COMPETITIVE STRATEGIES ADOPTED BY PHARMACEUTICAL COMPANIES OPERATING IN KENYA

BY:

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DECLARATION

This research project is my original work and has not been presented for the award of a degree in any other university or institution for any other purpose.

Signature …………………………………….. Date ……………………….

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D61/60569/2010

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

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This project is dedicated to my loving parents Mr. Elekiah Mbayeh and Mrs. Winnie Mbayeh for taking me to school and ensuring that I excelled academically. Your continuous support and encouragement has indeed seen me through.

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ABBREVIATIONS

EPZ	Export Processing Zone
GDP	Gross Domestic Product
KEMSA	Kenya Medical Supplies Agency
USA	United States of America

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ABSTRACT

This project investigates the competitive strategies adopted by pharmaceutical companies operating in Kenya. The population of the study consisted of forty two pharmaceutical companies operating in Kenya. Cross sectional survey design was adopted. The study used primary data which was collected through self-administered structured questionnaires. It was found out that the competitive strategies mainly adopted by pharmaceutical companies were differentiation and cost leadership strategies. Focus strategy was used by the companies but to a less extent. The use of the differentiation strategy would enable the company to differentiate itself by providing a unique product or service thus fulfilling a customer need by tailoring the product or service to the customer. Cost leadership strategy would enable the companies to secure a relatively large market share by being the lowest cost producers or service providers in their industry or market. The companies however, are faced with various challenges in the adoption of the competitive strategies which include; technology, structural changes, impact of industrial activity on the environment, emergence of new sources of competition, globalization resulting to expanded boundaries of competition and transformed costs of doing business. The project provides a model for understanding the level of competition and the setbacks encountered. It makes a contribution to competitive strategies and their challenges in the pharmaceutical industry in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In today's highly competitive environment, companies need an extra edge to enhance their competitiveness. Many organizations are putting more focus on attracting and retaining customers. The competitive global marketplace has compelled organizations to transform themselves in the way they conceptualize and conduct business. As one of the largest industries in the service sector, firms must gain a broader understanding of the essentials that are required if they are to thrive and survive in a rapidly evolving and increasingly competitive global market. Modern firms must operate within a new business paradigm that has only limited resemblance to the superseded business models (Doz and Hamel, 2008). The changes in the marketplace have produced a profound reappraisal of historically established paradigms within the pharmaceutical industry. Pharmaceutical firms have been forced to think and act as global enterprises as they face the economic, technological, and market challenges of the modern era. The ability of firms to survive in the business environment is dependent upon their selection and implementation of a competitive strategy that differentiates the firm from competitors (Porter, 1980).

The Kenyan pharmaceutical companies are producing at between 50-70 percent of their actual capacity which has a significant bearing on the unit costs. As a consequence, this affects the competitiveness of the products in the market. The Kenyan pharmaceutical industry has encountered various challenges which include high costs of production, shortage of trained pharmacists as the locally trained ones have problems working in the industry and inability of local manufacturers to undertake bioequivalence studies due to financial limitations.

1.1.1 Competitive Strategy

A strategy is a pattern or plan that integrates an organizations major goal, policies and action sequences into a cohesive whole (Porter, 1980). Andrews (1971) argues that with respect to corporate strategy, strategists address what the firm might and can do as well as what the firm wants to do. Johnson and Scholes (2000) define strategy as "the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations." He concludes that strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates. The concept of strategy is therefore built around winning. Strategy helps to achieve success whether in business or otherwise, success in this context refers to the realization of objectives that are desired. Ansoff and McDonnell (1990) define competitive strategy as the distinctive approach which a firm uses or intends to use to succeed in the market. Sidorowicz (2007) views competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1998).

Competitive strategies are designed for situations where only partial information is available, whereas an optimal solution would require complete knowledge of all circumstances, or of the future. Conant, Mokwa and Varadarajan (1990) observe that the extent of market orientation in a firm must be congruent with the competitive strategy adopted. In fact, the importance of the match between business strategy and marketing strategy has been empirically illustrated (Olson, Slater and Hult 2005). The argument that competitive strategies drive market orientation is founded on the assertion that marketing activities are likely to be influenced by strategic choices at the macro competitive strategy level.

1.1.2 Competitive Advantage

Competitive advantage is the ability of the firm to occupy a superior position in an industry and outperform its rivals on the primary performance goal- profitability. A company's superior competitive position allows it to achieve higher profitability than the industry's average (Porter, 1985). Firms strive to survive and succeed in competition by pursuing strategies that enable them to perform better than their competitors. Barney (2008) defines competitive advantage as being sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering. Barney (2008) distinguishes between two types of competitive advantage: temporary and sustainable competitive advantage. Competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore most competitive advantage is temporary. On the other hand, some competitive advantages are sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Barney, 2008). Therefore, competitive advantage must reside in a firm's value chain.

Competitive advantage can arise from various sources. According to Porter (1985), a firm can achieve a higher rate of profit (or potential profit) over a rival in one of two ways:

either it supplies an identical product or service at a lower cost, in which case the firm possesses a cost advantage; or it can supply a product or service that is differentiated in such a way that the customer is being able to pay a price premium that exceeds the additional cost of the differentiation advantage. Differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a lower price. Emphasizing the importance of innovation, Grant (1997) points out that innovation not only creates competitive advantage, it also provides a basis for overturning the competitive advantage of other firms. A firm with a distinctive competence can differentiate its products- provide something unique that is valuable to buyers, or achieve substantially lower cost than its rivals. Consequently, the firm creates more value than its rivals and earns a profit rate substantially above the industry average. Once established, competitive advantage is subject to erosion by competition. This arises because a company with a competitive advantage earn higher than average profits.

1.1.3 Pharmaceutical Companies in Kenya

Pharmaceutical manufacturing is a significant aspect of Kenya's industrial sector. There are 42 registered pharmaceutical manufacturers in Kenya (Personal communication, Pharmacy and Poisons Board, 2003).Some of these are subsidiaries of multinational pharmaceutical companies. The companies generally repackage drugs or produce pharmaceutical dosage forms from imported raw materials. As it responds to challenges and opportunities, the generic pharmaceutical industry will continue to be a major force shaping the economics of medication (Kirking 2007).

Kenya spends about 8% of its GDP on health. The market for pharmaceutical products in Kenya is estimated at 8 billion Kenya shillings per annum. The pharmaceutical 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 (EPZ, 2005). The Kenyan pharmaceuticals and healthcare market presents significant revenue earning opportunities for drug companies. Growth in the sector has been boosted by strong demographics, increased healthcare needs, longer life expectancy, rising healthcare spending in the public and private sectors and improved access to health facilities. Currently, medical care is a pre-requisite among employers; the law requires that every employer ensure the provision of proper medicines and attendance to employees, unless otherwise provided for by the government.

The government, through Kenya Medical Supplies Agency (KEMSA) is the largest purchaser of drugs manufactured both locally and imported, in the country. It buys about 30% of the drugs in the Kenyan market through an open-tender system and distributes them to government medical institutions. The number of companies engaged in importing and distribution of pharmaceutical products in Kenya continues to expand, driven by the Government's efforts to promote local and foreign investment in the sector. Pharmaceutical products in Kenya are channeled through pharmacies, chemists, health facilities and shops. There are about 700 registered wholesale and 1,300 retail dealers in Kenya, manned by registered pharmacists and pharmaceutical technologists.

1.2 Research Problem

Competition is at the core of the success or failure of firms. Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs (Sidorowicz, 2007). Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Firms pursue competitive strategies when they seek to improve or maintain their performance through independent actions in a specific market or industry. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers. A firm in a very attractive industry may still not earn attractive profits if it has chosen a poor competitive position. Conversely, a firm in an excellent competitive position may be in such a poor industry that it is not very profitable, and further efforts to enhance its position will be of little benefit. Both industry attractiveness and competitive position can be shaped by a firm, and this is what makes the choice of competitive strategy both challenging and exciting. While industry attractiveness is partly a reflection of factors over which a firm has little influence, competitive strategy has considerable power to make an industry more or less attractive (Slater and Olson, 2001).

The overreaching goal of the health sector service delivery in Kenya is to provide essential priority packages, which are acceptable, affordable and accessible to all citizens, while creating an enabling environment for other stakeholders to contribute towards reduction of burden of disease and unmet needs. The cutthroat fierce competition among pharmaceutical companies necessitates customer satisfaction which is very essential to not only exist but also to excel in the market. Henceforth, to survive in the market, the company not only needs to maximize its profit but also needs to satisfy its customers and should try to build upon from there. The managers of these companies are operating in environments which are becoming increasingly uncertain, confused and incoherent has lead them to adopt strategies which will enable them to gain competitive advantage.

Recent studies done in the area of competitive strategy include Amir (2007) who did competitive strategies adopted by petroleum retail stations in Kenya a case of Mombasa city and the findings showed that all stations are applying some strategies for competition but most of them combine both the cost leadership and differentiation strategies at the same time, most of which are the multinationals due to their favorable financial capabilities. Obado (2005) did competitive strategies employed by the sugar manufacturing firms in Kenya and found out that the sugar manufacturing firms have formalized vision and mission statements. They employ competitive strategies of cost leadership, differentiation and focus to different degrees. A study by Kitoto (2005) on competitive strategies adopted by Universities in Kenya found out that Kenyan universities use satisfactory quality of teaching and recognized degree with acceptable quality in order to achieve overall cost leadership. Billow (2004) did a survey of strategies adopted by supermarkets in Nairobi and found out that supermarkets in Nairobi practice competitive strategies but mostly do it informally. Growth strategies, cost leadership differentiation, location strategy, customer service and communication strategies were the most common competitive strategies supermarkets firms applied.

As observed above, the studies conducted on competitive strategies adopted by various organizations have not considered the competitive strategies which the pharmaceutical firms in Kenya have adopted. This study seeks to answer the following question. What competitive strategies have pharmaceutical companies operating in Kenya adopted?

1.3 Research Objectives

i. To determine the competitive strategies adopted by pharmaceutical companies in Kenya.

ii. To establish the challenges of the competitive strategies adopted by pharmaceutical companies in Kenya.

1.4 Value of the study

This study will enable the management of the pharmaceutical companies to know the strategies which they can adopt in the face of high competition in the industry. In addition the study will be an invaluable source to those interested in establishing a business in the pharmaceutical sector since they will be able to understand what to do right to succeed and what if done wrong will bring the business down. The findings of the study will enable pharmaceutical companies identify the challenges facing the competitive strategies they have adopted thus enabling them to come up with measures to counter the challenges in order to remain competitive in the market.

The study will also create a monograph that could be replicated in other companies facing high competition. Most importantly, this research is further aimed at offering some practical suggestions on the strategies to be put in place in order to gain competitive advantage. The policy makers will obtain knowledge of the pharmaceutical sector dynamics and the appropriate competitive strategies; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector.

Future scholars may use the results of this study as a source of reference. The findings of this study can be compared with competitive strategies in other sectors to draw conclusions on various ways an institution can respond to competitive forces in the environment. It will also benefit consultants who endeavor to provide assistance to successful running of organizations in developing and sustaining a competitive edge in their environment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of literature related to the study. An overview of the concept of competition, industry competition, challenges of competition and competitive strategies is reviewed.

2.2 Concept of Competition

Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation (Deming, 1995). In entering into competition an organization seeks to achieve competitive advantage; and that competitive advantage lies at the heart of corporate success (Porter, 1985). Competition occurs naturally between living organisms which co-exist in the same environment. Business is often associated with competition as most companies are in competition with at least one other firm over the same group of customers. In today's turbulent environments, the competition among firms has gone beyond the most superficial level, that is, traditional competition at the level of ultimate products. The increasingly obvious fact is that competition, at any time, is deployed at multi-layers, which implicates a hierarchy of competition.

The level of competition a firm faces will depend on a number of factors which include; the greater the number of firms operating in the industry, the greater will be the level of competition faced by each firm in that industry, on the extent to which its products are similar to its competitor's products (David, 2000). If a firm operates in an industry where its competitor's products are an almost perfect substitute for its products, then the firm will generally face a high level of competition. Whereas if it is relatively easy to enter an industry, firms will generally find that they face a high level of competition. Generally speaking, an industry could be described as being highly competitive whenever a large number of relatively small firms, who offer similar products, operate in the industry. If however the industry is dominated by a small number of large firms, the industry could be described as being highly concentrated (Darrow 2001).

2.3 Industry Competition

Competition in the pharmaceutical industry occurs on the development of new drugs, and the sale of drugs (Aitken, Berndt and Cutler 2009). Companies compete to be the first in the market with a drug to meet an unmet medical need or with a drug that is safer or more effective at treating a condition or disease than current treatments. The first in the market will often gain a substantial first-mover advantage, largely as a result of establishing standard physician prescribing practices. Pharmaceutical companies also compete in marketing of drugs. Several different market participants are involved today in purchasing pharmaceuticals, which may complicate market definition analyses. The competitive environment is dynamic and continually evolving. As soon as one company augments its product to gain a competitive advantage, its competitors seek to nullify the threat by adding a similar attribute to their own product (Mitra, 2006). Eventually, customers come to expect this attribute in all of the products. The omission of the attribute from a product can put it at a competitive disadvantage. In order to maintain competitive advantage there is an ongoing need to add new attributes or develop existing ones.

It is often argued that the world's drug market is a competitive one with thousands of companies competing in various therapeutic segments. This is said to have kept the drug price at low level. However, it is a highly contestable claim while evidence seems to suggest that there is high market concentration in these markets (Grabowski, 2004). Since the consumers' demand is essentially supply-driven (supplier-induced demand) in the pharmaceutical market, the physician or the pharmacist has no incentive to be price-sensitive. According to Kvesic (2008) the usual assumption that market mechanisms stabilize prices does not hold entirely true for the pharmaceutical industry. This is because unlike consumer goods, drugs are not purchased by the consumer on the basis of his choice or preference. They are purchased on the advice of the medical professionals. Hence there is no escape when drug companies build a market for their drugs through their extensive marketing networks that target medical professionals and chemists with a variety of marketing techniques. Consumers have little or no choice in such a 'rigged' market but buy what is prescribed or recommended by the health care providers.

Pharmaceutical innovation has been the key driving force for a thriving pharmaceutical sector across the globe over the past decades (Aitken *et al.,* 2009). However, declining success rate of new product approvals and increasing cost of innovation in recent times have started raising serious doubt about the viability of the traditional innovation-based model of pharmaceutical growth. At the same time, generic launches are further challenging the growth prospect of the research-based pharmaceutical companies. While debate over socio-economic impact of innovative and generic medicines continues, it is important to understand what actually has gone wrong with the drug innovation, and what strategies pharmaceutical companies are adopting to continue their growth trajectory. According to the Fischer (2005), generic drugs are identical or within an acceptable bioequivalent range to the brand name counterpart. When generic products become available, the market competition often leads to substantially lower prices for both the original brand name product and the generic forms. The principal reason for the relatively low price of generic medicines is that competition increases among producers which prevent any single company from dictating the overall market price of the drug. With multiple firms producing the generic version of a drug, the profit-maximizing price generally falls to the ongoing cost of producing the drug, which is usually much lower than the monopoly price (Fischer, 2005).

There is growing concern from a competition point of view with regard to the growing trend of mergers and takeovers in the pharmaceutical sector. Over the last couple of years, local pharmaceutical companies have been increasingly targeted by multinationals for both collaborative agreements and acquisition (Stalk and Shulman 2002). While mergers and takeovers have their advantages their anticompetitive effects cannot be ignored. An innovation market consists of the research and development directed to particular new or improved goods or processes, and the close substitutes for that research and development. They may pose a threat for subsequent entry of products by stifling competition at the research and development and product development stage. It is a concern that acquisitions that involve takeover of generic companies may lead to change in priorities of these companies and adversely impact the competition in generic markets.

According to Flaum (2006) the United States of America and European Union competition authorities have reviewed several mergers of large multinational pharmaceutical companies that took place in the last decade. Their reviews examined whether the mergers would reduce competition in research and development, including clinical trials in particular therapeutic areas, as well as whether the mergers would lead to excessive concentration of the markets for particular therapeutic groups and products. The review of the 2004 merger between Sanofi-Synthelabo and Aventis was found to reduce competition in three pharmaceuticals in America. As a condition of the merger, the FTC required divestment of products that were still at the clinical trials stage of development. It required divestment of manufacturing facilities to a competitor (GlaxoSmithKline), and required the companies to help GlaxoSmithKline to complete clinical trials and gain regulatory approval.

2.4 Challenges of competition

Globalization is no longer an abstraction but a stark reality that virtually all firms, large and a small, face. All firms, regardless of their size, have to craft strategies in the broader context of world markets to anticipate, respond and adapt to the changing configuration of these markets. Establishing a clearly defined competitive strategy to provide direction for their efforts was a paramount concern of managers in the '80s. According to Day and Wensley (2008), as competitive pressures became more acute, management recognized that they needed to develop a strategic thrust geared to securing and sustaining a competitive advantage in their served markets. Effective strategy moves were grounded in assessment of the firm's current competitive position and identification of the skills and capabilities affording the most leverage in the light of future market developments. More recently, the validity of traditional approaches to strategy and even the value of strategic thinking have been questioned (Prahalad and Hamel, 2004). The transformation of the competitive landscape by broad-based changes in technology, structural changes impacting industry, the emergence of new sources of competition, and increased environmental concerns, have all led to a re-evaluation of strategic thinking and strategy development. In particular, the changing competitive landscape and increasing turbulent environment suggest the need for new approaches and a broader view of how the organization should respond to changing environmental conditions (Craig and Douglas, 2006).

Technology is rapidly altering the nature of competition and strategy in many industries. The global proliferation of relatively inexpensive computing power and global linkages of computer networks through telecommunications have resulted in an information-rich, computation-rich and communication-rich organizational environment. Telecommunications and computer networks are changing the way in which managers' work and interact, providing links between country-centred organizations, and permitting technology to be rapidly shared and learning transferred throughout the organization. As a result, speed of technological diffusion and change is rapidly increasing Bradley Jerry and Richard (2003). At the same time, the growing technological orientation of many industries and use of computers and telecommunications technology have created greater knowledge intensity and dependency.

The telecommunications revolution has also stimulated major structural changes in industries and organizations. Vertically integrated, centralized organizational systems have given way to decentralized, highly fragmented fluid structures, linked by agreements, contracts and working relationships. This has radically changed the nature and basis of competitive advantage and the economics of doing business. At the same time, traditional industry boundaries and demarcation lines are breaking down as business and technologies fuse or converge (for example, communications and consumer electronics, entertainment and education) and new industries emerge, with as yet no clearly defined boundaries (Gladwin, 2003). Competition is also intensifying, as globalization changes the boundaries of competition and new sources of competition emerge. Information technology has dramatically transformed the costs of doing business and enabled firms to bypass stages in the value chain. Such factors have changed the nature of the value chain in many industries, enabling new and non-traditional competitors to enter the market rapidly and compete effectively.

Concern over the impact of industrial activity on the environment has also heightened, adding to the complexity of doing business in today's world (Keen, 2001). New forms of packaging, demand for recycling, more efficient use of resources, greater responsibility for protecting the environment, limiting toxic waste, as well as educating consumers and developing more "user friendly" products are all compounding the tasks and demands placed on the organization. Increasingly, firms are called upon not only to be environmentally and politically correct, but also to be more responsible in all their activities worldwide. According to Malone and Rockart, (2007) competition influences competitive advantage, and in part determines how readily the firm can achieve economies of scale and scope as well as realize synergies from operation in a multi-country environment.

The interplay of these forces in different geographic areas creates a new complexity as market configurations evolve, taxing the firm's ability to manage far-flung and diverse operations (Birkinshaw and Morrison, 2005). The growing awareness and concern with social responsibility and ethical issues, such as environmental protection and conservation, or consumer rights, require that the firm develop a social conscience, and heed this in shaping its global marketing strategies. At the same time, as customers become more mobile and are exposed to new ideas and patterns of behaviour through the new global media, the diffusion of new products and innovation takes place more rapidly. Rather than first being adopted by opinion leaders and then trickling down to other members of society, innovations are now spreading horizontally across countries and societies (Craig and Douglas, 2006).

2.5 Competitive Strategies

A competitive strategy is the achievement of competitive advantage by a business unit in its particular market. Sidorowicz (2007) views competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. Firms that engage in strategic planning and have appropriately designed and applied competitive strategies tend to have higher performance than those that do not. However, achieving competitive advantage and increased market share in a competitive environment is rather complex in several aspects as businesses would need to operate with distinguished principles and characteristics in order to continually adapt to change. Porter (1985) asserts there are basic business strategies differentiation, cost leadership and focus and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Hlavacka, Dicken, Forsgren and Malmberg 2001).

2.5.1 Differentiation Strategy

Differentiation strategy is usually developed around many characteristics such as product quality, technology and innovativeness, reliability, brand image, firm reputation, durability, and customer service, which must be difficult for rivals to imitate. A firm implementing a differentiation strategy is able to achieve a competitive advantage over its rivals because of its ability to create entry barriers to potential entrants by building customer and brand loyalty through quality offerings, advertising and marketing techniques. Thus, a firm that implements a differentiation strategy enjoys the benefit of price-inelastic demand for its product or service. This would in turn help the firm to avoid potentially severe price competition and allow it to charge premium prices leading to above-normal profits (Porter, 1980).

When using this strategy, a company focuses its efforts on providing a unique product or service (Hlavacka *et al.*, 2001). Since the product or service is unique; this strategy provides high customer loyalty (Porter, 1985). Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. The quality may be real or perceived based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price.

According to McCracken (2002), the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm (McCracken, 2002). To be effective, the message of differentiation must reach the clients, as the customer's perceptions of the company are important and suggest bending the customer's will to match the company's mission through differentiation. When using differentiation, firms must be prepared to add a premium to the cost. This is not to suggest costs and prices are not considered; only it is not the main focus (Hlavacka *et al.*, 2001).

2.5.2 Cost Leadership Strategy

Cost leadership strategy is usually developed around organization-wide efficiency. In order for firms implementing the cost leadership strategy to maintain a strong competitive position and sustain their profit margins for a considerable period of time, they have to place a premium on efficiency of operations in all functional areas (Porter, 1980). Firms that implement a cost leadership strategy are able to secure a relatively large market share by being the lowest cost producers or service providers in their industry or market. By pursuing low costs, companies not only operate efficiently, but also become an effective price leader, undermining competitors' growth in the industry through its success at price war and undercutting the profitability of competitors. If the firm's cost of sale or cost of raw material is lower than its competitors, then the firm can offer lower prices, higher quality, or both (Spulber, 2009 p.356).

Lower costs and cost advantages result from process innovations, learning curve benefits, economies of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs. Lower prices lead to higher demand and, therefore, to a larger market share. As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market. The leader then is somewhat insulated from industry wide price reductions (Porter, 1980). The cost leadership strategy creates little customer loyalty and if a firm lowers prices too much, it may lose revenues.

By innovative best-practice organizational processes, with careful monitoring on purchasing expenditures, application of computer and communications technology in a cost-effective way, trimming of overheard costs and efficient operations, a firm can achieve the cost reduction. Sometimes, cost reduction can also be achieved by outsourcing manufacturing and other services when outside providers offer lower-cost alternatives. The reason for applying the strategy of cost leadership is to obtain the advantage by reducing the economic costs among its competitors (Barney, 2002, p.236). This strategy highlights efficiency. By producing high qualified and standardize products or services, at the same time, with the effects of the economic scale and experience curve, the firm strives to gain a sustainable competitive advantage among its competitors.

2.5.3 Focus Strategy

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001). The firm can choose to focus on a select customer group, product range, geographical area, or service line (McCracken, 2002). It is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. Focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

According to Lahtinen and Toppinen (2006) the focuser selects a segment of group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess a competitive advantage overall. The focus strategy has two variants. In cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segments and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments. Such differences imply that the segments are poorly served by broadly-targeted competitors who serve them at the same time as they serve others.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the method that was used for the analysis of the data and adopts the following structure; research design, population, population description, data collection methods, and data analysis and presentation methods.

3.2 Research Design

Research design specifies a blue print for research (Kibe, 2011). According to Mugenda and Mugenda (1999), research design is the outline plan or scheme that is used to generate answers to the research problems. It is basically the structure and plan of investigation. The research design chosen is therefore dependent on the nature of research being conducted.

The research design for the study was a cross sectional survey, which involved eliciting opinions of the pharmaceutical firms on the competitive strategies adopted. This design provided an insight into research problem by describing the variables of interest. Further, this research design permitted the researcher to make statistical inference on the broader population and generalize the findings to real life situations and thereby increasing the external validity of the study. Cooper and Emory (1985) contend that surveys are more efficient and economical than observations.

3.3 Population of the Study

The population of interest for this research was made up of all multinational pharmaceutical companies operating in Nairobi Kenya. Nairobi area is defined for purposes of this research as the area that is administratively under the jurisdiction of Nairobi City Council. The criteria for this selection was based on the fact that pharmaceutical firms in Nairobi constitute the highest number of firms in one location in the country and the researcher considered that they were able to provide the greatest insight to the strategic marketing tools they use in their business.

3.4 Data collection

The study used primary data which was collected through self-administered questionnaires. The questionnaires were divided into 3 parts. Part A collected data on the demographics of the respondents; part B looked at the competitive strategies adopted by the pharmaceutical firms while part C covered on the challenges being experienced on the competitive strategies adopted by these firms.

The study targeted individuals in these firms charged with the responsibilities of developing and implementing the firms' competitive strategies. The questionnaires were hand delivered to the respondents' offices with a request to fill in the questionnaire in one week. The questionnaires were then collected back. The target respondents were the directors. The survey instrument involved both closed-ended and open-ended questions. The open-ended questionnaire sought to encourage respondents to share as much information as possible in an unconstrained manner while the closed-ended questionnaire had "questions" that could be answered by simply checking a box.

3.5 Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data was collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter classified on the basis of similarity and then tabulated. The responses were then coded into numerical form to facilitate statistical analysis.

The descriptive analysis employed tables, pie charts, percentages, mean and standard deviations to summarize the respondent answers. This method of analysis is most desirable as it enables the researcher to have an insight of the competitive strategies and challenges of competitive strategies by pharmaceutical companies.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to determine the competitive strategies adopted by pharmaceutical companies in Kenya. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of forty two questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the forty two questionnaires issued out, only thirty three were returned. This represented a response rate of seventy nine percent.

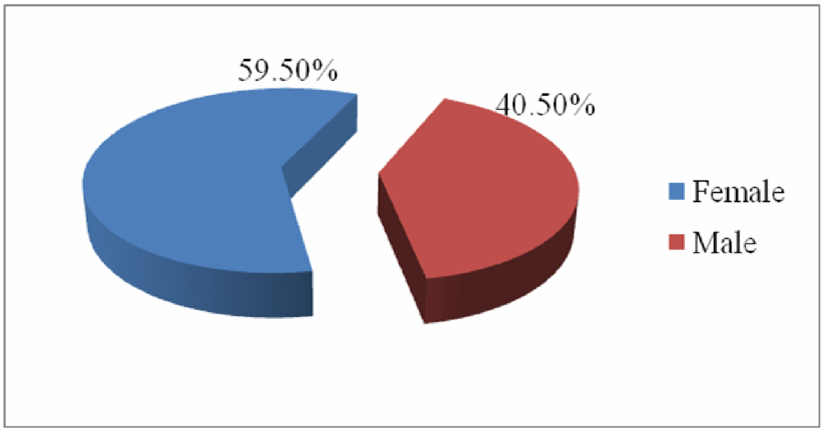
4.2 Demographic and Respondents Profile

The demographic information considered in this study included respondents gender, age bracket, length of continuous service with the company, duration the company has been in existence, level of position in the company and the number of employees in the company.

4.2.1 Respondents Gender

The respondents were asked to indicate their gender and of the 33 respondents, 59.5 percent were female while 40.5% were male.

Figure 1.1 Respondents Gender



Source: Fieldwork, 2012

4.2.2 Respondents Age Bracket

The respondents were asked to indicate their age brackets and the results are as shown in Table 4.1.

Table 4.1: Respondents age bracket

Respondents age bracket	Frequency	Percent
21-30	6	16.7
31-40	16	44.4
41-50	11	38.9
Total	33	100.0

Source: Fieldwork, 2012

The findings on the respondents' age bracket in Table 4.1, was that 44.4% of the respondents were 31 to 40 years old, 38.9% of the respondents were 41 to 50 years old while 16.7% indicated that they were between 21 and 30 years old. The results indicate that majority of the respondents were above 30 years and thus understand the need for distribution strategies in achieving competitive advantage.

4.2.3: Length of Continuous Service

Table 4.2: Length of continuous service

Length of continuous service	Frequency	Percent
Less than 2	3	11.1
2 – 5	11	33.3
6 – 10	16	44.4
Over 10	3	11.1
Total	33	100.0

Source: Fieldwork, 2012

The results presented in Table 4.2 indicate that 44.4% of the respondents had worked in the company for 6 to 10 years, 33.3% of the respondents had worked in the company for a period of 2 to 5 years while 11.1% of the respondents had worked in the company for less than 2 years while another 11.1% indicated that they had worked in the company for over 10 years. The results indicated that majority of the respondents had worked in the firms for a period of over 5 years and thus they understood the competitive strategies being used by their companies to achieve competitive advantage.

4.2.4 Duration of Company Existence

The respondents were asked to indicate the duration in which their company has been in operation and the findings are indicated in Table 4.3.

Table 4.3: Duration of company existence

Years	Frequency	Percent
11-15	7	22.2
16-20	6	16.7
21-25	2	5.6
Over 25	18	55.6
Total	33	100.0

Source: Fieldwork, 2012

Table 4.3 indicates that 55.6% of the pharmaceutical companies had been in operation for over 25 years, 22.2% had been in operation for a period of between 11 and 15 years, 16.7% of the companies had been in operation for 16 to 20 years while 5.6% of the pharmaceutical companies had been in operation for a period of 21 and 25 years. The results indicate that the duration the pharmaceutical companies had been in operation varied and therefore the competitive strategies used to achieve competitive advantage could be different.

4.2.5 Position in the Company

The respondents were asked to indicate the position held in the company and the results are presented in Table 4.4.

Table 4.4: Position in the company

Category	Frequency	Percent
Director	3	11.1
Supervisory staff	9	27.8
Management staff	21	61.1
Total	33	100.0

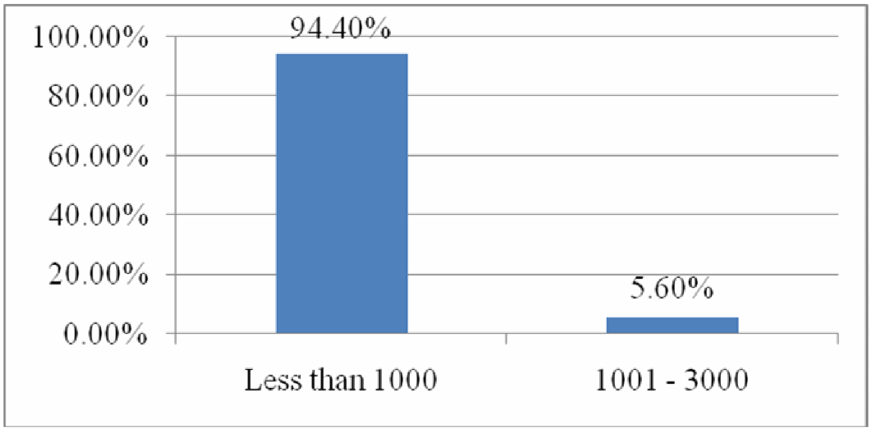
Source: Interviews, 2012

The findings in Table 4.4 indicate that 61.1% of the respondents were management staff, 27.8% of the respondents indicated that they were supervisory staff while 11.1% of the respondents were directors. The results indicate that the respondents were from all the categories of employment in the companies and therefore the results represent the strategies used by the companies to achieve competitive advantage.

4.2.6 Number of Employees

The respondents were asked to indicate the number of employees in their company and the results are presented in Figure 4.2.

Figure 4.2: Number of employees



Source: Fieldwork, 2012

As shown in Figurer 4.2 above, 94.4% of the pharmaceutical companies had less than 1000 employees while 5.6% of the pharmaceutical firms indicated that they had between 1001 and 3000 employees. The results indicate that majority of the companies had less than 1000 employees. The size of the companies deferred and this resulted in the use of different competitive strategies by the companies.

4.3 Competitive Strategies

Competitive strategies are designed for situations where only partial information is available, whereas an optimal solution would require complete knowledge of all circumstances, or of the future. The respondents noted that there existed changes in the environment that had necessitated strategic changes.

4.3.1 Strategy Used

The respondents were asked to indicate the strategies they use and the results are presented in Table 4.5.

Table 4.5: Strategy used

Category	Frequency	Percentage
Reducing the prices of goods in order to attract customers	15	44.4
Offering free samples at times	9	27.8
Ensuring good customer service	9	27.8
Total	33	100.0

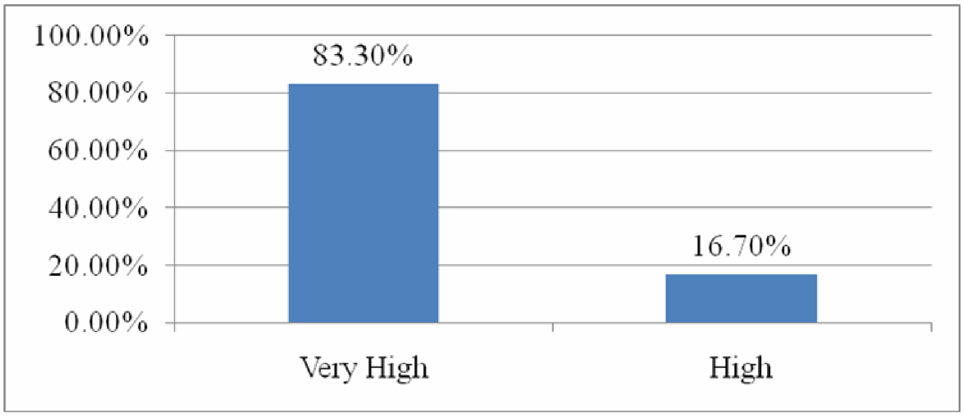
Source: Interviews, 2012

The findings in Table 4.5 indicate that 44.4% of the companies reduce the prices of goods in order to attract customers, 27.8% of the companies offer free samples at times in order to improve competitive advantage while another 27.8% indicated that they ensure they offer good customer service. The results indicate that the companies used various strategies to achieve competitive advantage over competitors.

4.3.2 Industry Competition

The respondents were asked to indicate the state of competition in the industry and the results are presented in Figure 4.3.

Figure 4.3: Industry Competition



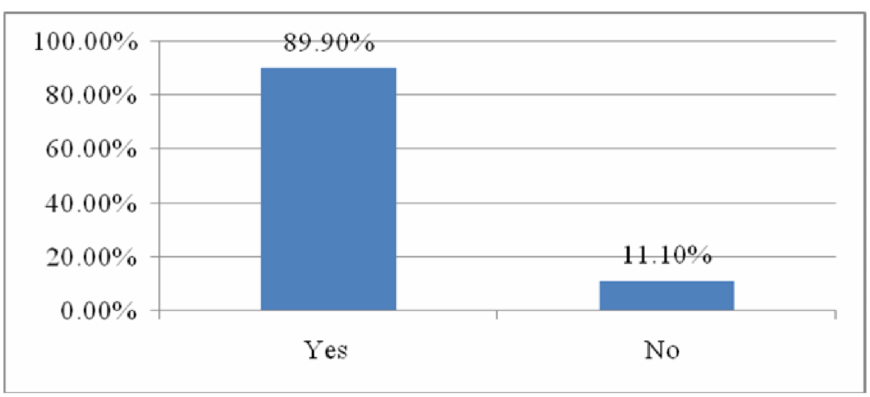
Source: Fieldwork, 2012

The results in Figure 4.3 indicate that 83.3% of the companies consider the state of competition in the industry to be very high while 16.7% of the companies consider the state of competition to be high. The results indicate that the state of competition in the industry is very high and therefore it necessitates the adoption of competitive strategies that would ensure companies achieve competitive advantage.

4.3.3 Strategic Responses

The respondents were requested to indicate if they considered the strategic responses adopted by the company to be adequate.

Figure 4.4: Strategic Responses



Source: Fieldwork, 2012

Figure 4.4 indicates that 88.9% of the companies that responded considered the strategic responses by their firms to competitive environment as adequate while 11.1% of the respondents said that it was not adequate. The results indicate that the strategies which the companies have put in place were adequate to counter the environmental challenges they face. In order to ensure that the companies align themselves to operating environment, the companies ought to listen to the customers and lower prices of some products.

4.3.4 Strategies Relied on by Firms

The respondents were asked to indicate the strategies they relied on in the competitive environment. The results are presented in Table 4.6.

Table 4.6: Strategies relied on by firms

Strategies relied by firms	Frequency	Percentage
The target market of the firm comprises of one or a few market segments only	6	18.2
Target market comprises of several market segments or the market in general	27	81.8
Total	33	100.0

Source: Fieldwork

The findings in Table 4.6 indicate that majority of the companies (81.8%) target market comprises of several market segments or the market in general while 18.2% target market of the firms comprises of one or a few market segments. The results indicate that majority of the companies were targeting the market in general and these was to ensure that their products were available to all customers.

4.3.5 Cost Leadership Strategies

The respondents were requested to indicate the extent to which the pharmaceutical companies used the strategies in a five point Likert scale. The range was 'Not at all (1)' to 'very great extent' (5). The scores of not at all and little extent have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; (0≤ S.E <2.4). The scores of 'moderate extent' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤M.E. <3.4) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; (3.5≤ L.E. <5.0). A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents. The results are shown in Table 4.7.

Table 4.7: Cost Leadership Strategies

Cost Leadership Strategies	Mean	Std. Deviation
The company focuses on providing goods or services at a lower cost than the competitors	3.8333	.7348
The management of the company has a low-cost leadership mindset	3.9562	.8428
The company focuses on providing goods and services at a lower cost than the competitors	3.7329	.5801
The company has a workforce committed to the low-cost strategy	3.5406	.8023
The company outsourced or discontinued any services which they do not have a low cost strategy	3.5158	.7485
The adoption of lowest product or service unit costs by the company withstood competition	3.8889	.8323
The firm has a strategy for continuous search for cost reduction in all aspect of their business	3.6895	.9582
The organization promotional strategy often involves trying to make a virtue out of low cost product features	3.7778	.7602
The company has a market share advantage	4.1025	.8289
The company uses latest technology to minimize its costs	3.9343	.9369
The organization has undertaken business process rationalization	3.5971	.6183
The companies has automated majority of its operations in order to minimize costs	4.3549	.8628

Source: Fieldwork, 2012

The findings in Table 4.7 indicate that the pharmaceutical companies; has automated majority of its operations in order to minimize costs (mean 4.3549), the company has a market share advantage (mean 4.1025), the management of the company has a low-cost leadership mindset (mean 3.9562), the company uses latest technology to minimize its costs (mean 3.9343) and the adoption of lowest product or service unit costs by the company withstood competition (mean 3.8889).

The respondents further noted that the company focuses on providing goods or services at a lower cost than the competitors (mean 3.8333), the organization promotional strategy often involves trying to make a virtue out of low cost product features (mean 3.7778), the company focuses on providing goods and services at a lower cost than the competitors (mean 3.7329), the firm has a strategy for continuous search for cost reduction in all aspects of their business (mean 3.6895), the organization has undertaken business process rationalization (mean 5.971), the company has a workforce committed to the low-cost strategy (mean 3.5406) and that the companies outsourced or discontinued any services which they do not have a low cost strategy (mean 3.5158). The results indicate that the companies use the low cost competitive strategy in order to beat competition.

4.3.6 Differentiation Strategy

The respondents were asked to indicate whether their firms use differentiation strategy as a competitive strategy. The results are presented in Table 4.8.

Table 4.8: Differentiation Strategy

Differentiation Strategy	Mean	Std. Deviation
The company uses reliability, brand image, firm reputation and customer service to differentiate itself from competitors	3.8367	1.2366
The firm been able to achieve competitive advantage over its rivals through building customer and brand loyalty through quality offerings, advertising and marketing techniques	3.8506	.8555
The organization offers a unique service which provides high customer loyalty	3.6473	1.1659
The company has a delivery system that ensures that the organization differentiates itself from the competitors	3.7891	.8401
The organization undertakes aggressive advertisement in order for the message of differentiation to reach the clients	3.7058	.9633
The company innovates new products/services regularly in order to beat competition and gain competitive advantage	3.6556	1.2113

Source: Fieldwork, 2012

The findings indicate that the firms have been able to achieve competitive advantage over rivals through building customer and brand loyalty through quality offerings, advertising and marketing techniques (mean 3.8506), the company uses reliability, brand image, firm reputation and customer service to differentiate itself from competitors (mean 3.8367), the company has a delivery system that ensures that the organization differentiates itself from the competitors (mean 3.7891), the organization undertakes aggressive advertisement in order for the message of differentiation to reach the clients (mean 3.7058), the company innovates new products/services regularly in order to beat competition (mean 3.6556) and the organization offers a unique service which provides high customer loyalty (mean 3.6473). The findings indicate that the pharmaceutical companies were using differentiation strategy. The companies indicated that globalization affected the performance of the pharmaceutical firms

4.4 Challenges of Competition

The respondents were asked to indicate the challenges that affect competition in the pharmaceutical industry. The results are presented in Table 4.9.

Table 4.9: Challenges of Competition

Challenges of Competition	Mean	Std. Deviation
Technology	3.8617	1.2004
Structural changes	3.8333	1.1504
The emergence of new sources of competition	3.6482	.7838
Increased environmental concerns	3.7356	.7253
Rapid product and process innovation	3.8673	.9785
Globalization resulting to expanded boundaries of competition	3.6667	.4850
Transformed costs of doing business	3.5834	.8574
Impact of industrial activity on the environment	3.7139	.9582

Source: Fieldwork, 2012

The findings in Table 4.9 indicate that the challenges of competition in the industry were rapid product and process innovation (mean 3.8673), technology (mean 3.8617), structural changes (mean 3.8333), increased environmental concerns (mean 3.7356), impact of industrial activity on the environment (mean 3.7139), globalization resulting to expanded boundaries of competition (mean 3.6667), the emergence of new sources of competition (mean 3.6482) and transformed costs of doing business (mean 3.5834). The results indicate that the pharmaceutical industry is faced by numerous challenges that necessitate the adoption of competitive strategies that would ensure the companies compete effectively.

4.5 Discussion

The research is consistent with the literature review in chapter two. The study found out that the strategies used by the pharmaceutical firms include; reduction of prices of goods in order to attract customers and offering of free samples at times in order to improve competitive advantage. The study established that the pharmaceutical companies target market comprises of several market segments or the market in general and these would ensure that the company's products are available in a wide market so that they can increase their market share.

The cost leadership strategy was achieved by some firms through automation of its operations to minimize costs, low-cost leadership mindset, use of latest technology to minimize costs, the adoption of lowest product or service unit costs by the companies, provision of goods or services at a lower cost than the competitors, making a virtue out of low cost product features, provision of goods and services at a lower cost than the competitors, having a continuous search for cost reduction in all aspects of their business, undertaking business process rationalization, workforce committed to the low-cost strategy and outsourcing or discontinuation of any services which they do not have a low cost strategy. Firms that implement a cost leadership strategy are able to secure a relatively large market share by being the lowest cost producers or service providers in their industry or market.

The study found out that the use of differentiation strategy would result in a firm achieving competitive advantage over its rivals because of its ability to create entry barriers to potential entrants by building customer and brand loyalty through quality offerings, advertising and marketing techniques. A delivery system that ensures the organization differentiates itself from the competitor’s innovation of new products/services regularly in order to beat competition and gain competitive advantage and offering of unique services which provides high customer loyalty.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter sums up the research findings that lead to conclusions based on the findings. It adopts the following structure; Summary, Conclusion and Recommendations.

5.2 Summary

The study found out that the strategies used by the pharmaceutical firms include; reduction of prices of goods in order to attract customers and offering of free samples at times in order to improve competitive advantage. The study established that the pharmaceutical companies target market comprises of several market segments or the market in general and these would ensure that the company's products are available in a wide market so that they can increase their market share.

The cost leadership strategy was achieved by some firms through automation of its operations to minimize costs, low-cost leadership mindset, use of latest technology to minimize costs, the adoption of lowest product or service unit costs by the companies, provision of goods or services at a lower cost than the competitors, making a virtue out of low cost product features, provision of goods and services at a lower cost than the competitors, having a continuous search for cost reduction in all aspects of their business, undertaking business process rationalization, workforce committed to the low-cost strategy and outsourcing or discontinuation of any services which they do not have a low cost strategy. Firms that implement a cost leadership strategy are able to secure a relatively large market share by being the lowest cost producers or service providers in their industry or market.

The study found out that the use of differentiation strategy would result in a firm achieving competitive advantage over its rivals because of its ability to create entry barriers to potential entrants by building customer and brand loyalty through quality offerings, advertising and marketing techniques. A delivery system that ensures the organization differentiates itself from the competitor's innovation of new products/services regularly in order to beat competition and gain competitive advantage and offering of unique services which provides high customer loyalty.

The pharmaceutical market is dynamic and continually evolving. Firms are continually working on ways of gaining a competitive edge over rivals. Other challenges faced by the pharmaceutical firms were rapid product and process innovation, technology, structural changes, increased environmental concerns, impact of industrial activity on the environment, emergence of new sources of competition, globalization resulting to expanded boundaries of competition, the emergence of new sources of competition and transformed costs of doing business.

5.2 Conclusion

The competition in the pharmaceutical industry is a reality that all firms face and therefore there is need for the firms to craft strategies in the broader context of world markets to anticipate, respond and adapt to the changing configuration of these markets. The competitive strategies adopted by the pharmaceutical firms will in the long run determine the survival of pharmaceutical firms as customers will always look for firms that satisfy their needs. Conversely, with increased consumer understanding, either because consumers are more knowledgeable or because the products are relatively simple, or both, then elements such as price and specific service features may become more important in adding value and achieving competitive advantage.

5.3 Recommendations

The study established that the pharmaceutical firms were adopting various competitive strategies in order to achieve competitive advantage. It is recommended that the firms adopt strategies that would ensure that the production of drugs is maintained at its lowest cost so that they can offer products at the lowest price and achieve competitive advantage over its competitors.

The study established that the industry is faced by various challenges. It is recommended that the firms put in place mechanisms that would ensure that they do not succumb to the challenges facing the industry.

The study found out that the industry is faced by various challenges and in order to succeed the firms have to adopt various strategies. It is recommended that those seeking to venture into pharmaceutical industry have to put all their acts together so that they can increase its market share and be able to compete effectively with the established firms.

5.4 Limitations of the Study

The data for the study was collected through questionnaires. Some of the respondents in the pharmaceutical companies were reluctant to share information for fear that it could reach their competitors. Some of the respondents did not return the questionnaires. Of the forty two questionnaires issued out, only thirty three were returned. This translated to seventy nine percent responses. Since not all the companies responded, there is a possibility that the findings do not fully capture the strategies and the challenges of these firms.

The respondents were assured that the data being collected was to be used entirely for academic purposes and any information they shared was held confidential. This was in response to the fear of giving information as it might end up with rival firms. The questionnaires were filled by people in management positions as they are likely to be more familiar with the firm's strategies.

Most of the pharmaceutical companies in Kenya originate from other countries. It would be important to establish how this affects strategy choice. Decisions made by mother companies could dictate the strategies to be adopted and not necessarily the local market dynamics. It would help to know if these firms could choose other strategies were it not for the influence of their mother companies located in foreign countries.

5.4 Recommendations for Further Research

The study confined itself to the pharmaceutical firms operating in Kenya and the findings may not be applicable in other sectors as a result of uniqueness of pharmaceutical industry. It is therefore recommended that the study is replicated in other sectors to establish determine the competitive strategies used.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 10/9/2012

TO WHOM IT MAY CONCERN

The bearer of this letter SIMON MBAYEH

Registration No. D61/60569/2010

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
19 OCT 2012
MBA OFFICE
P.O. Box 30197 - 00100, NAIROBI

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

APPENDIX II: QUESTIONNAIRE

Please give answers in the spaces provided and tick (√) the box that matches your response to the questions where applicable.

SECTION ONE: PERSON AND ORGANISATION PROFILE

1) Name of pharmaceutical company: ____

2) Gender? (tick as appropriate)
   a) Female ( ) b) Male ( )

3) What is your age bracket? (Tick as applicable)
   a) Under 20 years ( )
   b) 21 – 30 years ( )
   c) 31 – 40 years ( )
   d) 41 – 50 years ( )
   e) Over 50 years ( )

4) Length of continuous service with the company? (Tick as applicable)
   a) Less than two years ( )
   b) 2-5 years ( )
   c) 6-10 years ( )
   d) Over 10 years ( )

5) For how long has your company been in existence?
   a) Under 5 years ( )
   b) 6 – 10 years ( )
   c) 11 – 15 years ( )
   d) 16 – 20 years ( )
   e) 21 - 25 years ( )
   f) Over 25 years ( )

6) Which category best describes your position in the organization:

   a) Director ( )

   b) Supervisory Staff ( )

   c) Management Staff ( )

   d) Other (Please State) ________________ ( )

7. How many employees does your organization have currently?

   a) Less than 1000 ( )

   b) 1001 – 3000 ( )

e) Over 3000 ( )

PART B: Competitive strategies

1. Are there changes in the environment which have occurred that necessitate strategic change? Yes ( ) No ( )

2. Which type of strategy does your company use?

Reducing the prices of goods in order to attract customers	
Offering free samples at times	
Improving goods quality before selling	
Ensuring good customer service	

3. What are some of the strategies you use to attract customers and retain them?..
....
....

4. How would you rate the state of competition in the industry?

Very high ( ) High ( ) Fair ( ) Low ( ) Very low ( )

5. Do you consider the organization's strategic responses to competitive environment as adequate? Yes ( ) No ( )

6. In your view, what actions should your organization take to strategically align itself to the operating environment in order to enhance customer satisfaction?..
....
....
....

7. a.) Focus

Which of the following strategies does your firm rely on? (Tick one only)

The target market of your firm comprises of one or a few market segments only. ( )

Your target market comprises of several market segments or the market in general. ( )

To what extent do you agree on the usage of the following strategies to compete? Use a scale of 1 – 5 with; 1- Not at all, 2 – Little extent, 3 – Moderate extent, 4 – Great extent and 5 – Very great extent.

b) Cost leadership

STRATEGIES	1	2	3	4	5
The company focuses on providing goods or services at a lower cost than the competitors					
The organization has sustained capital investment and access to capital					
The management of the company has a low-cost leadership mindset					
The organization is keen on economies of scale and scope					
The organization has a workforce committed to the low-cost strategy					
The organization outsourced or discontinued any services which they do not have a low cost strategy					
The organization offers incentives based on meeting strict, usually quantitative targets					
The adoption of the lowest product or service unit costs by the organization withstood competition					
The organization has a research and development that it heavily invests in					
The firm has a strategy for continuous search for cost reduction in all aspect of their business					
The organization promotional strategy often involves trying to make a virtue out of low cost product features					

The company has a market share advantage					
The company uses latest technology to minimize its costs					
The organization has undertaken business process rationalization					
The organization has automated majority of its operations in order to minimize costs					
The organization has a tight cost control					
The organization has a continuous improvement and benchmarking orientation					
The organization has low cost distribution system					
The organization has global online suppliers providing automatic restocking orders based on sales					

8. Differentiation

STRATEGIES	1	2	3	4	5
The company gives a lot of focus on product attributes like features, complexity and timing of introduction					
The firm been able to achieve competitive advantage over its rivals through building customer and brand loyalty through quality offerings, advertising and marketing techniques					
The organization offers a unique service which provides high customer loyalty					
The organization has personnel skilled in pharmaceutical marketing (sales and operations)					
The organization undertakes aggressive advertisement in order for the message of differentiation to reach the clients					
The organization has a committed research and development with strong capabilities					
The company innovates new products/services regularly in order to beat competition and gain competitive advantage					
The organization has a corporate reputation on quality					
The organization has a tradition of closeness to its key customers					

Part C: Challenges of competition

1. Does globalization affect the performance of your firm in the manufacturing and distribution of drugs?

   Yes ( ) No ( )

2. To what extent does your firm encounter each of the following challenges in applying its competitive strategies? Rate on a 5 – point scale, where 1 – Not at all, 2 – Little extent, 3 – Moderate extent, 4 – Great extent and 5 – Very great extent

CHALLENGES	1	2	3	4	5
Technology					
Structural changes impacting industry					
The emergence of new sources of competition					
Increased environmental concerns					
Rapid product and process innovation					
Globalization changes the boundaries of competition					
Dramatically transformed costs of doing business which has enabled firms to bypass stages in the value chain					
Impact of industrial activity on the environment					
Regulatory bodies and litigations					

Thank you for participating in this survey.

APPENDIX III: LIST OF PHARMACEUTICAL COMPANIES

1. Astra Zeneca
2. Bayer
3. Beijing Holley Cotec
4. Beta Healthcare International
5. Boeringer Ingelheim
6. Cadila Pharmaceuticals
7. Glaxo Smithkline
8. Glenmark
9. Mepha
10. Pharmathen
11. Dafra Pharma
12. Teva
13. Bioplazma
14. Ivax
15. Actavis
16. Kamada
17. Sanofi Aventist
18. Cipla
19. Life Pharma
20. Merck
21. Avenco
22. Reckitt Beckinser
23. Baxter
24. Novo Pharma

25. Norbrook
26. Novartis
27. Pfizer
28. Sun pharmaceuticals
29. Prisma Pharma
30. Ranbaxy
31. Roche products
32. Sanofi Pasteur
33. Syner med Pharma
34. Cosmos
35. Innotech
36. Jansen Cilag
37. Servier
38. UCB
39. Sai
40. Ochoa
41. Surgi Links
42. Orchid