industries are becoming global in scope actual and potential competitors exist not only in the company's home market, but also in other national markets (Hill and Jones, 2001). Companies that scan just their home market can be caught unprepared by the entry of foreign efficient, low priced competitors. The globalization of markets and production implies that companies around the globe are finding their home markets under attack from foreign competitors.

The shift from national to global markets during the last twenty years has intensified competitive rivalry in industry after industry. National markets that were once consolidated oligopolies dominated by three or four companies and subjected to relatively little foreign competition have been transformed into segments of fragmented global industries, where a number of companies battle each other for market share in country after country. This rivalry has driven down profit rates, and made it all the more critical for companies to maximize their efficiency, quality, customer responsiveness, and innovative ability (Porter, 1990). Painful restructuring and downsizing has been a commonplace over the last five years as firms came to grips with the reality of globalization. This more than anything else was a response to increased intensity of global competition.

### **2.3.1 Global Competitive Strategy**

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics: it provides access to a wide variety of markets, it increases perceived customer benefits, and it is hard for competitors to imitate.

Trends towards higher competitiveness through productivity growth and market expansion paradoxically requires firms to form cooperate in order to compete better. Traditional production and operation techniques are becoming less and less appropriate for



customization. The global economy requires firms who wish to attain competence internationally to become more flexible in their operations; to use advanced technology to produce high-quality, reasonably-priced goods; to rely on speed-to-market methods of operation; to use multi-site locations; and to adopt just-in-time production and delivery and world-wide components sourcing (Porter, 1985). It is by forming networks, alliances and cooperative agreements that firms can best focus on the combination of cost reduction and customer service orientation which is the important prerequisite for improving competitiveness of companies.

### **2.3.2 Globalization and Strategic Responses**

Global strategic management is concerned with managing a firm's relationship with the global business environment (Thompson & Strickland, 2002). More specifically, it is concerned with strategies for managing the challenge of international competition. The global business environment is both locally and foreign based. This is because the global business challenge is pervasive or omnipresent. Globalization strategy makes sense in those cases where there are strong pressures for cost reductions and where demands for local responsiveness are minimal (Porter, 1990). Increasingly, these conditions prevail in many industrial goods industries. However, the strategy is inappropriate where demands for local responsiveness are high. Companies that pursue a global strategy focus on increasing profitability by reaping the cost reductions that come from experience curve effects and location economies. That is, they are pursuing a low cost strategy. The production, marketing and research and development activities of companies pursuing global strategy are concentrated in a few favourable locations.

In order to achieve a competitive advantage, strategy needs to focus on unique activities. Operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage (Porter, 1985). Firms are faced with the challenge of managing strategy. Strategic issues need to be understood in terms of firm's particular context. Different firms are therefore likely to emphasize different aspects of the strategic management process. For some firms, it is competitive advantage, for others, understanding competencies while others create a fit as well as innovation (Johnson and Scholes, 1999).

As competitive intensity has increased, so has the rate of innovation (Hill and Jones, 2001). Companies strive to gain an advantage over their competitors by pioneering new products, processes and ways of doing business. The result has been to compress product life cycles and make it more vital for companies to stay at the leading edge of technology. Even though globalization has increased both the threat of entry and the intensity of rivalry within many formerly protected national markets, it has also created enormous opportunities for companies in those markets. The steady decline in trade barriers has opened up many protected markets to companies based outside them. Global companies tend not to customize their product offering and marketing strategy. The reason is that customization raises costs for it involves shorter production runs and the duplication of functions. Instead, global companies prefer to market a standardized product worldwide so that they can reap the maximum benefits from economies of scale that underlie the experience curve. They also tend to use their cost advantage to support aggressive pricing in world markets.

### **2.3.3 Globalization and administration in Kenya**

With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers. Evans (1987) is of the view that as the operating environment changes; a more pronounced transformation of the business landscape lies ahead. Therefore, strategy is vital to the adaptation of the changing business environment. According to the Government of Kenya economic survey (2000), implementation of structural adjustment programme and subsequent market liberalization opened the Kenyan market, leaving businesses at the mercy of market forces. As a result, businesses faced increased competition and registered low profits and even losses. This could probably be attributed to lack of environmental scanning and strategic response practices (Abdalla, 2001).

Various researchers have studied the state of industries in Kenya in relation to changed economic conditions particularly in view of globalization. They found that the changed environment has affected business practices and made firms more proactive and competitive (Abekah, 1999). To survive in such an environment, the firm has to adopt strategic responses and come up with competitive strategies for dealing with the new environment. Forces in the global environment are dynamic and interactive, and the impact of any single element cannot be wholly dissociated from the impact of other elements. Managers who are able to anticipate

global environment changes both present and future, will improve the performance and profitability of their companies. At the local, national, regional and global level, the firm must scan the environment for changes that may present challenges or opportunities. Tastes and preferences are increasingly being influenced at a global level due to the Internet and media, and this means that firms have to observe the global trends.

Firms therefore need to develop capabilities to manage threats and exploit emerging opportunities. Pearce and Robison (2000) point out that this calls for a proactive approach to business and the formulation of strategies that constantly match capabilities to the environment. The environment in an industry has great influence on the growth, survival and profitability of firms. According to Ohmae (1992), to survive and prosper in an industry, a firm must meet two criteria; first, it must supply what customers want and second, it must survive the competition. Porter (1979) is of the view that it is very necessary for firms to understand the underlying sources of competitive pressure in its industry in order to formulate appropriate strategies and respond to competitive forces.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter presents the research design, sampling methods, and techniques to be used in data collection and analysis.

### 3.2 Research Design

This was a descriptive survey aimed at studying the strategic responses adopted by pharmaceutical companies in Kenya to challenges posed by globalization. Cooper and Schindler (2003) describe a study aimed at finding out who, what, where and how of a phenomenon as a descriptive study, which is indeed the concern of the proposed research.

### 3.3 Population of Study

The population of interest in this study comprised companies in the pharmaceutical industry in Kenya. The industry consists of three segments namely the manufacturers, distributors and retailers. Kenya Medical Directory (2008) has listed 150 companies from the three segments. The targeted respondents are senior managers in the respective firms, who are involved in strategic decision making.

### 3.4 Sampling Technique

Stratified sampling technique was used to select the sample. The technique produced estimates of overall population parameters with greater precision. The researcher grouped the population obtained from the Kenya Medical Directory (2008) into three strata i.e. manufacturers, distributors and retailers. From each stratum the researcher used simple random sampling to select a total of 30 companies. Murage (2001) carried out a research in the petroleum industry and based her findings on a similar number.

#### Sampling Frame

Strata	Population	% sample	Sample
Manufacturers	30	20%	6
Distributors	80	20%	16
Retailers	40	20%	8
Total	150	20%	30

Source: Author, 2009

### **3.5 Data Collection**

Primary data was collected using a questionnaire with both close ended and open ended questions administered to the managers. Personal interviews are advocated by Parasulaman (1986) as having the potential to yield the highest quality and quantity of data. This concurs with Cooper and Emory (1985) who state that the greatest value of personal interviews lies in the department and detail of information can be secured. The respondents in this questionnaire were persons in the strategic planning and operations departments of pharmaceutical companies in Kenya. These are pharmaceutical importers and distributors as well as pharmaceutical manufacturers in Kenya.

### **3.6 Data Analysis**

The nature of data that was collected was purely qualitative. Qualitative data analysis seeks to make general statements on how categories or themes of data are related (Mugenda and Mugenda, 2003). The method of analyzing the data was content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involves observation and detailed description of objects, items or things that comprise the object of study.

## CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

### 4.1 Introduction

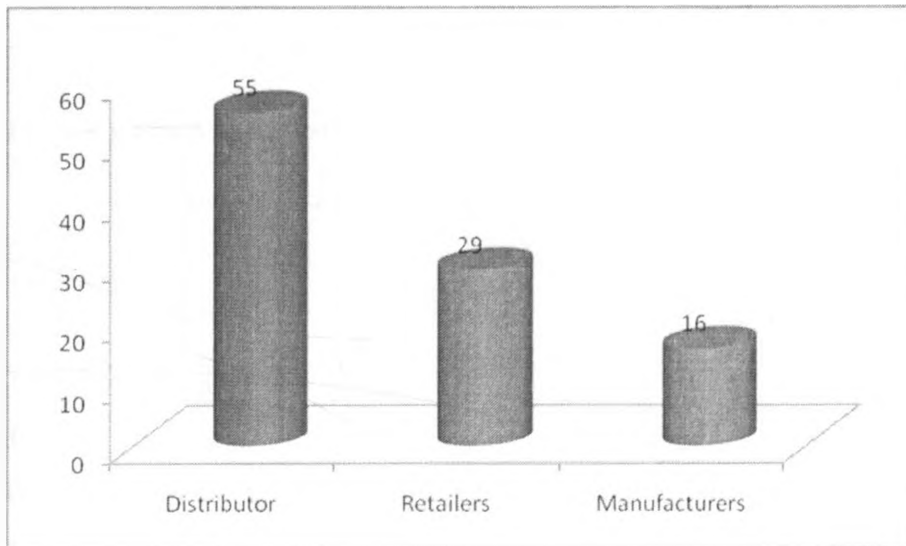
This chapter presents the data analysis and interpretations of the findings. Data from the field was analyzed using Statistical Package for Social Sciences and summarized using tables, charts, frequencies and percentages. From the study, a population of 30 respondents filled and returned the questionnaires correctly.

### 4.2 Background information

#### 4.2.1 Nature of business

This section aimed at establishing the nature of business of the companies. The figure below shows the results.

**Figure 4.1 Nature of business**

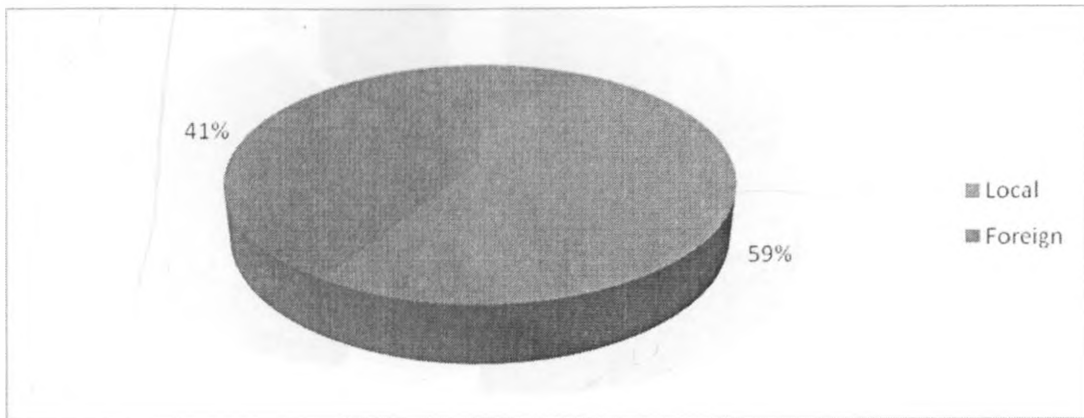


Data presented in the figure above shows that most of the companies were distributors (55 percent) while 29 percent were retailers. 16 percent were manufacturers

#### 4.2.2 Ownership

The study proceeded to establish the ownership of the companies.

**Figure 4.2 Ownership**



The figure above shows that most of the companies were locally owned comprising of 59 percent while only 41 percent were foreign owned.

#### 4.2.3 Years in operation

In this area of study, the aim was to determine the number of years that the pharmaceutical companies had been in operation.

**Table 4.1 Years in operation**

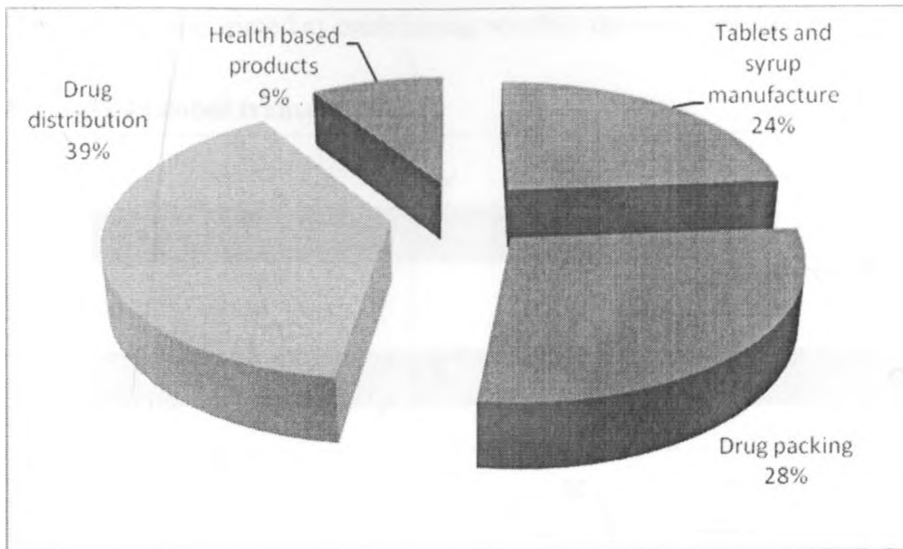
	Freq	Percent
0 to 5 years	7	23
6 to 10 years	3	12
more than 10 years	20	65
Total	30	100

Data presented in the table above shows that most of the companies had been in operation for a period of more than 10 years (65 percent), while 23 percent had been in operation for a period of 0 to 5 years. The least percentage of companies had been in operation for a period of 6 to 10 years comprising of 12 percent.

#### 4.2.4 Product/Services offered by company

In this section, the aim was to identify the products or services that were offered by the companies. The figure below shows the results.

**Figure 4.3 Product/Services offered by company**



Data presented in the figure above shows that most of the companies were involved in drug distribution, 28 percent in drug packing and 24 percent in drug packing. 9 percent were however involved in health based products.

**4.3 Environmental factors considered important in pharmaceutical industry**

In this section, the aim was to determine the various factors that were considered important in pharmaceutical industry.

**Table 4.2 Environmental factors considered important in pharmaceutical industry**

	Agree		Disagree	
	Freq	Percent	Freq	Percent
Culture	11	37	19	63
Technology	20	65	10	35
Economics	16	54	14	46
Government	12	41	18	59
Demographics	11	37	11	63

The table above shows that most of the respondents agreed that they considered technology as a most important factor (65 percent) closely followed by economics with 54 percent and

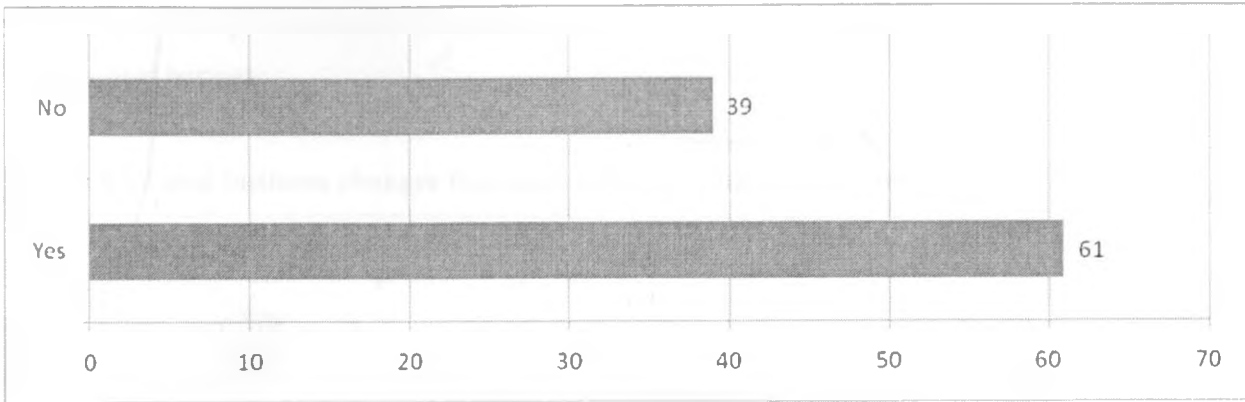


economics and government with 41 percent. The least agreed upon was culture which comprised of 63 percent of the respondents.

### 4.3.2 Global transactions

This section was aimed at establishing whether the companies had any global transactions.

**Figure 4.4 Global transactions**

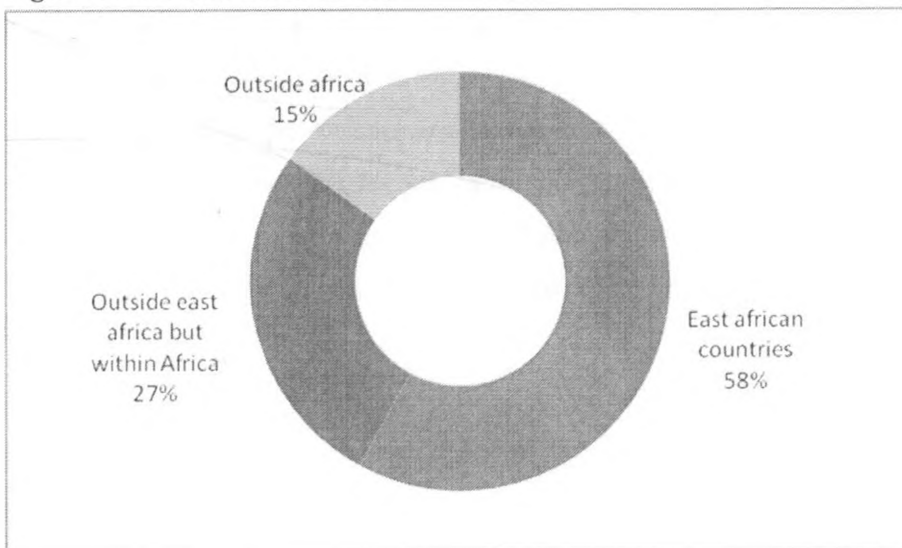


Data presented above shows that majority of the respondents agreed that their companies had global transactions (61 percent) while 39 percent disagreed.

### 4.3.3 Region of Countries the Company engages with in international business transactions

In this section, the aim was to identify the various regions that the company engaged with in international transactions. The results are as shown below.

**Figure 4.5 Global transactions**

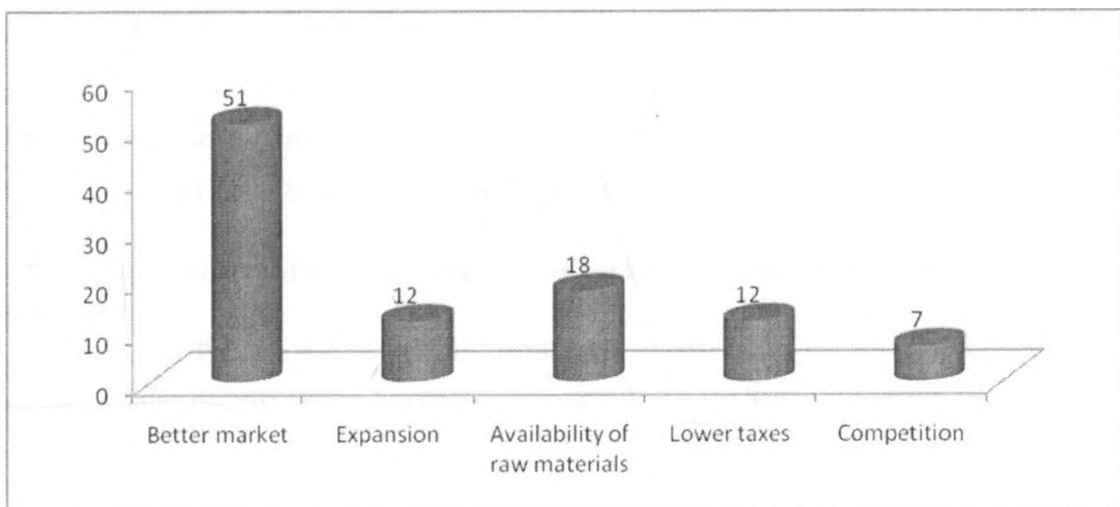


As shown in the figure above, most of the companies were involved in international business transactions with countries within east African countries, (58 percent) while 27 percent were involved in countries outside east Africa but within Africa region. 15 percent were involved in countries outside Africa.

#### 4.4 Local business changes that have led to international business.

In this area of study, the aim was to identify the local business changes that had led to international business.

**Figure 4.6 Local business changes that have led to international business**

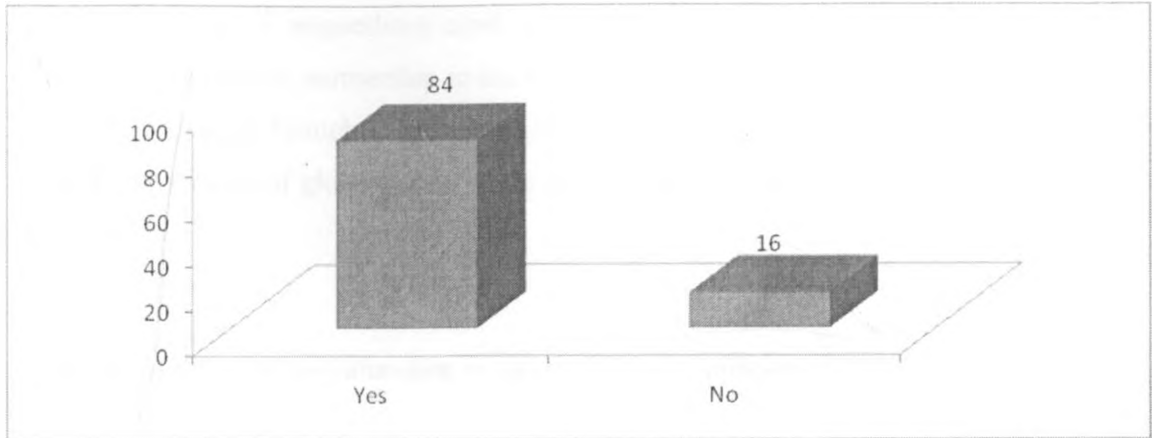


Data presented in the figure above shows that better market was the most frequent local business changes that have led to international business comprising of 51 percent followed by availability of raw materials with 18 percent and expansion with 12 percent. The least agreed upon change that had led to international business was competition with 7 percent.

#### 4.4.2 Presence of strategies for international business

This section of study aimed to establish whether the companies had any strategies for international business. Data is as shown in the figure below.

**Figure 4.7 strategies for international business**



Data presented in the figure above shows that most of the companies had strategies for international business (84 percent) while 16 percent did not.

**4.5 Rating of impact of globalization in your company\*Ownership of company cross tabulation**

In this section, the aim was to identify the rating of impact of globalization in the companies cross tabulated against ownership of the company. The table below shows the results.

**Table 4.3 Rating of impact of globalization in your company\*Ownership of company cross tabulation**

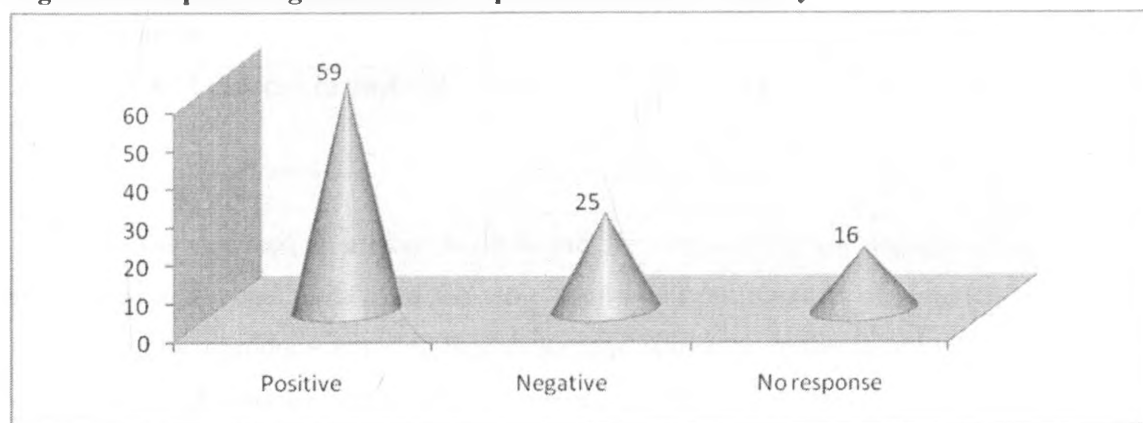
	Very high	High	Moderate	Low	Negligible
Local	5	5	7	1	0
Foreign	7	3	1	1	0
Total	12	8	8	2	0

Data portrayed in the table above shows that most of the local owned companies rated the impact of globalization as moderate comprising of 7 out of 30 and high consisting of 5 out of 30 companies. On foreign companies, the majority rated the impact of globalization as very high comprising of 7 out of 30. None of the companies rated impact of globalization as negligible.

#### 4.6 Challenges brought by globalization to industry

In this area, the aim was to establish the challenges brought by globalization to industry. The greater proportion of respondents cited innovation and increased competition as the main challenges. In addition, partnership to improve productivity and fear of loss of jobs were also cited as challenges brought by globalization to industry. The study then proceeded to establish the aspects of globalization in the pharmaceutical industry. The figure below shows the results.

**Figure 4.8 Aspects of globalization in pharmaceutical industry**



Data presented in the figure above shows that most of the respondents regarded the aspects of globalization in pharmaceutical industry as being positive (59 percent) while 35 percent regarded them as negative. 16 percent however gave no comment.

#### 4.7 Rating of global challenges

In this section, the study aimed at establishing the rating of global challenges amongst the respondents. The table below shows the results.

**Table 4.4 Rating of global challenges**

	Very High	High	Moderate	Low	Negligible	Mean
Product information available on internet	22	21	33	20	4	1.0021
Greater consumer awareness about products	28	24	40	8	0	1.9014

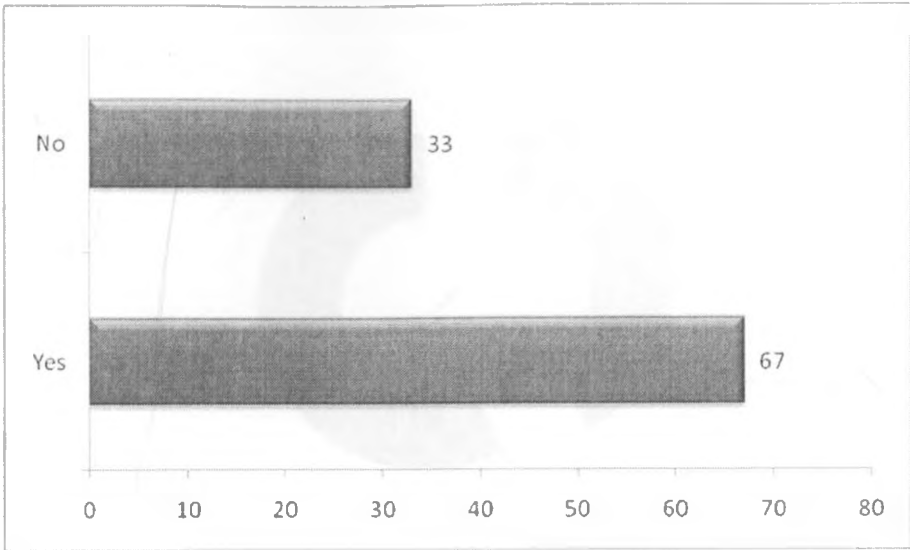
Local presence of global pharmaceutical companies	31	13	27	17	10	2.4156
Foreign based marketers selling in Kenya	35	48	9	6	3	2.6542
Consumers buying over the internet	40	29	13	1	7	3.3054
Greater availability of global brands	41	25	12	2	1	3.34524
Faster product life cycle	41	28	12	2	7	3.3542
Low prices for new products	42	28	10	5	5	3.4172
New products entering market Kenyan market	50	27	13	10	0	4.0124
Proliferation of generics in the local market	57	20	22	1	0	4.1254

The data was analyzed on a likert scale where 5 = very high to 1 = negligible to obtain the percentage and mean. Data from the table shows that proliferation of generics in the local market and new products entering market Kenyan market were the most highly rated global challenges consisting of means of 57 percent and 50 percent respectively and a mean of 4.1254 and 4.0124 correspondingly. The least rated global challenges were product information being available on the internet and greater consumer awareness about products consisting of means of 1.0021 and 1.9014 respectively.

#### **4.8 Presence of strategies to deal with globalization**

The study proceeded to ascertain the presence of challenges to deal with globalization

**Figure 4.9 Presence of strategies to deal with globalization**



Data presented above shows that most of the companies had strategies to deal with globalization (67 percent ) while 33 percent did not.

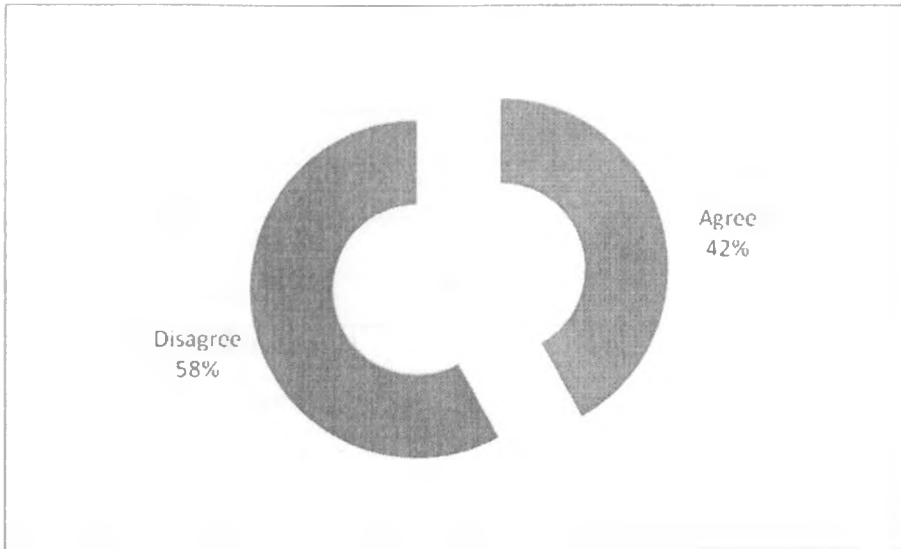
**4.9 The effects of e-business on company**

In this area, the aim was to identify the various effects of e-business had on the companies. The respondents cited development, faster transactions and easy track of records of customers as the major positive effects of e-commerce. In addition, increased sales , accessibility of services and products and giving customers and distributors direct access to their catalogues and inventory which made the company’s billing process and their collection process more effectively were also cited as positive effects of e-commerce. On the negative effects of e-commerce, respondents cited unlawful transactions and cyber crimes as the major concerns.

**4.9.2 Government policies on e-business trade assist company**

The study proceeded to establish the view form the respondents on whether government policies on e business trade assisted the company.

**Figure 4.10 Government policies on e-business trade assist company**



Data from the figure below shows that majority of the respondents disagreed that Government policies on e-business trade assisted their company (58 percent) while 42 percent agreed on the same

#### **4.9.3 Improvements that the government can undertake to assist Kenyan pharmaceutical companies to deal with e-business**

In this section, the aim was to establish the views from the respondents on the improvements that the government could undertake to assist Kenyan pharmaceutical companies to deal with e-business. Respondents cited clear laws on e-commerce transactions and stronger legal actions against frauders in the e-business system.

#### **4.10 Rating on how the activities of these institutions affect your business**

The aim of the study in this section was to identify the rating of how the activities of different institutions affected the business.

**Table 4.5 Rating on how the activity of various institutions affects business.**

	Mean	Std Deviation
European Union	1.6958	0.902631
COMESA	2.1478	0.952392
East African Community	2.4784	0.90343
Kenya Bureau of Standards	4.1245	0.91492
Pharmacy and Poisons Board	4.2142	0.94533
Kenya Revenue Authority	4.2354	1.992278
Ministry of Health	4.3254	0.902531

The data was analyzed on a likert scale where 5 = very high to 1 = negligible to obtain the mean and standard deviation. Most of the respondents cited that the ministry of health and the Kenya revenue authority activities most affected their businesses as shown by a mean of 4.3254 and 4.2354 respectively. The least cited institutions that affected the companies businesses were The European union and COMESA which constituted a mean of 1.6958 and 2.1478 respectively.

**4.11 Rating on how globalization had affected business operations in various areas**

In this section, the aim was to establish the rating on how globalization has affected business operations in various areas.

**Table 4.6 Rating on how globalization had affected business operations in various areas**

	Very High	High	Moderate	Low	Negligible	Mean
Reduction of costs	32	16	42	5	5	2.6547
Service quality	33	35	32	1	0	2.9987
Volume of business	40	50	6	4	0	3.1542
Compliance to regulations	42	18	19	20	0	3.2100
Speed of transactions	58	22	20	0	0	3.5647

Data presented above shows that most of the respondents cited speed of transactions and compliance to regulations to a very high extent as the outcomes of globalizations comprising of 58 percent and 42 percent respectively. 42 percent of the respondents cited reduction of

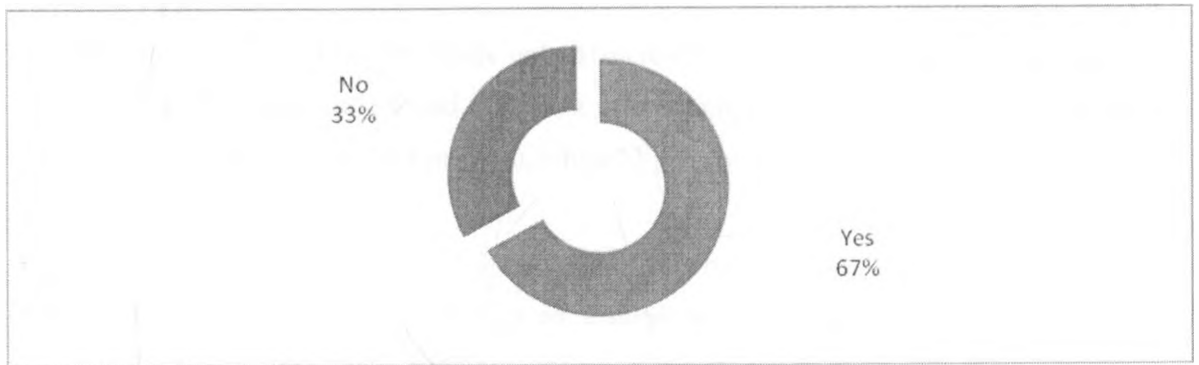


costs moderately while 4 percent cited volume of business to a low extent as the outcomes of globalizations respectively.

#### 4.12 Engagement of company in environmental scanning

In this section, the aim was to establish whether the companies were involved in environmental scanning. The figure below shows the results.

**Figure 4.11 Engagement of company in environmental scanning**



The figure above shows that most of the companies were engaged in environmental scanning comprising 67 percent, while 33 percent were not.

#### 4.12.2 Person entrusted with the task of environmental scanning

The study proceeded to determine the person who was responsible for environmental scanning in the companies. The study found that the responsibility was mainly left to the research and development managers. In addition, some respondents cited the marketing department as being responsible. In cases of smaller pharmaceutical companies, the responsibility was left to the general manager.

## **CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of the findings from chapter four, conclusions and recommendations of the study based on the objectives of the study.

### **5.2 Summary of the Findings**

From the study, most of the companies were distributors (55 percent) while 29 percent were retailers. 16 percent were manufacturers. In addition, majority of the companies were locally owned comprising of 59 percent while only 41 percent were foreign owned. On the issue of years of operation, the study found that most of the companies had been in operation for a period of more than 10 years (65 percent), while 23 percent had been in operation for a period of 0 to 5 years.

On environmental factors considered important, the study asserted that most respondents agreed that they considered technology as a most important factor (65 percent) closely followed by economics with 54 percent and economics and government with 41 percent.

On global transactions, the study established that majority of the respondents agreed that their companies had global transactions (61 percent) while 39 percent disagreed. Still on global transactions, the study found that most of the companies were involved in international business transactions with countries within east African countries, (58 percent) while 27 percent were involved in countries outside east Africa but within Africa region

On International business, the study found that better market was the most frequent local business changes that have led to international business comprising of 51 percent followed by availability of raw materials with 18 percent and expansion with 12 percent. . In addition, most of the companies had strategies for international business (84 percent) while 16 percent did not.

On the area of globalization, the study asserted that most of the local owned companies rated the impact of globalization as moderate comprising of 7 out of 30 and high consisting of 5 out of 30 companies. Still on globalization the study found that most respondents cited innovation and increased competition as the main challenges. In addition, partnership to

improve productivity and fear of loss of jobs were also cited as challenges brought by globalization to industry. On aspects of globalization, most of the respondents regarded the aspects of globalization in pharmaceutical industry as being positive (59 percent) while 35 percent regarded them as negative.

On the issue of global challenges, the study found that proliferation of generics in the local market and new products entering market Kenyan market were the most highly rated global challenges consisting of means of 57 percent and 50 percent respectively and a mean of 4.1254 and 4.0124 correspondingly. The study also asserted that development, faster transactions and easy track of records of customers were the major positive effects of e-commerce. In addition, increased sales, accessibility of services and products and giving customers and distributors direct access to their catalogues and inventory were also positive effects of e-commerce.

On the issue on whether government policies assisted business, the study established that majority of the respondents disagreed that government policies on e-business trade assisted their company (58 percent) while 42 percent disagreed on the same. On institutions that affected the business, the study found that the ministry of health and the Kenya revenue authority activities most affected their businesses as shown by a mean of 4.3254 and 4.2354 respectively.

On outcomes of globalization, the study asserted that most of the respondents cited speed of transactions and compliance to regulations to a very high extent as the outcomes of globalizations comprising of 58 percent and 42 percent respectively. On the area of environmental scanning, the study found that most of the companies were engaged in environmental scanning comprising 67 percent, while 33 percent were not.

### **5.3 Conclusions**

From the findings, the study concludes that most of the pharmaceutical companies were faced by challenges posed by globalization and these included innovation and increased competition as the main challenges. In addition, partnership to improve productivity and fear of loss of jobs were also cited as challenges brought by globalization to the pharmaceutical industry. However, most of the companies had put in strategies to deal with globalization.

The study also concludes that globalization had affected most company's business operations in various areas such as compliance of regulations, volume of business and service quality.

In addition, the study concludes that the pharmaceutical companies had developed various strategic responses to globalization and these included restructuring of the companies that was aimed at strengthening international competitiveness and draw policy implications, mergers with other leading companies to increase productivity and increases investment on infrastructure and technology.

#### **5.4 Recommendations**

The study recommends that in order for pharmaceutical companies to overcome challenges posed by globalization, they need new competencies and capabilities, and they have to excel at them. The industry needs an aggressive, yet workable, plan to deliver the growth investors expect in this challenging globalization environment.

The study also recommends that for pharmaceutical companies to avoid financial breakdown in this times of globalization, they need to increase the volume of business and improve on service quality in order to increase sales.

In addition, the study recommends that pharmaceutical companies need to invest in infrastructure and technology such as e commerce to stay ahead of business. Today's competitive business environment, coupled with a volatile economic climate, demands that organizations invest time, talent, and financial resources on core competencies and activities that differentiate their business from the competition

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## QUESTIONNAIRE

### CHALLENGES OF GLOBALISATION IN THE PHARMACEUTICAL INDUSTRY

(To Pharmaceutical companies in Kenya)

#### Background Information

Name of the company \_\_\_\_\_

Nature of business             Manufacturing             Wholesale    Retail

Ownership:             Local             foreign

Years in operation \_\_\_\_\_

#### Products/Services Offered by company:

Drug distribution           

Tablet and syrup manufacture  

Vaccines manufacture           

Health boost products           

Drug packing           

#### Part 1

1. Which environmental factors do you consider the most important in the pharmaceutical industry in Kenya?

Culture           

Technology           

Government           

Economics           

Demographics           

2. Does your company have any global transactions?

Yes             No

3. With which country does your company engage with in international business transactions?



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4. **What current local business changes lead you to opt for international business?**

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5. **Do you have any strategies for international business?**

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**Part 2**

6. **How would you rate the impact of globalization on your company?**

- Very High      High      moderate      Low      Negligible

7. **What challenges has globalization brought to the industry?**

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8. **What are the aspects of globalization in the pharmaceutical industry?**

**Positive**

**Negative**

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9. **How would you rate the following as global challenges?**

	Very high	High	Moderate	Low	Negligible
New products entering Kenyan market					
Low prices for new products					
Consumers buying over internet					
Foreign based marketers					

selling in Kenya					
Product information available on internet					
Greater consumer awareness about products					
Proliferation of generics in the local market					
Greater availability of global brands					
Local presence of global pharmaceutical companies					
Faster product life cycle					

**Other factors:**

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10. Are there strategies in place to deal with the challenge of globalization?

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**Part 3**

11. What are the effects (positive & negative) of e-business on your company?

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12. Do government policies on e-business trade assist your company?  
 Yes       No

13. What improvements can the government undertake to assist Kenyan pharmaceutical companies to deal with e-business?

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14. What benefits do you get over competitors due to international business transactions?

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15. From the table below rate how the activities of the following affect your business

	Very high	High	Moderate	Low	Negligible
Kenya Revenue Authority					
Kenya Bureau of Standards					
Ministry of Health					
Pharmacy and Poisons Board					
East African Community					
COMESA					
European Union					

16. How has globalization affected the business operations in the following areas?

	Very high	High	Moderate	Low	Negligible
Service quality					
Volume of business					
Speed of transactions					
Compliance to regulations					
Reduction of costs					

17. Does your company engage in environmental scanning?

Yes       No

18. Who is entrusted with the task of environmental scanning?

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19. How is the information obtained from environmental scanning utilized?

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20. What concrete strategic responses does your firm have in place to deal with the following challenges?

<b>Challenge</b>	<b>Strategic Response</b>
Globalization	
E-business trade	
Increased competition	
New market entrants	
New competing products	
Low priced generic drugs	
Technology change	
More knowledgeable customers	
Greater information flow	