

**INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON FIRM  
PERFORMANCE OF MANUFACTURING PHARMACEUTICAL COMPANIES IN  
KENYA**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT FOR THE  
AWARD OF MASTERS IN BUSINESS ADMINISTRATION DEGREE, FACULTY OF  
BUSINESS AND MANAGEMENT SCIENCES, THE UNIVERSITY OF NAIROBI.**

**NOVEMBER, 2023**


## DECLARATION

I declare that this research project is my original work and has not been presented to any other university for the award of a degree or any other purpose.

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Eric Omondi Apiyo

## DEDICATION

To my beloved family,

Brenda, Michelle, Melanie, Marcus, and Myles.

This endeavor stands as a testament to the unwavering support, sacrifices, and love you have showered upon me throughout this journey. Your presence has been the anchor, guiding me through the highs and lows, shaping the very essence of this achievement.

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With all my heart,

Eric Omondi Apiyo

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## **ABBREVIATIONS AND ACRONYMS**

|               |                                     |
|---------------|-------------------------------------|
| <b>BSC</b>    | Balanced Scorecard                  |
| <b>COMESA</b> | Common Market of East Africa States |
| <b>CSR</b>    | Corporate Social Responsibility     |
| <b>DRC</b>    | Democratic Republic of Congo        |
| <b>GDP</b>    | Gross Domestic Product              |
| <b>GMP</b>    | Good Manufacturing Practices        |
| <b>KAM</b>    | Kenya Association of Manufacturers  |
| <b>KNBS</b>   | Kenya National Bureau of Statistics |
| <b>PPB</b>    | Pharmacy and Poison's Board         |
| <b>SEM</b>    | Structural Equation Modelling       |
| <b>USD</b>    | United States Dollar                |

## ABSTRACT

The critical importance of understanding how strategic management processes influence the financial performance of manufacturing pharmaceutical firms in Kenya motivated the study. The highly competitive pharmaceutical sector, effective development and execution of strategic plans play a crucial role in achieving financial success. Therefore, the study set out to investigate the intricate correlation between strategic management procedures and financial performance, offering valuable insights for industry professionals and policymakers alike. To address these objectives a descriptive and cross-sectional research methodology. This approach facilitated a comprehensive understanding of the variables under examination, aligning with the study's overall objectives. Data collection involved the distribution of a semi-structured questionnaire via an online platform using Google forms. The survey encompassed 33 participants from the pharmaceutical manufacturing sector in Kenya. Various statistical analyses, including correlation and regression, were applied to evaluate the influence of strategy formulation, strategy execution, and control strategies on financial performance. The study's findings revealed substantial links between strategic management methods and financial performance. Strategy creation and strategy implementation, in particular, were proven to have a significant and beneficial impact on financial performance. However, while control measures had a positive impact, these effects were not statistically significant. This shows that, while control mechanisms are valuable, their implementation may be improved. Based on these findings, the study made recommendations aimed at improving strategic management procedures in Kenya's pharmaceutical industry. It emphasized the significance of enhancing employee participation in strategy building through improved teamwork and consultation. The survey also emphasized the need of inspiring and supporting employees during the execution of strategic projects. Additionally, it advocated for the reinforcement of control strategies and feedback mechanisms, underscoring the importance of robust systems capable of identifying and addressing obstacles in the strategic management process.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Strategic decisions and corrective actions are aspects that are commonly used in strategic management to ensure that the objectives and goals as far as posterity is concerned of a business are achieved. Strategic management is composed of actions and decisions designed to formulate a strategic plan that when implemented efficiently leads to the achievement of the targeted goals in an organization (Bakar et al., 2011). A firm can only perform if the management is able to formulate strategies that can be used by the firm to minimize the available resources for optimal production. Strategic management practices integrate strategic planning, implementation of the strategy, evaluation of the strategy as well as control. According to Johnson (2009) strategic management practices therefore determine organizational performance by improving efficiency at various operational levels in an organization hence stipulating a firm's competitive capability and strength in the market industry.

A number of theories that help describe the correlation that theoretically preexists between the variables are the foundation of the study. The theories that have underpinned the study topic are the resource-based theory (Barney, 1991) and the theory of strategic fit (Venkatraman and Prescott (1990). The strategic resources are identified using the resource-based theory or managerial framework, so as to create an advantage in terms of competition. The theory was developed by Barney (1991), who postulated that firm resources serve as the catalyst for achieving a feasible competitive edge. Strategic fit theory (Venkatraman and Prescott, 1990) on the other hand indicates the extent to which an organization is able to match its strategies with its

resources and capabilities. The organization is therefore expected to have adequate resources that would match with the strategy developed.

Manufacturing pharmaceutical firms have been subjected to uncertain and discontinuous internal and external challenges that affect their performances. The sporadic internal and external challenges may be traced to improper strategic management processes that can enhance performance sustainability to overcome these challenges. In an attempt to eliminate these challenges, business decision-making has become complex and sophisticated creating the need to engage in strategic management practices that enable businesses to formulate, implement, and evaluate functional decisions for the achievement of goals (Johnson & Scholes, 2002). Due to the imperative nature of this industry to the overall landscape, it is important to investigate why local pharmaceutical manufacturers have been unable to achieve the necessary international standards required to compete both domestically and internationally in the pharmaceutical industry.

### **1.1.1 Strategic Management Practices**

Strategically managing the firm involves the combinations of actions and decisions that guide businesses in development and plan execution that are intended to arrive at organizational goals. The key factors include the formulation of objectives, implementation of these objectives, and evaluation of the implementation process as well as the final output in a firm (Palladam and Adamu, 2018). Strategic management practices, according to Sababu (2007), are top management activities that involve making decisions regarding the formulation of the company's mission, visions, ideologies, goals, plans, and policies. It includes long-term development plans for managing present and situational set of circumstances and challenges in accordance with the

organization's abilities and shortcomings. Strategic management practices are therefore the actions taken by a firm's management to formulate strategies, perform strategic analysis, implementation of the strategies, evaluation and control to ensure that the company's mission, vision and the objectives are met within the internal environment consideration.

There are several debates around the concept of strategic management practices. One of the debates is around the effectiveness of different strategic management practices in achieving organizational objectives. Some scholars argue that certain processes, such as strategic planning, may not always lead to improved organizational performance, while others contend that these processes are essential for effective strategy implementation (Nyamwange & Odhiambo, 2021). There is ongoing discussion regarding the involvement of senior leadership in shaping and executing strategic management methodologies. Some scholars argue that top management's involvement in these processes is critical for their effectiveness, while others contend that the workforce organization should be part and parcel of the process to ensure the successful implementation of strategic initiatives (Hitt, Ireland & Hoskisson, 2021). There is also a debate about the impact of environmental factors on the effectiveness of strategic management practices. Some scholars argue that external variables such as industry structure, technological change, and globalization has notable connotations of these strategies, while others contend that internal factors such as organizational culture, leadership, and resources are more critical to their success (Liu & Wang, 2015).

Effectuating strategic management processes requires the use of relevant metrics to evaluate their effectiveness. One approach is to use metrics that have been successfully applied in prior

research. For instance, Ahmad, Nawaz, and Ahmad (2021) used employee engagement and retention rates to analyze the effectiveness of processes as they pertain to strategic management in various organizations in Pakistan. Similarly, Matsuo and Yamashita (2018) employed customer satisfaction measured through feedback, surveys, and reviews to evaluate the effectiveness of strategic management practices in the Japanese banking industry. Thus, by using these metrics, organizations can measure the effects of management strategies on employee engagement, and customer satisfaction, which are essential drivers of organizational success.

### **1.1.2 Firm Performance**

The apparent output of a company is assessed in accordance with its stated goals and objectives to determine its efficacy. It is also the organization's fulfillment at the end of a program or project as it is intended. Other definitions of firm performance are that it refers to the analysis of the firm's performance against its objectives and goals or the comparison between the intended with the actual (Upadhya et al., 2014). In addition, businesses are concerned with the firm performance in the following areas in the firm; strategic planning, finance, legal, and organizational development which bring the overall success of the organization (Upadhaya et al., 2014).

Firm performance in the manufacturing industry is multi-dimensional and encompasses various aspects such as financial performance, research and development, product quality, innovation, market share, and social responsibility (PwC, 2021). Companies are often evaluated based on their ability to generate profits, develop and bring new drugs to the market, and sustain long-term growth. Additionally, the industry's performance is also evaluated based on its contribution to

public health, adherence to ethical and regulatory standards, and engagement in corporate social responsibility initiatives. According to PwC (2021) the top-performing companies prioritize innovation, collaboration, and customer-centricity, while also maintaining robust governance and risk management practices (PwC, 2021).

Organizational performance comprises three essential elements: financial performance, product market performance, and shareholder return. Profit, return on assets, and return on investment serve as a few examples of the metrics used to gauge financial success and performance (Upadhaya et al., 2014). Sales or market share is used to gauge how well a product is performing in the market and total shareholder return or economic value that is accrued as a result of value addition and are used to gauge how well a company is doing (Neely et al., 2018). The balanced scorecard is an effective overall tool for organizations to measure the improvement of their performance in these key areas which ultimately lead to improved organizational success (Kaplan & Norton, 2019). Also balanced scorecard (BSC) is a useful efficiency metric that aids companies in identifying and enhancing their internal processes in order to ensure external results asserted Kaplan and Norton (2019). The BSC allows organizations to gauge past effectiveness and performance and use suggestions to make informed decisions for posterity. The perspectives of BSC are learning and development, business processes, and customer and financial perspectives with each testing various aspects of organizational performance (Kaplan & Norton, 2019).

### **1.1.3 Manufacturing Pharmaceutical Companies in Kenya**

As the population of Kenya constantly grows its pharmaceutical industry is growing into an industry that offers many opportunities for investors. At the moment, the industry is worth a billion dollars. Kenya is the top producer of pharmaceuticals in the COMESA region and the third-largest exporter of pharmaceutical products in Africa (International Finance Corporation, 2020). In Kenya, there are 35 licensed pharmaceuticals producers. The Pharmacy and Poisons Board (PPB) of Kenya, which serves as the country's primary drug regulatory body, has granted these businesses licenses. Before registering products, businesses must also obtain Good Manufacturing Practices (GMP) and Good Distribution Practices (GDP) certifications (International Finance Corporation, 2020).

Cosmos Limited, Beta Healthcare Ltd, Dawa Limited, GSK, Laboratory and Allied Ltd, Elys Chemical Industries Ltd, Universal Corporation Ltd, and Regal Pharmaceuticals Ltd. are some of the biggest pharmaceutical manufacturing firms in Kenya (International Finance Corporation, 2020). These businesses primarily manufacture generic medications using imported raw materials, providing 30% of Kenya's domestic pharmaceutical needs. The businesses export these medicines to the neighboring nations of Tanzania, Uganda, the DRC, Rwanda, and Burundi (International Finance Corporation, 2020). The government launched the National Export Development and Promotion Strategy in 2018 in an effort to increase exports of pharmaceutical manufacturing. Between 2018 and 2022, the strategy aimed to increase the sector's size on average by 31% (MITED, 2018).



## **1.2 Research Problem**

Management strategies and the processes involved are critical concepts in any type of business as they deal with formulating, implementing, and evaluating different strategies. Strategic management is required in the implementation of strategies that would align with the resources available as well as the regulatory environment. Strategy formulation and implementation require key skills and experience that would guarantee a positive response. The evaluation of the different strategies on the other hand means that the firm does not fear making decisions that would overturn initial decisions made, for the good of the overall goal (Ouma, 2018). Therefore, there are substantial differences among different firms in regard to strategic management practices. The differences may be occasioned by the differences in structure and corporate governance of different firms (Kalundi, Nduku & Kabiru, 2012). The strategic management practices undertaken by a firm would therefore have a different impact on its performance as a result of the difference in strategy formulation and implementation as well as evaluation of strategies.

The remarkable global turnover in 2003 from the pharmaceutical industry made USD 430 billion making it one of the most lucrative business ventures both in a global and local manufacturing context. Since the 1970s, the Kenyan market has experienced phenomenal growth in this industry. However, as a result of increased globalization and an unpredictable market, the industry has become extremely competitive, and lower performance is being observed across the board (KNBS, 2015). The industry's players are under a lot of pressure due to political and economic issues, which is affecting their ability to build and maintain a competitive edge as they try to adapt quickly to the quickly changing environment (KAM, 2018).

The pharmaceutical industry in Kenya has gone through a lot of transformation in the last two decades as a result of the government liberalization policies which stimulated rapid growth of the trading sector within the industry where many importer multinational drug companies emerged (Ogollah, 2007). Investors and exporters have realized the potential in the manufacturing pharmaceutical sector increasing competition which calls for more innovation and strategic management practices in those companies to retain the competitive edge. Despite the competition, the industry faces other challenges such as environmental, economic, and political challenges that call for strategic planning for the available resources in dealing with these challenges simultaneously with the operations within the company for ultimate goals (Johnson & Scholes, 2002).

Differences in strategic management practices therefore result in different performances and this has attracted a number of researchers who have undertaken to investigate these concepts, globally, regionally, as well as locally. Mexico's manufacturing firms performed in relation to their use of strategic management techniques. The study's findings ascertained that economic success and performance are positively and significantly correlated with strategic management practices (Beekun & De Carvalho, 2021). Chen et al., on the other hand, conducted research on the effects of managerial strategy on the performance of Chinese manufacturing firms. The study's findings demonstrated that strategic leadership improves the performance of the aforementioned firms. Maswili and Kariuki, 2019, examined the outcomes of strategic planning methods on the operational outcomes of manufacturing companies in the Nairobi region concerned with pharmaceuticals. The research outcomes indicated engagement of stakeholders,

environmental analysis, strategy formulation, and the establishment of a mission and vision statement significantly affect the effectiveness of pharmaceutical manufacturing enterprises.

The studies point out conceptual and contextual gaps where the implications of management of strategic objectives affect the firm performance in the context of regional pharmaceutical manufacturing enterprises had not been addressed. In its completion, the objective of this research was to better understand the strategic management processes used by local pharmaceutical manufacturers in the face of specific industry and region-specific obstacles that affect their performance. The study therefore undertakes to address the conceptual gap, contextual as well as methodological gap identified in these studies by answering the research question; What is the effect of strategic management practices on firm performance of manufacturing pharmaceutical companies in Kenya?

### **1.3 Research Objective**

The study objective was to establish the influence of the strategic management practices on firm performance of manufacturing pharmaceutical companies in Kenya.

### **1.4 Value of the Study**

The study contributed to relevant theories in this study. The study particularly contributed towards resource-based theory as well as strategic fit theory. The study findings were used to give clarity on the propositions made by the theories, or it would critique the propositions by these theories. The study gave more information on the theories used by revealing new applications or processes extending their usefulness. Scholars and researchers would use this

study for references and in building their literature review, as they seek to develop knowledge. They would be keen to note the findings derived from the investigation of the study topic presented by the study. The scholars would obtain materials such as research methods that would be adopted by this study, as well as compare the study findings.

The academic investigation was valuable to the government, regulatory bodies, and policymakers in the manufacturing pharmaceutical industry and the sector in general because it would direct the process for formulating policies based on the findings' factual premises. This made it easier to develop realistic policy goals that improved the sector as a whole. Manufacturing pharmaceutical companies would refer to the findings of this study on making policies that enabled them to engage in strategic management practices that could promote performance and success of the organization.

The manufacturing pharmaceutical sector in Kenya would derive informative value from this study as it would help them arrive at the conclusion that one of the success drivers is adopting strategic management practices in organizations for efficient utilization of the available scarce resources to maximize profit. In this case, the management board in those organizations will be positioned such that they can quickly churn out strategic management practices that would lead to the effective performance of the company by accomplishing the organizational goals and objectives. This knowledge would help in making informed decision toward strategy formulation, implementation and evaluation for efficiency purposes.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The chapter undertook theoretical review in which relevant theoretical formulations were discussed. The chapter went over the subject of this research undertaking by evaluating various empirical studies that have been conducted in relation. In conclusion, the chapter also reviewed the outline of the conceptual framework.

### **2.2 Theoretical Review**

The investigation of the study topic was underpinned by two theories, namely, Resource Based View Theory and Strategic Fit Theory. The postulations were pertinent for the investigation of the implications of the study topic in its specific study topic and provides expected association between the study variables. However, the findings of this study would be useful in either enhancing the provisions of the theory or else in critiquing the proposition of these theories.

#### **2.2.1 Resource – Based View**

This managerial theory acts as a framework used to ascertain the resources of strategic centric resources that a company puts to use on a long-term basis. Barney (1991) pioneered the theory

posing the argument that the resources of a firm are instrumental and critical to achieving a sustainable competitive advantage. The capability to marshal, reinvest and invest its resources efficiently determines the extent of its competitive advantage. This competitive advantage can be accrued through the company leveraging its resources, economic abilities and various competencies. According to Freeman et al. (2010), in order to maintain a competitive advantage, resources have to be accumulated and in essence hoarded. The accumulated resources must subsequently be valuable, appealing, of rarity lacking obvious substitutes or easy imitations.

This study was underpinned by this theory as it discusses how the management of pharmaceutical companies should identify the strategic resources within the firm that can be used to acquire a competitive edge in the market. The management should develop a strategic plan to ensure that these strategic resources are optimally utilized. The management should invest heavily in innovation and technology to come up with products that are unique, attractive, hard to imitate and that do not have substitutes. These products can only be produced if the management strategically plans, executes and controls the whole process effectively.

The theory's primary flaws are that many firms lack sufficient strategic assets that can be used with such adeptness because they are difficult to duplicate (Al-Ansari, 2014). According to Mc Williams and Siegel (2011) the theory has a weakness in that firms that have a greater number of resources that are distinctive have a notable advantage in the market. Owning difficult-to-imitate slack resources can be seen as both a CSR role model and a way to temper the potential backlash of charging higher prices than the typical reasonable prices. An organization that outperforms its rivals may raise the price of its goods, resulting in astronomical profits. This is a dishonest

practice that extracts wealth from people by charging astronomical prices. The postulations of this theory assume that businesses frequently redistribute and misallocate resources to people in high positions (Conner, 1991).

### **2.2.3 Strategic Fit Theory**

Venkatraman and Presscott (1990) define strategic fit as “an alignment that assumes a core position in both organizational studies and strategic management research”. The ideal execution of practices associated with the management of strategic resources is informed by the environment that surrounds the business, corporate culture, and business strategy. It should also be duly noted that the implementation is not necessarily universal and can be implemented and augmented as the situations from business to business differ. Enhancing the application of efficient strategic management techniques can be optimized through a deep understanding of the specific organization in a unique economic and business context (Snell, Shadur, and Wright 2005).

Thus, this theory clarifies the importance of strategic management techniques that take into account the variables that have an impact on the business such as operational procedures, culture, and external circumstances. Necessity as a specification entail taking into account the need of the stakeholders as they pertain to the strategic management practices. The theory aids companies in matching their capital with various undertakings as it relates to the environment as well as threats and assesses how well they can manage the factors and in turn, achieve their goals. It explains how strategic management practices identify the market, highlight its strengths as they pertain to

competencies and contingencies and as such highlights its capacity to segment the market in an appropriate manner other than by the stockholder (Chandler, 1962).

While this theory has its advantages, it also faces criticisms. One criticism is that it can be difficult to identify the right external environment to align with, as the market is constantly changing. The theory also assumes that a company's resources and capabilities are fixed and cannot be developed or acquired, which may not always be the case. Some scholars argue that the theory does not consider the role of luck or chance in a company's success (Johnson, Scholes & Whittington, 2008).

### **2.3 Strategic Management Practices and Firm Performance**

According to Beekun & De Carvalho (2021) the Strategic management process consists of strategy formulation, strategy implementation and strategic evaluation or control. It typically begins with the firm carrying out an assessment of its internal and external environment. The external environment are normally factors that are out of control of the firm such as political, economic, social, technological and environmental factors. These can be analyzed by use of the PESTLE framework or any other suitable framework. The firm will also carry out an internal environment analysis. Internal environment consists of such factors such as culture, leadership and other factors that are in direct control of the firm (Andrews, Boyne & Walker, and R2014). The significance of environmental scanning is that it helps the management to determine the future direction of the organization after being aware of the potential shifts in the market. Thus, it can be noted that strategic management practices are one of the critical drivers of performance (Auzair & Smith, 2015).



Strategic management involves ongoing planning, monitoring, analysis, and assessment to meet organizational goals. Making strategic decisions requires the input of top management. The implementation of a strategy involves not only the managers but also key staff members who can add value to the strategic planning of the company. It is important for every team member to determine the individuals who should be included in the planning process. Strategic management practices will help the firm come up with plans and strategies that will be used to achieve its aims. Strategic management helps decision-makers meet management requirements, anticipate changes, and direct organizational activities in the right direction (Beekun & De Carvalho, 2021)

Beekun & De Carvalho (2021) argue that a company's ability to perform well is crucial to formulating effective strategies. Performance indicators are essential for managing companies effectively, and measuring performance is necessary for improving the firm. Firm performance refers to the extent to which a company meets its vision and mission. To measure performance, both financial and non-financial indicators are used. Economic indicators such as profitability, return on assets, return on equity, and sales revenue are used along with non-financial indicators like market share, customer retention, and company reputation.

A solid and resilient strategy can serve as a turnaround plan to enhance overall performance. The study was considered fundamental as the pharmaceutical industry in Kenya has been performing poorly. According to the Kenya Pharmaceutical Industry Diagnostic Report (2020) there has been a general deindustrializing trend in the local manufacturing sector. The local pharmaceutical manufacturers account for only about 30% of the local pharmaceutical market. In

addition, the largest 10 firms account for about 80% of local production. There is also underutilization of local production capacity with about 60% average annual utilization of the local manufacturing firm investment. However, there has also been interest by foreign investors to invest in local pharmaceutical manufacturing in order to boost their local and regional market shares (Kenya Pharmaceutical Industry Diagnostic Report, 2020).

#### **2.4 Empirical Review and Knowledge gap**

After coming to the conclusion that Indian pharmaceutical firms had been reporting declining sales revenue, Kumar (2021) set out to look into the outcome of strategic techniques on the financial output of these firms. The study was literature-based in that it relied on writing produced as a result of research, studies, or discussion papers conducted over a three-year period beginning in 2018. A subsequent analysis of the data gathered, it was determined that the performance of these companies was significantly and favorably impacted by strategic practices as it pertains to management. The conclusion of the study sought to impress upon the need for businesses to create the best strategic decision-making because in doing so an advantage is accrued, as a result, over their rivals. The study also ascertained that these firm's strategic management practices should be concentrated on avenues that would accrue an advantage for them over rival companies.

Chen et al. (2022) conducted an investigation of the implications of leadership that is strategically implemented on the economic viability of Chinese manufacturing companies. A descriptive research design was chosen for the purposes of the study. The managers and staff members of Jing Hong Yi PCB (HK) Co., Ltd were the target population. Notably, there were

330 respondents in the target population with questionnaires making up the data collection tools. Statistical analysis involved both descriptive and inferential methods, and the study's findings were indicative of the effectiveness of strategic leadership contributes to the success of Chinese manufacturing Chinese firms. In order to ensure current and future stability sustainability for a firm, good strategic leadership is essential in decision-making given the unstable business environment. The study came to the conclusion that strategic leadership significantly and favorably impacts performance.

Beekun and De Carvallho (2021) looked into how Mexico's manufacturing firms performed in relation to their use of strategic management techniques. The method of purposive sampling was utilized in the research to obtain in the sample. The managers were given the interview guides, and the support staff were presented with closed-ended questionnaires. The completion of the study unequivocally established a clear and a positive correlation between performance and procedural strategic management. According to the study, strategy management gives businesses the ability to hire the most skilled workers and boosts their competitive advantage.

Samad, Alghafis and Al-Zuman (2018) undertook research to ascertain how the organizational culture and strategic management were impacted by organizational performance in Kuala Lumpur and Putrajaya. 291 respondents in total provided primary data, which was collected. SEM was used to assess the connections between the study's indicators and constructs. The study's conclusions showed that corporate culture, some of the adopted formulation strategy dimensions, and execution strategy all had an effect on how well these government institutions performed. The most significant predictor of company efficiency was organizational culture.

Olanipekun et al (2015) discovered the need to look into the procedural nature of management strategies of a Nigerian bottling company and their notable effect on the competitive advantage organizational performance. The dynamicity and turbulence of the business environment present a challenge for firms to thrive without the proper interventions and strategies in order to circumnavigate these challenges. A semi-structured questionnaire was used to obtain primary data, including qualitative data as well as measures of central tendencies were so as to assess the data. As for the inferential statistics analysis of variance and Chi-square were preferred. The study in its completion ascertained that effective management in strategies enabled businesses to be enterprising in responding to variations in the business while also improving their competitiveness and viability.

Kimani (2018) sought to determine how African Fintech companies were able to deal with turbulence in business trends as well as poor global and local macroeconomic features. The study used a descriptive correlational research design, and 39 managers from teams, countries, and the financial sector participated in the sample. Google Forms was used to create the online questionnaire, and descriptive statistics were found for the study variables. The study's mean, median, and standard deviation were determined. Low R-squared values for the study's variables were also noted down during multiple regression analysis. Strategy formulation and strategy implementation lacked any significant implications on the performance. There is a methodological gap where the study used a small sample size to represent all Fintech Companies in Africa.

Maswili and Kariuki (2019) looked into the nature and efficiency of pharmaceutical production companies in Nairobi as they were impacted on by strategic planning procedures. Descriptive research methods were employed in the study with 333 employees were chosen for the sample size through stratified random sampling. The research findings indicated that assessment of the environment, strategy formulation, stakeholder involvement, visions, and mission statements an implication on the output of the of the firms under study. This study did not consider strategic management practices because it focused on strategic planning practices, leaving a gap that this study will fill in its conclusion.

Manguru (2011) sought to establish the impact of the practices that pertain to strategic decisions-making on the output of Naivas Limited. The study collected secondary data from documented sources in textbooks, published reports and company website. The data was then analyzed by use of measures of central tendency where descriptive analysis was undertaken. The study concluded that the execution of pertinent strategic management practices had a notable effect on the financial viability of Naivas Ltd.

Ogollah (2007) examined the results of pharmaceutical importers and distributors' methods of strategic management in Kenya. An investigation was done to ascertain whether the population under study was either registered as either importing entities or in turn distributors to establish a sample which was then subjected to a cross sectional survey design after primary data was gathered by use of a structured questionnaire. The study indicated that well-articulated vision mission and goals were essential in performance of the companies. The strategies in these companies included growth strategies, diversification as well as defensive strategies. However, it

was found that the strategic management systems varied greatly between the businesses. To evaluate the performance of the companies, a SWOT analysis was conducted. The study did not, however, compare the performance of the company's strategies with their presence, which created a knowledge gap that this study will fill. The study was also conducted a while ago, and business dynamics are expected to change with time, the strategies adopted would therefore be likely to vary, and hence such changes should be identified and effect on performance well documented.

The empirical review identifies a knowledge gap in the studies undertaken by previous researchers in the global, regional, and local contexts. Kumar (2021) conducted a study that was the subject of review as far as the implications of strategic management practices are concerned. The study made use of pharmaceutical companies in India that had experienced a downturn in sales revenue. The research reveals a noteworthy and statistically significant improvement in the performance of these companies attributed to the implementation of strategic management practices. However, there is a contextual gap as this study only explored the interplay between the variables from an Indian context and may not translate to the effects in varying contexts such as the one employed by this study. Moreover, there is a conceptual gap in that while the empirical investigation focuses on the practices of pharmaceutical companies, there is a need for more studies on how these practices are adopted in the context of the local pharmaceutical industry and how they affect the firms' performance. Overall, there is a need for more studies to be conducted to explore the study topic in different contexts, industries, and regions using different methodologies.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The goes over the methodology utilized in this study, outlining the study's population and the techniques employed for data collection. Additionally, it delves into the pre-determined data analysis techniques that are to be carried as part of the completion of the study.

### **3.2 Research Design**

The research employed a descriptive research design, incorporating various methodologies tailored to the study's objectives. The descriptive research design delved into the "what," "how," and "when," aspects of the investigation, delineating the study's variables and articulating the anticipated correlation between them. The descriptive research design served as the foundation for the study elucidating the independent variables and their effects on the dependent variable (De Vaus, 2001).

The study also adopted cross sectional research design, where the study investigated the exposures and the outcome of the study participants at the same time. This approach was chosen

to explore the strategic management practices and corporate performance of pharmaceutical firms within the particular timeframe when the study was conducted. This helped to compare different practices and firm performance for different pharmaceutical companies as the study is undertaken for the same period.

### **3.3 Population of the Study**

The population of this study represented all the 33 pharmaceutical manufacturing firms in Kenya (See appendix 1). Since the number of pharmaceutical companies were few (below 100) the study did not undertake sampling. This study therefore undertook a census study, where all the items in the target population were considered for the study.

### **3.4 Data Collection**

The study collected qualitative as well as quantitative data. The study used primary data collection method, where a semi-structured questionnaire (see appendix 2) was used to collect data. The questionnaire was sent to sales, finance and accounting or manufacturing manager of the pharmaceutical company. This is because the manager is assumed to understand issues relating to strategic management practices as well as performance.

Administration of the questionnaire was done using drop and pick later method to give the participants time to fill all the questions. However, the study also employed the use of online forms (Google Forms) where the questionnaire was shared with study respondents through email, or through social platforms. The unit of the analysis was the pharmaceutical firm.



### **3.5 Data Analysis**

The data as obtained was assessed for completeness and accuracy. Incomplete questionnaires were disregarded to ensure that only completely filled questionnaires were analyzed. The data was analysed using SPSS software version 29. Descriptive statistics and measures of central tendency of mode, mean, standard deviation, maximum and minimum value (outliers) of each variable were determined. Correlational analysis was conducted to assess the relationship between independent variable and the dependent variable.

The significance of the influence of strategic management practices on firm performance was tested by the use of F-test in regression analysis. The test was undertaken at 95% confidence level where values less than 0.05 significance level indicated that the relationship was significant, while the relationship was deemed not statistically significant if the significance (p-value) was higher than 0.05.

## CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF FINDINGS

### 4.1 Introduction

The chapter analyzed the data obtained from the questionnaire which was designed to capture the strategic management practices that influence firm performance in manufacturing pharmaceutical companies in Kenya.

### 4.2 Response Rate

The research aimed to collect responses from a specific group of participants—managers within the pharmaceutical manufacturing sector in Kenya. Out of the 40 pharmaceutical manufacturing firms initially targeted, the study successfully reached out to and received responses from 33 middle-level and top-level managers. This achievement signifies a robust response rate of 82.5%, which is considered not only commendable but also adequate for conducting meaningful inferential analyses (Mugenda & Mugenda, 2003). This high response rate underscores the commitment and cooperation of the targeted participants, highlighting the relevance and importance of their insights in contributing to the study's overall validity and reliability.

**Table 4.1: Response Rate**

| Manufacturing Companies                             | No. |
|---|-----|
| Approved pharmaceutical companies targeted in study | 40  |

|  |       |
|--|-------|
| Companies that had a positive response | 33    |
| Response rate                          | 82.5% |

Source: Researcher (2023)

Such a strong response rate is indicative of the research's efficacy in engaging the target population and eliciting their valuable input. The substantial participation of managers from the pharmaceutical manufacturing sector demonstrates their willingness to contribute to the study's objectives and suggests a genuine interest in the research topic. This level of engagement provides a solid foundation for conducting rigorous inferential analyses, ensuring that the study's findings are not only statistically sound but also reflective of the perspectives and experiences of a significant portion of the industry's key stakeholders.

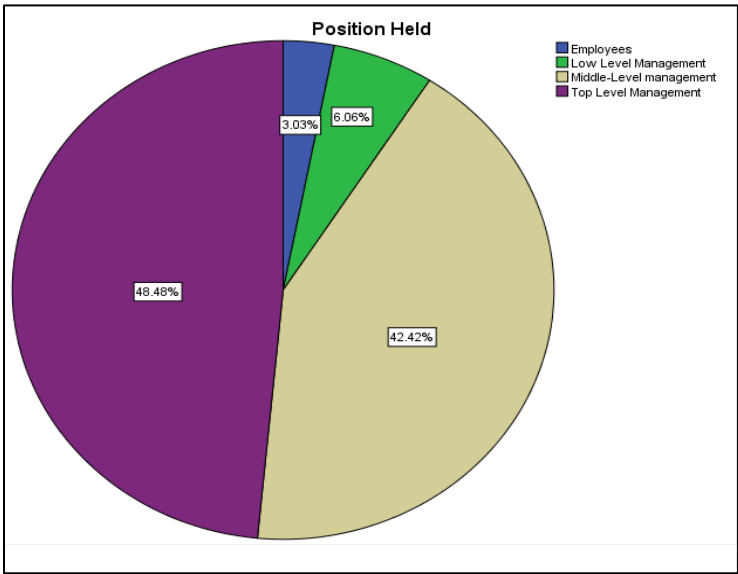
### **4.3 Descriptive Statistics**

Descriptive statistics is used to indicate the nature of data collected in the study by indicating measures of central tendency or variability as expressed by mean and standard deviation. It is critical to determine what majority of the respondents felt in regard to each statement requested in the questionnaire as it expressed their opinion in regard to the study variables. However, the study first described the general information that was collected in regard to the respondents and the pharmaceutical manufacturing firms.

#### **4.3.1 Background Information**

The respondents were asked the position that they occupied in the firm. This was to determine whether the right target group was the one that responded to the questionnaires. The Figure 4.1 below indicates the various categories of the study respondents.

**Figure 4. 1: Graph Showing Position Held by Respondents**



Source: Researcher (2023)

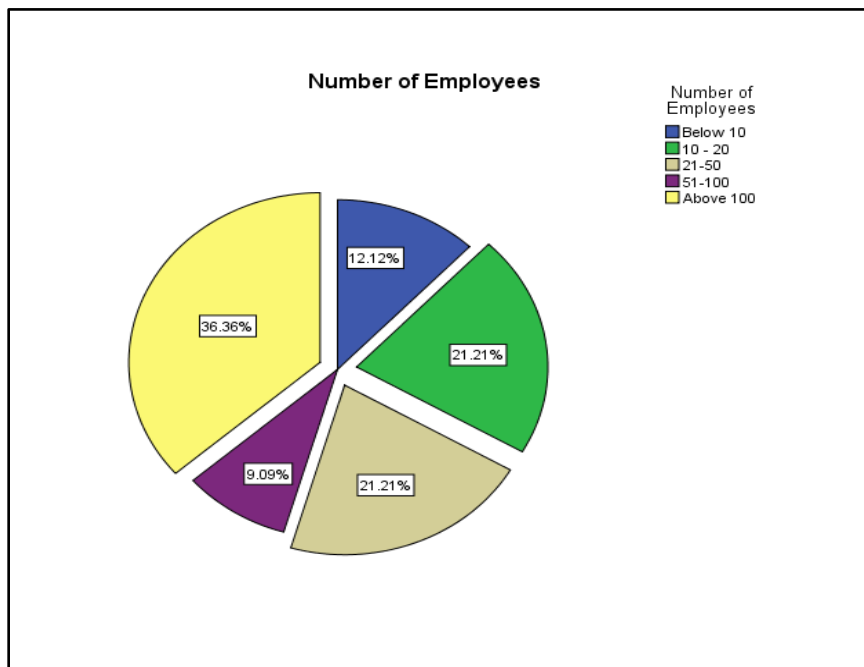
Figure 4.1 indicates that the greater percentage of the respondents were top level management at 48.48% followed by middle level managers at 42.42%, Low level managers as well as employees.

The data indicated that the most respondents were comprised of top-level managers since the study was focused on issues in regard to strategic management, which is well understood by top level managers as compared to the low-level counterparts. The researchers therefore targeted the

top-level managers as their contributions and responses were enriching to the study and enhanced the validity of the result findings.

The respondents were also asked the number of branches that they had. Majority of the respondents indicated that they had only one branch. The respondents also responded to the question on the number of employees employed by the firm. The findings are indicated in graph 4.2 below.

**Figure 4. 2: Graph Showing Number of Employees**



Source: Researcher (2023)

Figure 4.2 indicates that majority of the respondents (36.36%) had above 100 employees in their pharmaceutical companies, while the companies with 51-100 employees were the fewest in our study representing a total of 9.09% of the respondents.

### 4.3.2 Strategy Formulation

The respondents were requested to rate the extent to which they agreed or disagreed with 5 statements related to enhancing strategy formulation. The 5-point Likert Scale was coded in such a way that the respondents who highly agreed were accorded a value of 5 while those who highly disagreed were accorded a value of 1.

The results are presented in the table 4.2 below.

**Table 4.2: Strategy Formulation Frequency Table**

|    | <b>Strategy Formulation Questions</b>  | <b>Number</b> | <b>Mean</b> | <b>Std Deviation</b> |
|----|--|---------------|-------------|----------------------|
| 1. | The firm undertakes planning before setting goals and objectives of the firm             | 33            | 4.18        | .917                 |
| 2. | The company consults employees and customers before making plans and strategies          | 33            | 3.24        | 1.032                |
| 3  | The company engages experts in developing business strategies                            | 33            | 3.85        | .906                 |
| 4  | Market trends, and past performance are highly used in making future strategies          | 33            | 4.15        | .834                 |
| 5  | Strategies are often reviewed to incorporate market changes, new trends or new knowledge | 33            | 4.06        | 8.64                 |

Source: Researcher (2023)

All the 5 statements that relate to strategy formulation as indicated in the table 4.1 had a mean between 3.24 to 4.18. This indicates that majority of the respondents agreed with the statements as applicable in their firms since it was more than 2.5. The statement with the least mean stated that the firm consulted employees while formulating their strategies. It also had the highest standard deviation from the mean of 1.03 indicating a greater variability in the response as far as consulting employees is concerned. The statement with the highest mean, 4.15 indicated that

most of the companies made use of trends and past performance in making future strategies. In addition, it also had the lowest standard deviation indicating least variability in practices

#### 4.4.3 Strategy Implementation

Strategy implementation in each firm was also assessed using a set of 5 statements. The respondents were to indicate the extent to which they agreed or disagreed with each statement. The frequencies in form of the mean and standard deviation of each statement were indicated and summarized in table 4.3.

**Table 4.3: Strategy Implementation**

|    | <b>Strategy Implementation Questions</b>                                       | <b>Number</b> | <b>Mean</b> | <b>Std Deviation</b> |
|----|--|---------------|-------------|----------------------|
| 1. | The company sets aside adequate resources to implement all strategies it makes | 33            | 3.88        | 0.893                |
| 2. | The staff are well motivated to implement the strategy                         | 33            | 3.52        | 1.034                |
| 3  | There is constant review of implementation process                             | 33            | 3.88        | .960                 |
| 4  | Management is very supportive to employees to help strategy implementation     | 33            | 3.73        | 1.008                |
| 5  | Technology has been well used to support innovation in strategy implementation | 33            | 4.06        | 0.747                |

Source: Researcher (2023)

The mean of the responses for each question ranged from 3.52 to 4.06 depicting that most of the respondents agreed with the statements. However, the statement indicating that the staff are well motivated to implement strategy and the one that indicated that management is very supportive to employees in strategy implementation had the least mean but the greatest standard deviation of 1.034 and 1.008 respectively. This showed that there was a bit of high variability among the

respondents as far as these statements were concerned. On employee motivation it showed they agreed that they were highly motivated with above average mean while on management support there was also management support in implementation of strategy. Despite the fact that most respondents agreed with these statements, there was a good number of respondents who either disagreed or were neutral and therefore reduced the mean and increased the variability in the responses. The statement on technology had the highest mean indicating that most of the firms used technology to support innovation in strategy implementation.

#### 4.4.4 Control Strategy

When strategies are formulated, their implementation kicks in. However, during implementation control strategy should be enhanced by each firm to ensure that the strategies are being implemented according to plan and any deviations from the expected has been well accounted for, and proper measures instigated to ensure that no major deviations from the strategy.

Control strategy was also assessed in the study by five statements using a 5-point Likert Scale.

The table 4.4 indicates the mean and standard deviation for each of the 5 statements.

**Table 4.4: Control Strategy**

|    | <b>Control Strategy Question</b>   | <b>Number</b> | <b>Mean</b> | <b>Std Deviation</b> |
|----|--|---------------|-------------|----------------------|
| 1. | Corrective mechanisms are well established if implementation of a strategy does not bring intended results | 33            | 3.73        | 0.876                |
| 2. | There is an established feedback system  | 33            | 3.61        | 1.029                |
| 3  | There are objective and reliable measures on the performance of business strategies                        | 33            | 3.82        | 0.846                |
| 4  | It is easy and cheaper to identify bottlenecks in a certain strategy                                       | 33            | 3.55        | 0.869                |
| 5  | The system is built in a way to  | 33            | 3.64        | 0.994                |



|  |   |  |  |  |
|--|---|--|--|--|
|  | automatically detect any strategy or part of the strategy that is not effective |  |  |  |
|--|---|--|--|--|

Source: Researcher (2023)

All the five statements had a mean of 3.55 to 3.82. This is indicative of the agreement that came from most study participants with the statements that their firms enhance various factors enhancing control strategy such as feedback, enhancing objective performance measures. The statement on having objective and reliable measures on the performance of business strategies had the highest mean. However, the results also indicated that it was cheaper to identify strategy that causes bottlenecks and most of the respondents neither agreed nor disagreed with it. It had the lowest mean of 3.55. The statement on presence of an established feedback system had the highest standard deviation at 1.029 indicating that there was a clear variability in responses given by respondents in regard to it.

#### 4.4.5 Firm Performance

The firm performance of the manufacturing pharmaceutical firms was determined using a set of 10 statements. The study respondents assessed each of the statement using a 5-point Likert Scale. The statements ranged from ability of the firm to generate revenues, the products quality, ability to conform to the rule of law, employee performance among others. The mean, standard deviation and mode were used to describe the responses as indicated in table 4.5.

**Table 4.5: Firm Performance**

|    | <b>Firm Performance Question</b>  | <b>Number</b> | <b>Mean</b> | <b>Std Deviation</b> |
|----|---|---------------|-------------|----------------------|
| 1. | I am satisfied with the firm's ability to generate consistent revenue. Its financial stability and profitability. | 33            | 3.82        | 0.983                |
| 2. | The firm offers high quality products   | 33            | 4.39        | 0.827                |

|     |   |    |      |       |
|-----|---|----|------|-------|
|     | that effectively meets customer needs   |    |      |       |
| 3   | The firm offers best customer service possible  | 33 | 4.09 | 0.843 |
| 4   | The firm excellently manages its supply chain and inventory   | 33 | 3.94 | 0.933 |
| 5   | The firm is very cautious in meeting regulatory requirements and all the compliance standards.          | 33 | 4.27 | 0.761 |
| 6   | The firm has improved its use of technology to enhance processes and its ability to meet its objectives | 33 | 4.24 | 0.830 |
| 7   | The employee training programs undertaken by the firm are relevant and crucial in developing employees  | 33 | 3.79 | 1.083 |
| 8.  | There is very low employee turnover in the firm   | 33 | 3.36 | 1.141 |
| 9.  | The firm has a well-established culture of facilitating growth and development                          | 33 | 3.64 | 0.962 |
| 10. | The firm invests in employee training and enhances room for their career development                    | 33 | 3.52 | 0.939 |

Source: Researcher (2023)

Firm performance was determined by a set of 10 statements where the respondents rated using a 5-point Likert Scale.

The statements rated the extent to which the firms delivered high quality products as well as using technology to enhance their performance. They included factors such as ability to generate consistent revenue, low employee turnover and growth and development were the issues that most respondents felt that their firms were not performing accordingly

The statement indicating very low employee turnover in the firm had the lowest mean of 3.36 and also the highest standard deviation of 1.141. This indicated there they were mostly neutral on employee turnover however there was a great variation in the responses in regard to low employee turnover. Most also indicated that their companies offers high quality products that effectively meets customer needs with a mean of 4.39 while the standard deviation of 0.827. The issue of the firms being very cautious in meeting regulatory requirements and all the compliance

standards had the lowest standard deviation of 0.761 and relatively high mean of 4.27 indicated that all the facilities are keen on meeting pharmaceutical regulatory requirements.

..

#### 4.4.6 General Descriptive Statistics

All the ratings for the statements in each variable, were added together to obtain a resultant value for the variable. This means that all the ratings of the five statements in strategy formulation were added together to obtain a resultant value for strategy formulation. The same was undertaken for strategy implementation, control strategy and firm performance. Descriptive in form of mean, standard deviation, minimum and maximum values were determined to understand how each variable was distributed as indicated in table 4.6.

**Table 4. 6: Descriptive Statistics**

| <b>Descriptive Statistics</b> |    |         |         |       |                |
|-------------------------------|----|---------|---------|-------|----------------|
|                               | N  | Minimum | Maximum | Mean  | Std. Deviation |
| SF-Strategy Formulation       | 33 | 6       | 25      | 19.48 | 3.337          |
| SI-Strategy Implementation    | 33 | 9       | 25      | 19.06 | 3.905          |
| CS-Control Strategy           | 33 | 8       | 25      | 18.33 | 3.731          |
| FP-Firm Performance           | 33 | 17      | 50      | 39.06 | 6.393          |
| Valid N (listwise)            | 33 |         |         |       |                |

Source: Researcher (2023)

Table 4.6 presents descriptive statistics for four different variables, the first being Strategy Formulation, which has a minimum score of 6, a maximum score of 25, a mean (average) score of 19.48, and a standard deviation of 3.337. These statistics provide insight into the

pharmaceutical's strategy formulation, with a relatively narrow range of scores indicating that most firms scored fairly close to the mean.

The second variable, Strategy Implementation, exhibits a minimum score of 9, a maximum score of 25, a mean score of 19.06, and a slightly higher standard deviation of 3.905 compared to the previous variable. This suggests that there is slightly more variability in the performance of strategy implementation compared to strategy formulation. Similarly, the third variable, Control Strategy, has a range of scores from 8 to 25, a mean score of 18.33, and a standard deviation of 3.731, indicating a moderate level of variability in control strategy scores. Finally, the fourth variable, Firm Performance, spans from 17 to 50, with a mean score of 39.06 and a relatively high standard deviation of 6.393, suggesting a wider range of performance in firm performance and potentially greater disparities among the firms.

#### **4.5 Inferential Analysis**

The inferential analysis of the study was undertaken by use of both correlation analysis and regression analysis.

##### **4.5.1 Correlation Analysis**

Correlational analysis is a statistical method employed for evaluating the magnitude and direction of the correlations among two or more variables. As presented by the correlation table 4.7, the correlation coefficients are represented by the values that fall in the range of -1 to 1. These coefficients are a reflection of the extent of the linkage between the 4 variables. A positive correlation coefficient implies a direct connection, indicating that as one variable experienced an upturn, the other tends to experience an upturn as well. Conversely, a negative correlation

coefficient indicates an inverse relationship, signifying that as one variable rises, the other tends to decline. The magnitude of the coefficient, closer to 1 or -1, indicates a stronger relationship, while values closer to 0 imply a weaker or no association.

**Table 4.7: Correlation Analysis**

|                            | SF-Strategy Formulation | SI-Strategy Implementation | CS-Control Strategy | FP-Firm Performance |
|----------------------------|-------------------------|----------------------------|---------------------|---------------------|
| SF-Strategy Formulation    | 1                       |                            |                     |                     |
| SI-Strategy Implementation | .729**                  | 1                          |                     |                     |
| CS-Control Strategy        | .712**                  | .777**                     | 1                   |                     |
| FP-Firm Performance        | .828**                  | .814**                     | .779**              | 1                   |
| N                          | 33                      | 33                         | 33                  | 33                  |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 4.7 indicates that there are significant and positive correlations between various variables. Notably, firm performance (FP) demonstrates a notably strong and positive correlation with strategy formulation (SF), strategy implementation (SI), and control strategy (CS). This indicates that as these three components-strategy formulation, strategy implementation, and control strategy-improve or increase, there is a corresponding positive impact on firm performance. These findings suggest a potentially valuable insight into the interplay between these variables and their influence on the financial health of the studied entities.

#### 4.6 Regression Analysis

Regression analysis was used to determine the influence of strategic management processes on firm performance of pharmaceutical manufacturing firms.

**Table 4.8: Model Summary**

**Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .891 <sup>a</sup> | .795     | .774              | 3.042                      |

a. Predictors: (Constant), CS-Control Strategy, SF-Strategy Formulation , SI-Strategy Implementation

Table 4.8 indicates that the model is strong able to predict a total of 79.5% of the changes in firm performance, while only 20.5% of the changes in financial performance are predicted by other factors that are not indicated by the variables.

**Table 4.9: ANOVA Table**

**ANOVA<sup>a</sup>**

| Model |            | Sum of Squares | Df | Mean Square | F      | Sig.              |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1     | Regression | 1039.447       | 3  | 346.482     | 37.432 | .000 <sup>b</sup> |
|       | Residual   | 268.432        | 29 | 9.256       |        |                   |
|       | Total      | 1307.879       | 32 |             |        |                   |

a. Dependent Variable: FP-Firm Performance

b. Predictors: (Constant), CS-Control Strategy, SF-Strategy Formulation , SI-Strategy Implementation

Table 4.10 indicates that there was a significant influence of strategic management processes on firm performance of manufacturing pharmaceutical firms in Kenya.

**Table 4.10: Coefficients Table**

**Coefficients<sup>a</sup>**

| Model |                         | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-------|-------------------------|-----------------------------|------------|---------------------------|-------|------|
|       |                         | B                           | Std. Error | Beta                      |       |      |
| 1     | (Constant)              | 5.818                       | 3.244      |                           | 1.793 | .083 |
|       | SF-Strategy Formulation | .835                        | .250       | .436                      | 3.336 | .002 |

|                            |      |      |      |       |      |
|----------------------------|------|------|------|-------|------|
| SI-Strategy Implementation | .545 | .239 | .333 | 2.283 | .030 |
| CS-Control Strategy        | .360 | .243 | .210 | 1.477 | .150 |

a. Dependent Variable: FP-Firm Performance

Strategy Formulation and Strategy Implementation were both found to have a positive and statistically significant impact on FP. An increase in SF or SI was associated with a corresponding increase in firm performance. This implied that well-thought-out strategies and effective execution of these strategies were key drivers of firm performance.

On the other hand, Control Strategy also had a positive relationship with FP, but this relationship was not statistically significant at the conventional significance level. While CS would still contribute positively to firm performance, the evidence for its impact was weaker compared to SF and SI.

The model equation is  $FP = 5.818 + 0.835SF + 0.545SI + 0.360CS$

#### 4.7 Discussion of Findings

The study highlighted the pivotal role of Strategy Formulation. The research indicated that when pharmaceutical manufacturing companies invest in developing well-structured and effective strategic plans, it significantly improved their firm performance. This underscores the importance of clear and thoughtful strategic planning, where setting well-defined objectives and charting a clear path to achieve them can lead to positive firm performance.

Equally crucial is the finding related to Strategy Implementation. The study demonstrated that having a strategic plan is not sufficient on its own; effective execution was essential. When companies translated their strategic goals into actionable steps and carry them out efficiently, it positively influenced firm performance. This underscored the significance of aligning

organizational efforts with strategic objectives and ensuring that plans were rigorously put into practice.

The research also suggested that the performance of the firms was positively affected by Control Strategy. However, this relationship was not statistically significant at the conventional significance level. This implied that control mechanisms and strategies may have contributed positively to firm performance, but further research or a larger sample size would be needed to establish their precise impact on firm performance in Kenyan pharmaceutical manufacturing companies. The study therefore emphasized that strategic management processes, encompassing both the formulation of sound strategies and their effective execution, were vital for enhancing the financial performance of pharmaceutical manufacturing firms in Kenya. This insight offered valuable guidance to these companies, highlighting the importance of investing resources and efforts into strategic planning and implementation to drive improved firm performance. Additionally, it underscored the need for ongoing evaluation and optimization of control strategies to ensure they make a substantial contribution to financial success in this industry.

Several studies from different regions corroborated the research's core findings. For instance, Kumar's study on Indian pharmaceutical firms concluded that effective strategic management practices significantly enhanced financial performance (Kumar, 2021). Similarly, Beekun and De Carvallho's research on Mexican manufacturing firms emphasized a positive correlation between strategic management and performance, underlining the role of strategy in acquiring skilled talent and gaining a competitive edge (Beekun & De Carvallho, 2021). Moreover, Maswili and Kariuki's study on Nairobi's pharmaceutical production companies highlighted the importance of



strategic planning procedures, linking elements like environmental assessment and stakeholder involvement to improved firm performance (Maswili & Kariuki, 2019). These studies collectively emphasized the vital role of strategic management practices in driving financial success across diverse contexts.

However, not all studies aligned with these positive associations. Kimani's research on Africa Fintech companies challenged the direct link between strategy formulation and implementation with performance (Kimani, 2018). It suggested that factors like macroeconomic conditions and industry turbulence may overshadow the influence of strategic management practices in certain environments. Similarly, Ogollah's study on pharmaceutical importers and distributors in Kenya revealed that while vision and goals were important, the effectiveness of strategic management systems could vary widely between businesses, indicating that the mere presence of strategies might not guarantee enhanced performance (Ogollah, 2007). These contrary findings highlighted the importance of considering industry-specific nuances and contextual factors when exploring the relationship between strategic management and performance.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The conclusions derived from the study are abridged in the section of this study. It also highlights the conclusions made by the study in regard to strategic management processes and firm performance. The study recommendations made in regard to policy and practice as well as the limitations of the study. It also highlights areas for future research.

### **5.2 Summary of the Study**

The primary aim of this study was to investigate the implications of strategic management procedures on the firm performance of pharmaceutical manufacturing firms operating in Kenya. To attain this objective, the study utilized a descriptive and cross-sectional research design. This design was chosen to provide a thorough description of the variables under, investigation, thus facilitating the effective pursuit of the research objective. The process of obtaining data the use of a semi-structured questionnaire, which was administered online through Google Forms. In total, 33 respondents participated in the study out of the intended target of 40 and therefore a response rate of 82.5%.

The study encompassed an examination of data through correlation and regression analyses to evaluate how specific variables affect firm performance. The main aim was to evaluate the influence of strategy development, strategy execution, and strategy monitoring on firm performance. The outcomes revealed that both strategy formulation and implementation, exerted a substantial influence of the firm performance. Conversely, the effect of control strategy, while

positive, did not achieve a statistically significant influence of the performance of the firms. These findings supply valuable insights into the connection between strategic management processes and the firm performance of pharmaceutical firms in Kenya. This, in turn, suggests potential strategies for enhancing the economic results within the pharmaceutical sector.

### **5.3 Conclusion of the Study**

The findings of this study could inform the conclusion that strategic management processes played a crucial role in influencing the firm performance of Kenyan manufacturing pharmaceutical firms. The significant implications of both strategy formulation and strategy implementation on firm performance highlighted the importance of a well-defined and effectively executed strategic plan in achieving positive firm performance in this industry. It was evident that firms ought to prioritize conducting more consultations with employees. This increased collaboration and engagement with employees leading to a more inclusive and well-informed strategy formulation process, ultimately contributing to the effectiveness of the strategic plan.

The study also emphasized the importance of motivating staff members to actively support the execution of the strategy. Additionally, the management was required to provide adequate support to employees on instances where they encountered challenges in carrying out the strategy. Firms that excelled in these areas were more likely to experience favorable firm performance, which could include increased revenue, profitability, and overall business growth.

However, it was also important to note that while control strategy demonstrated a positive effect, it was not statistically significant in its impact on firm performance. This suggested that although control mechanisms and strategies were beneficial, there were issues that the study highlighted that they needed an enhanced feedback system. This feedback system should not only be robust but also capable of identifying bottlenecks that hindered the success of the strategy. By promptly identifying and addressing these bottlenecks, firms could improve their ability to adapt and refine their strategies, leading to better firm performance outcomes. It was therefore essential for pharmaceutical manufacturing firms to prioritize the development and execution of robust strategic plans to enhance their firm performance. This involved continuous monitoring and adjustment of strategies to adapt to changing market dynamics and evolving business environments, ultimately leading to improved firm performance and competitiveness within the industry.

#### **5.4 Recommendations**

The study recommended that it was crucial for firms to prioritize employee involvement in the strategy formulation process. This could be achieved by fostering a culture of collaboration and open communication, encouraging employees to contribute their insights and expertise to strategic decision-making. Companies were recommended to provide opportunities for regular consultations and feedback sessions with employees, ensuring that their perspectives were integrated into the strategic planning process. Policymakers could support this initiative by promoting guidelines and incentives that incentivized firms to engage their workforce in strategy development. By doing so, firms could create more inclusive and well-informed strategic plans, ultimately contributing to improved firm performance.

The study also recommended focus on employee motivation and support during strategy implementation. Pharmaceutical firms were recommended to invest in employee development, training, and incentives to ensure that employees were motivated and committed to carrying out strategic initiatives. Company leadership was required to be proactive in identifying and addressing challenges faced by employees in executing the strategy, providing the necessary resources and support. Policymakers could play a role by introducing policies and incentives that rewarded firms for their investments in employee welfare and capacity building. By prioritizing staff motivation and support, firms could enhance the successful implementation of their strategic plans, leading to improved firm performance.

There was also the need to strengthen control strategies and feedback mechanisms within pharmaceutical firms. Firms were recommended to invest in robust feedback systems and performance monitoring tools to identify and address bottlenecks hindering strategy success promptly. Regulatory bodies and policymakers encouraged the adoption of best practices in control strategy by providing guidelines and standards for effective feedback systems. Continuous improvement in control mechanisms enabled firms to adapt and refine their strategies in response to changing market dynamics and evolving business environments, ultimately leading to better firm performance. These recommendations collectively aimed to enhance the strategic management processes and overall firm performance of pharmaceutical manufacturing firms, fostering growth, sustainability, and competitiveness within the industry.

## **5.5 Limitations of the Study**

The study exhibited several limitations. The relatively small sample size of 33 respondents, raised concern as to what extent the overarching findings can be generalized pharmaceutical manufacturing industry. A larger and more diverse sample would need to be considered I future to strengthen the study's representativeness and its ability to draw more universally applicable conclusions.

The reliance on self-reported data could lead to response bias, potentially affecting the accuracy of the results. This response bias would be adequately addressed by use of both primary as well as secondary data collection methods in undertaking future study. Despite an adequate internal validity as identified in KMO and Bartlett's test undertaken, the studies focus solely on the pharmaceutical industry in Kenya limited its external validity, as different industries and regions may exhibit unique factors influencing strategic management processes and firm performance.

The study's correlational approach established associations but did not prove causation, leaving room for the influence of unexplored variables or external factors. While the study identified the need for enhanced control strategies and feedback mechanisms, it did not delve into specific strategies to address these issues, suggesting a potential area for further research and practical exploration. These limitations were crucial and they should be considered when be taken into account when drawing conclusions and interpreting the findings and contemplating future research directions and improvements.

## **5.6 Suggestions for Future Research**

Future studies could involve larger and more diverse samples from the pharmaceutical manufacturing industry in Kenya and in the broader African region. A broader participant pool would enhance the generalizability of findings and allow for more robust statistical analyses. Additionally, comparative studies across different industries or regions within Africa could provide insights into how specific contextual factors impact the correlation connecting strategic management processes and firm performance.

As a way of mitigating the potential biases associated with online, self-administered questionnaires, future researchers could adopt mixed-methods approaches that combine quantitative data with qualitative interviews or focus groups. This would enable a more comprehensive understanding of the challenges and opportunities faced by pharmaceutical firms in Kenya and beyond. Moreover, exploring alternative data collection methods, such as in-person surveys or case studies, could divulge a better understanding of the industry's dynamics.

The study's call for enhanced control strategies and feedback mechanisms highlighted the need for future research to delve deeper into specific strategies and interventions that could address these issues effectively. Researchers could investigate best practices and innovative approaches within the pharmaceutical industry and other sectors to identify practical solutions for improving control mechanisms and feedback loops. Additionally, longitudinal studies could track the evolution of strategic management processes and firm performance over time to better understand the causal relationships and the long-term impact of interventions.

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## **APPENDICES**

### **APPENDIX I: QUESTIONNAIRE**

#### **SECTION A: Background Information**

1. What is the name of your company \_\_\_\_\_?
2. Which position do you occupy in the company? (Select Appropriately)  
  
Top-Level Management  
  
Middle-Level Management  
  
Low Level Management  
  
Employees
3. How many branches does the company have \_\_\_\_\_?
4. Please indicate the number of employees employed on permanent and pensionable terms
  - (a) Below 10
  - (b) 10 to 20
  - (c) 21 to 50
  - (d) 51 to 100
  - (e) Above 100

#### **Section B: Strategy Formulation**

Kindly indicate the extent to which you agree or disagree with these statements that seek to identify strategy formulation practices in your company.

|    |  | Highly Disagree | Disagree | Neutral | Agree | Highly Agree |
|----|--|-----------------|----------|---------|-------|--------------|
| 1. | The firm undertakes planning before setting goals and objectives of the firm             |                 |          |         |       |              |
| 2. | The company consults employees and customers before making plans and strategies          |                 |          |         |       |              |
| 3  | The company engages experts in developing business strategies                            |                 |          |         |       |              |
| 4  | Market trends, and past performance are highly used in making future strategies          |                 |          |         |       |              |
| 5  | Strategies are often reviewed to incorporate market changes, new trends or new knowledge |                 |          |         |       |              |

Section C: Strategy Implementation

Kindly indicate the extent to which you agree or disagree with these statements.

|    |  | Highly Disagree | Disagree | Neutral | Agree | Highly Agree |
|----|--|-----------------|----------|---------|-------|--------------|
| 1. | The company sets aside adequate resources to implement all strategies it makes |                 |          |         |       |              |
| 2. | The staff are well motivated to implement the strategy                         |                 |          |         |       |              |
| 3  | There is constant review of implementation process                             |                 |          |         |       |              |
| 4  | Management is very supportive to employees to help strategy implementation     |                 |          |         |       |              |
| 5  | Technology has been well used to support innovation in strategy implementation |                 |          |         |       |              |

Section D: Control Strategy

Kindly indicate the extent to which you agree or disagree with these statements on control strategy.

|    |  | Highly Disagree | Disagree | Neutral | Agree | Highly Agree |
|----|--|-----------------|----------|---------|-------|--------------|
| 1. | Corrective mechanisms are well established if implementation of a strategy |                 |          |         |       |              |

|    |   |  |  |  |  |  |
|----|---|--|--|--|--|--|
|    | does not bring intended results   |  |  |  |  |  |
| 2. | There is an established feedback system   |  |  |  |  |  |
| 3  | There are objective and reliable measures on the performance of business strategies                             |  |  |  |  |  |
| 4  | It is easy and cheaper to identify bottlenecks in a certain strategy  |  |  |  |  |  |
| 5  | The system is built in a way to automatically detect any strategy or part of the strategy that is not effective |  |  |  |  |  |

Section E: Firm Performance

How do you agree or disagree with each of the statements?

|     |   | Highly Disagree | Disagree | Neutral | Agree | Highly Agree |
|-----|---|-----------------|----------|---------|-------|--------------|
| 1.  | I am satisfied with the firm's ability to generate consistent revenue. Its financial stability and profitability. |                 |          |         |       |              |
| 2.  | The firm offers high quality products that effectively meets customer needs                                       |                 |          |         |       |              |
| 3   | The firm offers best customer service possible  |                 |          |         |       |              |
| 4   | The firm excellently manages its supply chain and inventory   |                 |          |         |       |              |
| 5   | The firm is very cautious in meeting regulatory requirements and all the compliance standards.                    |                 |          |         |       |              |
| 6   | The firm has improved its use of technology to enhance processes and its ability to meet its objectives           |                 |          |         |       |              |
| 7   | The employee training programs undertaken by the firm are relevant and crucial in developing employees            |                 |          |         |       |              |
| 8.  | There is very low employee turnover in the firm   |                 |          |         |       |              |
| 9.  | The firm has a well-established culture of facilitating growth and development                                    |                 |          |         |       |              |
| 10. | The firm invests in employee training and enhances room for their career development                              |                 |          |         |       |              |

## **APPENDIX 2: List of Pharmaceutical Manufacturers in Kenya**

1. Aesthetics Ltd
2. Aga Khan Cyclotron and PET-CT Facility
3. Autosterile (EA) Ltd
4. Benmed Pharmaceuticals Ltd
5. Beta Healthcare International Ltd
6. Biodeal
7. Biopharma
8. Comet Healthcare Ltd
9. Concepts Africa Ltd
10. Cosmos Ltd
11. Dawa Ltd
12. Dinlas Pharma EPZ Ltd
13. Elys Chemicals Industries Ltd
14. Elys Chemical Industries Ltd - Mombasa Road
15. GSK Ltd
16. Hightech Pharmaceuticals Ltd
17. Iveen Aqua EPZ Ltd
18. B.Braun Kenya Ltd (Formerly Iveen Infusions Epz Ltd)

19. Lab & Allied
20. Mac's Pharmaceuticals Ltd
21. Medivet
22. Njimia (K) Ltd
23. OSS Chemie
24. Questa Care Ltd
25. Regal Pharmaceuticals
26. Skylight Chemicals Ltd
27. Sphinx
28. Stedam Pharma
29. Syner-Chemie Ltd
30. Tasa Pharma
31. Universal Corporation Ltd
32. Viva Healthcare Ltd
33. Zain Pharma

Source (Pharmacy and Poisons Board of Kenya, 2020).