

**STRATEGIES ADOPTED BY COSMOS LTD TO CHANGING EXTERNAL  
ENVIRONMENT**

**BY**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS  
ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**SEPTEMBER, 2011**

## **DECLARATION**

### **STUDENT'S DECLARATION**

This research project is my original work and has not been presented for a degree at any other university.

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

### **SUPERVISOR'S DECLARATION**

This research project has been submitted for examination with my approval as the candidate's University Supervisor.

**Name: Jeremiah Kagwe**

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

## **DEDICATION**

This study is dedicated to my loving family.

## **ACKNOWLEDGEMENT**

I thank the Almighty God for His guidance and providence which enabled me to undertake this project that was too involving in terms of time and resources.

I wish to express my sincere appreciation to my family for their understanding and support during the project.

Lastly, I would also like to express my sincere thanks to the supervisor Mr. Jeremiah Kagwe for having agreed to supervise this research paper and their patience in reading the drafts and occasionally guiding me, without which the research would not have been a reality.

## **ABSTRACT**

The environment in which organizations operate is constantly changing with different factors influencing them. Industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changed environment. They adopt strategies such as improved customer services, credit facility, post-paid cards and provision of convenience goods and services. Rapid technological change has created a new business environment where innovation has become a top competitive strategy. Environmental analysis is concerned with examining those forces not under the direct control of the organization or its industry but which can profoundly influence the industry and organizations within the industry. Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Misdiagnosing the industry factors critical to long-term competitive success greatly raises the risk of misdirected strategy. Issue management in the pharmaceutical industry demand that companies should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved. Cosmos Ltd is one of the largest pharmaceutical manufacturing companies in Kenya and in the region. Its products are used across the region. The objectives of this study were: to identify the challenges posed to Cosmos Ltd by the changing external environment in the pharmaceutical industry in Kenya: to determine the strategies adopted by Cosmos Ltd to meet the changes of the changing environment. Business firms are in a constant two way interaction with the environment. They receive an assortment of resources from the environment and after a transformation, deliver them back to the environment in the form of goods and services. The research design adopted is a case study. The primary purpose of a case study was to determine factors and relationships among the factors that have resulted in the behavior under study. An interview guide with open-ended questions was used to collect in depth information from the senior management staff in the firm. The data collected using interview guides which is qualitative in nature, was analyzed using conceptual content analysis which is the best suited method of analysis. The company used sales people to sell the drugs to the doctors. The company used the retails chemists and different hospitals whereby the doctor would prescribe what is price friendly with the high class segment. The effect of the company focusing more on the sales force than on any other promotional method was the firm incurred less cost. The study concludes that Cosmos Ltd used sales people to sell the drugs to the doctors. The company came up with products of different economic classes of people thus was able to serve it clients in the best way thus increasing the sales as it improved everyone. The study deduced that Cosmos Ltd devised ways to market each set of segment. Cosmos Ltd increased its investment in research and development. It had expanded the market so as to reach the global market. The study recommends Cosmos Ltd to use sales people to sell the drugs to the doctors. The firm need to partner with as many hospitals as possible both private and public hospitals to be able to provide a wide range of medical services. The firm needs to adopt supply chain management strategies and vigorous advertising in response to the changing environment. Cosmos Ltd increased its investment in research and development.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

The environment in which organizations operate is constantly changing with different factors influencing them. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their strategies Pearce and Robinson (2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves Kotler (2000).

Industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changed environment Aosa (1982). They adopt strategies such as improved customer services, credit facility, post-paid cards and provision of convenience goods and services. Rapid technological change has created a new business environment where innovation has become a top competitive strategy. Ansoff and McDonnell (1990), echoes this by observing that increased competition has created fundamental shift in economic environment whereas no organization can hope to stay afloat if it fails to come up with proper strategic responses. Terminologies such as retrenchment, mergers, rightsizing and cost reduction have become a routine for survival means.

Environmental analysis is concerned with examining those forces not under the direct control of the organization or its industry but which can profoundly influence the industry and organizations within the industry. Analysis of the environment is a critical component of strategic management because it produces much of the information required to assess the outlook for the future. The environment being of significant source of change (Byars, Rue & Zahra 1996), points that some organizations become victims of change, while others use change to their advantage. Organizations are more likely to be able to turn change to their advantage if they are forewarned and this forms the major purpose of the environmental analysis process.



### **1.1.1 Concept of Strategic Responses**

Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. The three areas of a company strategy that are important in identifying the responses of a firm to its environmental challenges (Lowes *et. al.*, 1994), include objective setting, the vision and mission of the company, competitive strategy where after considerations of the firm's competitive strengths and weaknesses vis-à-vis competition and customer needs, the company establishes a position of competitive advantage. In 1990, Ansoff and McDonnell noted that strategic responses involve changes in the firm's strategic behaviour to assure success in transforming future environment.

Strategic responses are defined by Pearce and Robinson (1997), as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. In 1998, Porter's views of operational responses are as part of a planning process that coordinates operational goals with those of the larger organization. Hence, operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy.

In 1998, Burnes asserted that the concern in real time responses is to minimize the sum to total losses and restore profitability to ensure organization's success in a turbulent and surprising environment. According to Hill and Jones (2001), they state that by planning, an organization is able to identify the problems and plan how to solve them by using appropriate strategies. Kenya ports authority plans are centred around the Port Master Plan which focuses on making the port a landlord Port.

### **1.1.2 The Changing Organizational Environment**

An organization's external environment as defined by Pearce and Robinson (2005), all those factors beyond the control of the firm that influence its choice of direction, action, organizational structure and internal processes. The environment is what gives organizations their means of survival (Johnson, Scholes and Whittington) 2008. However, the environment is also the source of threats and environmental change can be fatal. It is therefore vital that managers analyze their environments carefully in order to anticipate and if possible, influence environmental change.

Environment has been characterized as complex, dynamic, multi-facet and having far reaching impact Kazmi, (2002). As a result of these characteristics, the environment is composed of various factors, events, conditions and influence which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character. A fundamental change is occurring in the world economy whereby the world economies are witnessing the forces of globalization and liberalization of trade. The phenomenon of globalization, according to Hammond and Grosse (2003), refers to “the fact that people around the world are becoming more and more knowledgeable about each other”.

To survive in a dynamic and highly competitive business environment, different organizations have had to engage various strategies. Pearce and Robinson (2005), note that there is need to adopt new strategies that match the challenges from the environment. Ansoff and McDonnell (1990) asserts that the management system used by a firm is a determining component of the firm’s responsiveness to environmental changes because it determines the way that management perceives the environment, diagnosis their impact on the firm, decides what to do and implements the decisions.

It is important to note that no two organizations face exactly the same external environment. Hence the analysis of the external environment must be tailored specifically for the organization for which strategy is to be formulated. The relationships, events, and conditions that make the unique environment of any organization are not static. Some of these environmental changes are so fundamental that they may affect long-term survival of an organization, while others are only temporary and may be ignored. The dynamic nature of the environment means that environmental assessment must be continuous avers (Porter, 1998). Organizations are not helpless in the face of environmental forces, but certainly some aspects of environmental changes are more amenable than others to control or influence.

### **1.1.3 The Pharmaceutical Industry in Kenya**

Kenya has a well-developed pharmaceutical industry, manufacturing a wide range of products. The industry is dominated by foreign firms which were established to tap the Kenyan and regional markets. Exports of pharmaceutical products increased rapidly after 1982 due to the greater accessibility of the Eastern and Southern African market. By the late 1980s, exports to

neighbouring countries accounted for more than 51) per cent of Kenyan pharmaceutical exports, with Tanzania and Uganda alone taking 40 per cent.

Kenyan pharmaceutical exports faced stiff competition from European traders and manufacturers who had long-established contacts in the regional market. Some of the Kenyan firms, however, have been able to penetrate markets in Eastern Europe, the Middle East and the Far East. The range of products manufactured by Kenyan firms includes capsules, injections, creams, syrups, suspensions, suppositories, antibiotics, analgesics, antacids, diuretics, glycotoids, haemopoietics, hormones, hypnotics, sedatives, tranquillizers, catenotronics, vitamins, anti-malarials, anti-amoebics, anti-spasmodics and chemotherapeutics. However, the country still imports large amounts of these drugs. Only about 30 per cent of total annual requirements was produced locally. Capacity utilization varied widely within individual factories for particular products as well as between firms. Foreign firms' capacity utilization was about 80 per cent and 65 per cent for locally owned firms.

#### **1.1.4 Cosmos ltd**

Cosmos ltd was incorporated in Kenya in 1976 by an Asian family led by Prakash K. Patel, an experienced pharmacist and managing director of an old local pharmaceutical distributor, E.T. Monks & Co. Limited. The firm started manufacturing in 1977 on a small scale and moved cautiously in the establishment of a larger manufacturing facility and building up manpower. It later expanded its shareholding to include other Kenyan Asian entrepreneurs. By 1984, Cosmos ltd had acquired significant experience in the pharmaceutical industry, which enabled it to undertake a major investment project. The project, which involved construction of a pharmaceutical plant, was completed in 1985. The company has a wide range of products.

#### **1.2 Problem Statement**

The development of marketing is influenced by the development of society and its economy. Social and economic conditions largely influence the direction in which marketing evolves. Hence, marketing must continuously make the adaptation necessary to meet the changing needs of the target customers. The business environment within which the manufacturing pharmaceutical industry operates has been very volatile. The business environment within which the manufacturing pharmaceutical industry operates has been very volatile. The political anxiety, competition from the entrants, social reforms, technological advancement and global changes are

some of the challenges that have greatly affected the growth of the industry. The dynamism of the pharmaceutical environment in the current times is posing a lot of challenges to all pharmaceutical companies. It is only those pharmaceutical companies that are able to adapt to the changing environment and adopt new ideas and ways of doing business that can be guaranteed of survival. Porter (1998) asserts that the forces of change that have greatly influenced the pharmaceutical industry are intense competition, globalization and technological advancement.

However, misdiagnosing the industry factors critical to long-term competitive success greatly raises the risk of misdirected strategy. Issue management in the pharmaceutical industry demand that companies should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved. Given the level of challenges facing firms in the pharmaceutical industry in Kenya, it is important that studies be done to determine the strategies companies that manufacture generic drugs such as Cosmos Ltd employ to survive the turbulent environment.

Cosmos Ltd is one of the largest pharmaceutical manufacturing companies in Kenya and in the region. Its products are used across the region. Cosmos ltd is company that thrives on efficiency of its operations (Ministry of Health, 2008). The company was given a certificate to manufacture antiretroviral drugs by GSK after it evaluated its production plants and found the plant meeting its conditions for the award of the certificate. This distinctive feature is the motivation behind carrying out a study on the firm.

Previous research on strategic responses by Kenyan companies have been undertaken, for example, Abdullahi (2000), carried a research on strategic responses adopted by Kenyan insurance companies and found that most companies do not have a clear cut strategic approach. Numerous other studies have also been carried out in the area of strategic responses but non of them have specifically centered on Cosmos Ltd (Njau, 2000; Kandie, 2001; Thiga, 2002; Goro, 2003; Kiptugen, 2003; Mugunde, 2003; Mugambi, 2003). It is in this light that the researcher seeks to fill the existing gap in this area of study by answering the question: what strategic responses to changing environment does Cosmos Ltd adopt in Kenya.

### **1.3 Objectives of the study**

The objectives of this study were;

- i. To identify the challenges posed to Cosmos Ltd by the changing external environment in the pharmaceutical industry in Kenya.
- ii. To determine the strategies adopted by Cosmos Ltd to meet the changes of the changing environment.

#### **1.4 Importance of the study**

This study would be of value to the Management team of Cosmos Ltd in Kenya as a reference point for competitive strategy being put in place, both present and future, that would ensure that Cosmos Ltd adopts and implements different competitive strategies.

The findings of this study would also of significance to the pharmaceutical industry in Kenya, which is directly affected by the dynamic business environment and competition.

The government and corporate policy makers interested to know the impact of a dynamic environment in respect to the competitiveness of manufacturing pharmaceutical companies would also find this study useful in that respect.

Scholars would use this study as a basis for further research in the same area/or related field and for teaching in universities and other institutions of higher learning.

## **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 strategy, external environmental changes, environmental economic factors, social factors, political/legal factors, technological factors, ecological factors (PESTEL), environment and strategy, strategic responses, competitive strategies, diversification strategies, focus strategies, operational strategies, differentiation strategies and empirical studies.

#### **2.2 Concept of Strategy**

Strategy according to Johnson and Scholes (2002) is 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 and fulfills stakeholders' expectations. Strategy is certainly applicable when threats emanate from the more general environment, strategy analysts earn their stripes in circumstances in which rivals contest head to head. This is the fertile ground of strategy; the point-counterpoint of market competition. Strategy is about competition and the means by which an organization tries to gain a competitive advantage Porter (1998). Porter describes a category scheme consisting of three general types of strategies that are commonly used by businesses. The three generic strategies are as follows: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market to be targeted. Porter simplifies the scheme to the three best strategies: cost leadership, differentiation, and market segmentation. Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope. According to Boseman and Phatak (1989), 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.

### **2.3 Environmental Changes**

As Ansoff and McDonnell (1990) argued, business firms are in a constant two way interaction with the environment. They receive an assortment of resources from the environment and after a transformation, deliver them back to the environment in the form of goods and services. In today's global environment, change rather than stability is the order of the day. Increased trade liberalization reduces country-based trade barriers, thus increasing the opportunity for cross-border entry. If new entrants have adopted new technologies and/or developed more efficient business operations systems, the competitive intensity will increase pressure of existing industry to internationalize by weakening their competitive position. To be successful overtime, an organization must be in tune with its external environment. The speed or response time to the environmental challenges has been identified as a major source of competitive advantage for numerous firms in today's intensely competitive global economy (Pearce and Robinson 2005). The environment is important and an organization has to respond to its dynamism, heterogeneity, instability and uncertainty (Thompson, 2005).

Economic factors concern the nature and direction of the economy in which a firm operates (Pearce and Robinson, 2005). Since consumption patterns are affected by the relative affluence of various market segments, each firm must consider economic trends in the segments that affect its industry. Thompson (2005) Some of the economic factors on both national and international level that managers must consider include general availability of credit, the level of disposable income, the propensity of people to spend, interest rates, inflation rates, and trends in the growth of the gross national product. The economic conditions affect how easy or hard it is for a firm to be successful and profitable at any time. A firm must therefore include these factors in its strategy formulation.

The social factors that affect a firm involve the beliefs, values attitudes, opinions and lifestyles of persons in the firms' external environment, as developed from cultural, ecological, demographic, religious, educational, and ethnic conditioning (Pearce and Robinson, 2005). As social attitudes change so too does the demand of various types of products. Like other forces in the external environment, social factors are dynamic with constant change resulting from efforts of individuals to satisfy their desires and needs by controlling and adapting to environmental factors. Dynamic social forces can significantly influence the demand for an organization's

products or services and can alter its strategic decisions (Thompson, 2005). For managers, informed judgment of the impact of changes in social; cultural factors are paramount.

Political factors affect the operating environment of organizations. Pearce and Robinson (2005), reckon that, the direction and stability of political factors are a major consideration for managers on formulating company strategy. Political factors define the legal and regulatory parameters within which firms must operate. Political constraints are placed on firm's fair trade decisions antitrust laws, tax programmes, minimum wage legislation, pollution and pricing policies and administrative regulations. Thompson (2005) avers the activities of the state through its legislature and law enforcement agencies impinge considerably on organizations. Some are meant to protect the firm and they include patents laws, government subsidies etc.

Pearce and Robinson, (2005) observed that a technological breakthrough can have a sudden and dramatic effect on a firms' environment. It may spawn new markets and products or significantly shorten the anticipated life of a manufacturing facility. Hence, for a firm to stay successful, it must strive to understand both the existing technological advances that can affect its products and services. The ability to forecast future technological advances helps alert strategic managers to both impending challenges and promising opportunities. Thompson (2005) states that organizations which want to maintain a competitive advantage have to be ready to adopt and adapt technological developments to their production and administrative procedures in order to stay ahead. A study by Stewart and Champion (2007) found out that small enterprises in Ghana adapted to the competitive environment as a result of Structural Adjustment Programmes (SAPs), by altering their product mixes. This enabled these firms to compete with imports. Changes in product mix were prevalent in those sectors whose products were more vulnerable to competition from standardized imports. Systems delay typically occurs in large firms due, in part, to the time consumed in observing, interpreting, collating and transmitting information to responsible managers. In another part, it is 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 (Powell, 1995). They will opt for waiting a little longer to see if the threat will 'blow itself out.'

Ecology as Pearce and Robinson (2005) define is the relationship among human beings and other living things and the air, soil and water that support them. Specific concerns in this area include



global warming, loss of habitat, and biodiversity as well as air, water, and pollution. Firms are increasingly being called upon to pay attention to this by protecting the environment. They further observed that despite cleanup efforts, the job of protecting the stakeholders is entrusted on the organizations. Hence any effort to attain success through competitive advantage must be fully aware of all the external environmental factors and their impact on the day to day operations of the business.

## **2.4 Environment and Strategy**

According to Johnson and Scholes (2002), 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 are no different from other individuals in the way they cope with complexities; they 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.

## **2.5 Strategic Responses**

According to Porter (1998), strategy is about competition and the means by which an organization tries to gain a competitive advantage. Pearce and Robinson (2005) states knowledge of these underlying sources of competitive pressure provides the ground work for strategic agenda of action. The highlight of the critical strengths and weaknesses of the company, animate the positioning of the company in its industry, clarify the areas of strategic changes and may yield the greatest payoff. Porter (1998) argues that developing competitive strategies involves development of a broad formula on how a firm is going to compete, what are the goals and policies or tactics necessary for achieving the goals. Competitive strategy includes actions or attempts by a firm to attract customers, retain them, withstand competitive pressures and strengthen its market positions and is aimed at gaining competitive advantage. Porter expressed the key aspects of firm's competitive strategies in what he referred to as the "wheel of

competitive strategies”. The company’s corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is a very important link between corporate-level and business level. According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise.

Diversification strategy is the process of entering new business markets with new products. Such efforts may be undertaken either through acquisitions or through extension of the company's existing capabilities and resources (Smith, 2003). Diversification is meant to be the riskiest of the four strategies to pursue for a firm. According to him, diversification is a form of growth strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit (Ansoff 1998). According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise.

A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovative product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger. Business unit strategy is about how to compete successfully in particular markets”. According to Johnson and Scholes (2002), operational strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people. Even though strategies may be focused on a given function, as often as not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

Differentiation strategy is an approach under which a firm aims to develop and market unique products for different customer segments. Differentiation strategy is one of Porter's key business strategies. When using this strategy, a company focuses its efforts on providing a unique product or service. Since the product is unique, this strategy provides high customer loyalty (Porter, 1998). Pearce and Robinson (2005) contend that strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. Product differentiation fulfils a customers' need and involves tailoring the product or service to the customer. This allows the organization to capture the market share.

Strategic responses to a changing competitive environment therefore entail substantial changes to organization long term behaviour. This adaptation may be gradual or revolutionary depending on the nature and circumstances facing the organization. Locally, Sheikh (2000) conducted a study on strategic response by insurance companies following liberalization and concluded that the companies in the industry consider strategic plans to be important. Kandie (2001) studied the strategic response of Telkom Kenya in a competitive environment and found that financial constraints and lack of managerial empowerment has limited the capability to respond to the environmental changes. Isaboke (2001) investigated the responses of the oil companies in Kenya to the threats of the new entrants. Response included a combination of generic strategies and lobbying for a level playing ground.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology that was used to carry out this study. The chapter presents the research design, data collection method and instruments and data analysis.

#### **3.2 Research Design**

The research design adopted is a case study. Dooley (2007) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. This research was conducted through a case study since it is a research on one organization. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study was to determine factors and relationships among the factors that have resulted in the behavior under study. Since this study sought to investigate the strategies adapted by Cosmos Ltd to changing external environment, a case study is chosen because it enables the researcher to have an in-depth understanding of the strategies to changing environment. The importance of a case study is emphasized by Kothari (2000) who both acknowledge that a case study is a powerful form of qualitative analysis that involved a careful and complete observation of a social unit, irrespective of what type of unit is under study.

#### **3.3 Data Collection**

An interview guide with open-ended questions was used to collect in depth information from the senior management staff in the firm. This enabled oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data. This involved in-depth discussion through individual meetings with the senior managers. With unstructured questions, a respondent's response gave an insight to the respondent's feelings, background, hidden motivation, interests and decisions and gave as much information as possible without holding back (Asika, 1991). Copper and Schindler (1998), emphasize the value of personal interview when they stated that it enables in depth and detailed information to be obtained.

### **3.4 Data Analysis**

The data collected using interview guides which is qualitative in nature, was analyzed using conceptual content analysis which is the best suited method of analysis. Content is defined by Creswell (2003) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2000), content analysis uses a set of categorization for making valid and replicable inferences from data to their context.

## **CHAPTER FOUR**

### **DATA ANALYSIS RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on to establish the strategies adopted by Cosmos Ltd to changing external environment. The data was gathered exclusively from the interview guide as the research instrument. The questionnaire was designed in line with the objectives of the study.

#### **4.2 Response Rate**

The study targeted the senior management staff in the firm in collecting data with regard to the strategies adopted by Cosmos limited to changing external environment. An interview guide with open-ended questions was used to collect in depth information which enabled oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data.

#### **4.3 Research Findings**

The study sought to find out the gender of the respondents. From the findings, 58% of the respondents were male while 42% of the respondents were female. This implies that the researcher was not gender biased when interviewing the respondents.

The study sought to find out the highest academic qualification. According to the findings, most of the respondents had a degree, few had a master's graduate and only one had a post graduate degree.

##### **4.3.1 Challenges posed to Cosmos Ltd by the changing external environment**

The organization faced competition challenges from other pharmaceutical companies in Kenya and those outside Kenya. Knowledge of these underlying sources of competitive pressures highlights the critical strengths and weaknesses of the company animates its positioning in the industry, clarifies areas where strategic change may yield the greatest pay off and highlights the areas where industry trends promise to hold the greatest significance as either opportunity or threats.

Globalizations have also been a challenge to Cosmos Ltd. The organization has to develop strategies that will enable it fit within the environment it operates in. This is necessary because the environment is dynamic, multi-faceted and complex; as a result of which the organization have to plan how to respond to the challenges posed by it. It can either plan on how to cope with the many changes brought about by the environment or handle them as they emerge.

#### **4.3.2 Strategies adopted by Cosmos Ltd to meet the changes of the changing environment**

The company used sales people to sell the drugs to the doctors. This strategy was more effective and as a result more sales were made. The firm partners with private and public hospitals to provide a wide range of medical services. These hospitals include Kenyatta National hospital and Nairobi hospital. Through both public and private hospitals Cosmos Ltd is able to serve its clients and also to reach them.

The study sought to find out the effects of the company dividing the consumers into different segments. This helped the customers to be able to purchase the medicines according to the economic class they belonged to. The company was able to come up with products of different economic classes of people. Due to this, the firm was able to serve it clients in the best way thus increasing the sales as it improved everyone

The company devised ways to market each set of segment. It used the retails chemists and different hospitals whereby the doctor would prescribe what is price friendly with the high class segment.

The effect of the company focusing more on the sales force than on any other promotional method was the firm incurred less cost. This made the firm's products to be less expensive as compared to other firms.

Supply chain management strategies adopted by the firm in response to the changing environment were use of retails and wholesalers.

The effect of vigorous advertising adopted by the company in response to the changing environment was use of sales people, media advertisement and free samples given to different hospitals. This helped to enlighten the clients on the new products thus increased sales.

The effect if the firm increased its investment in research and development would be increased product development, innovation adapted, good communication and increase in sales which will eventually increase the profits.

The company had expanded the market so as to reach the global market. This was more effective in enhancing success in the changing environment. Due to this it has increased its sales since the market population has increased.

The supplies and production management were adopted as a response to in the changing environment. Production management has enabled the firm to produce user friendly and improved products. It also enabled the firm to produce products at a lower cost. Supplies management has enabled the firm to market and sell its products globally thus increasing sales.

#### **4.4 Discussion**

The study found that for a firm to remain vibrant and successful in the long run, it must make impact assessment of the external environment, doing the job efficiently was the central theme for the changing environment. The study was also consistent with the findings of Pearce and Robinson (2005), who noted that there is need to adopt new strategies that match the challenges from the environment. Ansoff and McDonnell (1990) who asserted that the management system used by a firm is a determining component of the firm's responsiveness to environmental changes because it determines the way that management perceives the environment, diagnoses their impact on the firm, decides what to do and implements the decisions.



## **CHAPTER FIVE**

### **SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to investigate the strategies adopted by Cosmos limited to changing external environment.

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

The study aimed at investigating the strategies adopted by Cosmos ltd to changing external environment. 58% of the respondents were male while 42% of the respondents were female. Most of the respondents had a degree, few had a master's graduate and only one had a post graduate degree. The company used sales people to sell the drugs to the doctors. The firm partners with private and public hospitals to provide a wide range of medical services. Dividing the consumers into different segments helped the customers to be able to purchase the medicines according to the economic class they belonged to. The company used the retails chemists and different hospitals whereby the doctor would prescribe what is price friendly with the high class segment. The effect of the company focusing more on the sales force than on any other promotional method was the firm incurred less cost. Supply chain management strategies adopted by the firm in response to the changing environment were use of retails and wholesalers. Vigorous advertising adopted by the company in response to the changing environment increased the firm's sales. Increased investment in research and development lead to product development, innovation adapted, and good communication. The company had expanded the market so as to reach the global market. The supplies and production management were adopted as a response to in the changing environment.

#### **5.3 Conclusions**

The study concludes that Cosmos ltd used sales people to sell the drugs to the doctors. The firm partnered with private and public hospitals to provide a wide range of medical services. The company divided the consumers into different segments thus helping the customers to be able to

purchase the medicines according to the economic class they belonged to. The company came up with products of different economic classes of people thus was able to serve its clients in the best way thus increasing the sales as it improved everyone.

The study deduced that Cosmos Ltd devised ways to market each set of segment. It focused more on the sales force than on any other promotional method thus reduced the cost. The firm adopted supply chain management strategies and vigorous advertising in response to the changing environment which were use of retails and wholesalers. Cosmos Ltd increased its investment in research and development. It had expanded the market so as to reach the global market. This enhanced success in the changing environment. The firm also adopted supplies and production management as a response to in the changing environment. There was an increase in sales which lead to increase profitability of the firm.

#### **5.4 Recommendations**

The following paragraphs discuss the main recommendations from this study: -

##### **5.4.1 Recommendations to Cosmos Ltd**

COSMOS Ltd should employ sales people to sell the drugs to the doctors. The firm needs to partner with as many hospitals as possible both private and public hospitals to be able to provide a wide range of medical services. The company should divide the consumers into different segments and be able to produce to each segment products which are friendly to their pockets.

##### **5.4.2 Recommendations for future research**

This study has reviewed the study on the strategies adopted by cosmos limited to changing external environment. The study only focused on one company thus the same study should be carried out in other companies to find out if the same results will be obtained.

Moreover the study was carried out in pharmaceutical industry thus the same study should be carried out in other industries to find out if the same results will be obtained.

##### **5.4.3 Recommendations for policy and practice**

The study recommends the government and corporate policy makers to prepare manufacturing pharmaceutical firms to enable them adopt supply chain management strategies and vigorous

advertising to remain competitive. This can be done through organizing workshops and seminars with an aim of giving training and advisory services on how to cope with the ever changing environment.

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## **Appendix 1: Interview Guide**

- 1) What is your gender?
- 2) What is your highest academic qualification?
- 3) Does the company use sales people to sell the drugs to the doctors? If yes, how effective is this strategy?
- 4) What are the effects of the company dividing the consumers into different segments?
- 5) Has the company devised ways to market to each set of segment? Explain.
- 6) What is the effect of the company focusing more on the sales force than on any other promotional method?
- 7) What are some of the supply chain management strategies adopted by the firm in response to the changing environment?
- 8) What is the effect of vigorous advertising adopted by the company in response to the changing environment?
- 9) What is the effect if increased its investment in research and development
- 10) Has the company expanded the market so as to reach the global market? How effective is this in enhancing success in the changing environment?
- 11) What is the supplies and production management as a response to in the changing environment?