A SURVEY OF THE STRATEGIC IMPLICATIONS OF THE ENACTMENT OF THE INDUSTRIAL PROPERTY BILL ON THE PHARMACEUTICAL FIRMS IN KENYA CASE OF PHARMACEUTICAL MANUFACTURERS AND DISTRIBUTORS.

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DEDICATION

To Almighty God

who made everything possible.

DECLARATION

This project is my original work and has not been submitted for a degree in any other university.

Signed:.................................... Date: 21/10/02......................

Wamalwa C. W.

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

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ABSTRACT

This study sought to investigate the strategic responses deployed by pharmaceutical firms as a result of enactment of Kenya Industrial Property Act. The research was conducted between May and August 2002. The sampling frame comprised one hundred and seventeen (117) pharmaceutical firms dealing with manufacturing of brands, manufacturing of generics and distribution of drugs. Sixty (60) firms were selected using stratified sampling. There were three stratas identified in the pharmaceutical industry that is, brand manufacturers (multinationals), generic manufacturers and distributors.

A lot of changes have taken place in the Kenyan business environment, this situation is not expected to change. The Kenyan economy has been liberalized. Conditions governing free markets have given rise to new opportunities and challenges. The Industrial Property Act came as a result of HIV/AIDs pandemic which was declared a national disaster. Many consumer pressure groups raise an alarm for the easy accessibility of essential drugs to HIV/AIDs. This brought another change in the pharmaceutical business environment.

The legislation of Industrial Property Act has the following implications:- the removal of the patents protection of the HIV/AIDs related drugs, the allowance of the generic manufacturing and legalisation of parallel importation. This will definitely result in stiff competition hence reducing profitability. As a result of this, pharmaceutical firms are working around the clock to see how to respond to this act in order to survive and remain profitable. The study had the following objectives:-

1. To identify the strategic responses by pharmaceutical manufacturers of branded drugs, generic drugs and distributors as a result of the enactment of Industrial Property Bill.
2. To identify some of the factors influencing their strategic responses.

Primary data was collected using a questionnaire comprising of two parts: first the information background and the strategic responses of the firm. The techniques of analysing the data comprised the use of descriptive statistics such as charts, tables and percentages. The study found out that all firms are aware of Industrial Property Act and due to their mother company influence and resource capability they responded by:

68% of manufacturers of brands (multinationals) are to franchise to the local companies and 57% of the generic manufacturers are to start manufacturing unpatented drugs and all the distributors are set to expand their businesses (distributorship). The study findings reported represented the population of the pharmaceutical industry. It is through the action and decision of these respondents that we are able to measure, learn, make conclusions and recommendation on how firms should respond to the external environment in which they operate. It is paramount that firms should have a strategic fit between their organisations and the environment they operate.

CHAPTER ONE: INTRODUCTION

1.1 Background

In 1963, at independence, Kenya's population was about eight million. The resources available at that time were adequate to find a free drug supply system in the Public Sector (Kenya National drug policy, 1994).

Thirty-seven years down the line, the population now stands at 28.7 million, (GOK 1999). The health institutions have expanded both in size and numbers. By end of May 1995, there were 104 Government hospitals; 9 Local government hospitals and maternity units; 72 Mission Hospitals; 184 Private Hospitals. There were also 1483 Government health centres and dispensaries; 114 local government health centres, dispensaries and welfare clinics; 466 mission health centres and dispensaries; 100 private health centres and dispensaries and 14 NGOs run dispensaries (GOK 1995). Appreciation of the effectiveness of modern medicines has grown and, with it, the demand for public health services and for pharmaceuticals has also grown. New diseases have appeared, (for example, Human Immune Virus (HIV), creating demand for more specialised medicines (GOK 1994).

It is in light of this that it is fitting that the Kenya government came up with it's National Drug Policy (NDP). This policy guides legislative reforms, staff development and management improvement for pharmaceutical services.

The Pharmaceutical industry was liberalized in 1991 through an act of parliament (pharmacy and poisons board). The period after saw an influx of many pharmaceuticals companies into the market either directly investing or through franchise holders – i.e. local trading partners (importing wholesalers).

Today in Kenya, managers are faced with greater issues. These are, severe recession, reduced purchasing power, entry of Health Management Organisations (HMO) in the market who dictate what to be included in the formularies, reduced growth rate, increased competition, consumer (patient) awareness, pressure on pricing, and reduced government expenditure on direct purchases (Majumder, 1996). These has resulted in cutthroat competition as well as reduced profits (Odhiambo, 1999).

The pharmaceutical industry can broadly be categorized into 2 branches: The human Pharmaceuticals and the Veterinary pharmaceutical industries respectively (Siage, 1999). For the purpose of this study, the focus will mainly be on the human pharmaceutical industry. The latter can be a basis for another study.

The human pharmaceutical industry can further be divided into three large categories depending on the kinds of products and the rules governing their manufacturing procedures, marketing and usage. These categories are:

- The Over the Counter drugs (OTC) – This requires no elaborate usage instructions or precautions to be taken.
- Pharmacy only (P) category – This requires purchaser to take elaborate instructions on the correct usage and precautionary measures.
- Prescription only medicine (POM) – or at times as used in the study, the ethical category – these drugs are purchased upon presentation of a duly signed prescription from a qualified

doctor. This category is strictly regulated and is one monitored a lot by the pharmacy board. Any infringement may result in litigation.

According to the medical directory (Kenya) (2000), there are one hundred and thirty seven (137) firms involved in manufacturing, marketing and distribution of pharmaceuticals products.
The size of the target market for the drug industry has not been well studied and documented. Most of it is based on estimates on the amount of drugs imported by the companies. However, according to the 1994 national health account data, the total expenditure on drugs was Kshs. 31 billion. Whereby, the expenditure of individuals on drugs was Kshs. 20.3 billion, the Ministry of Health (MOH) spent Kshs. 7.4 billion, National Hospital Insurance Fund (NHIF) Kshs. 1.3 billion and the insurance companies Kshs. 133 billion.

The number of HMO's have also increased and more insurance firms are actively selling newer healthcare or medical premiums with those previously not involved in it, actively joining in the fray.

Kenya's pharmaceutical industry is playing a key role in the healthcare sector and in the manufacture of pharmaceutical and health care products although some of them are imported. The reliance on imported raw materials has been the biggest hindrance to the development of this industry.

The industry relies heavily on imported raw materials. Over 95% of the raw material inputs are imported (GOK, 1996). Bulk drugs (semi-finished medicaments), which form the major raw material input for these industries are all imported. The locally sourced raw materials include:-

maize starch, refined sugar, glucose syrup, rectified spirit, ethanol, sodium chloride and packaging materials.

The government policy is to create an enabling environment geared towards the development of the pharmaceutical industrial sector. As mentioned in the National Development plan (1996), the government will encourage production of bulk raw materials locally for use by the local pharmaceutical companies and thus reducing heavy reliance on imported raw material input.

Kenya's pharmaceutical industry is the largest in the Common Market for Eastern and Southern Africa (COMESA) region. Infact, it is claimed to be the third largest in Africa. Nearly half of the COMESA pharmaceutical industry is located in Kenya and out of the 50 recognized COMESA pharmaceutical industries, 24 are located in Kenya (Sagwa 2001).

Like any other developing country, Kenya embraced the Alma Alta declaration of "Health for all by the year 2000" and set various policy measures to achieve this goal; which include the establishment of a National drug policy. Kenya adopted the Essential Drugs Program back in 1981, and implemented it with the support of such donor agencies as: Danish Development Agency (DANIDA), World Health Organisation (WHO), and Swedish Development Agency (SIDA).

In 19980, the Federation of Kenya Pharmaceutical Manufacturers (FKPM) was formed. The objective of the federation was to represent the pharmaceutical manufacturers in various for a and championing their interests when there is a problem. The federation also emphasized on quality production among its members. According to the Federation, there is need for "a healthy nation at affordable cost". This can only be achieved by promoting the pharmaceutical industry both at private and Government level. This would lower medical costs especial in providing pharmaceutical products which are affordable to the local people.

In this regard, the government continues to encourage the pharmaceutical industry to apply more aggressive strategies to secure export markets in order to fully utilize their installed capacities (GOK, 1996).

Kenya pharmaceutical industries produce over 90% of the essential drug list although overall capacity utilization stands at around 40%. For all the pharmaceutical products made locally, the industry is able to meet the local demand and even export to the COMESA region (GOK, 1996).

Because of the heavy reliance by the industry on imported raw materials, most locally manufactured pharmaceutical products end up being more expensive than finished products, making them less competitive in both the local and foreign markets. It is therefore difficult for the local pharmaceutical industry to compete effectively with the imported finished formulations, which are normally manufactured more cost effectively under mass production basis, thus enjoying the benefits of economies of scale and industry experience curve effects.

A pharmaceutical firm is one engaged in the research and development, production or distribution or sale and marketing of medicinal substances.
As stated earlier, there are 137 pharmaceutical companies in Kenya (Kenya Medical Directory, 2000) i.e. manufacturing and distributorship. Vinayak (2000) has categorized the pharmaceutical business in 4 categories.

(i) Manufacturing Companies:

These are companies importing raw material and manufacturing finished products, which they market and sell in Kenya and in neighbouring countries. A majority of this are local firms, though few are subsidiaries of multinationals.

(ii) Multinationals:

These are companies importing finished research-based pharmaceutical products into the country. Some of the multinationals undertake all the marketing functions by themselves, like product, pricing, promotion and distribution, while others have left some aspects of these functions, for example distribution, to local agents.

(iii) Kenyan Agents:

These are local firms importing and marketing finished pharmaceutical products through contractual arrangements with foreign manufacturers.

(iv) Local Traders:

These are local firms engaged only in distribution and trading of pharmaceutical products.

In his work, Mbau (2000) observes that pharmaceutical firms in Kenya operate under three different forms, with the following percentage distribution of each category. Manufacturers – 31%, Distributors – 59%, Both – 9%.

He concludes that the Kenyan pharmaceutical industry is dominated by firms whose operations are in distribution of pharmaceuticals. However, it should be noted that manufacturers constitute a significant proportion (32 percent) of the pharmaceutical business in Kenya.

Since liberalisation in 1990s pharmaceutical has been very competitive infact firms have been forced to go into mergers and acquisitions in order to maintain their competitive advantages. For example since 1999, pharmaceutical industry has undergone quite a number of mergers and acquisitions (Mbau 2000).

a) Glaxowellcome acquired Eqyptian company Amoun pharmaceuticals and then merged with Smithkline Beecham to become GlaxoSmithkline.
b) Zeneca pharmaceutical and Astra international merged to become AstraZeneca.
c) Sanofi merged with French company Synthelabo laboratories to become Sanafi-Synthelabo.
d) Pfizer acquired Warner Lambert.
e) Pharmacia merged with an American company Upjohn to become to become Pharmacia & Upjohn.
f) Pharmacia & Upjohn then merged with GD Searle to become Pharmacia International.
g) Rhone Poulenc merged with Hoechst Marion Rousell to become Aventis.
h) Reckitt and Colman pharmaceutical division merged with a Germany based firm to form Reckitt Benckiser.
i) The Distributor Howse & McGeorge merged with French firm Eurapharma to become Howse & McGeorge Laborex (HML).
j) Distributors Phillips acquired a franchise for an Indian generic company Ranbaxy.

1.2 Industrial Property Act

The Industrial Property Act came as a result of HIV/Aids pandemic which was declared a national disaster by H. E. The president, Daniel Toroitich Arap Moi. The pressure groups coalition for accessibility of the essential drugs (antiretrovirals) raised an alarm which forced multinationals who are the manufacturers of antiretrovirals to reduce the prices, some to the cost price others below cost. They also mobilised members of parliament to pass the Industrial Property Bill May 2001. The Industrial Property Act commencement date was 1st of May 2002 as announced by the Minister of Trade, Honourable Nicholas Biwott.

This act really changed the situation in the Pharmaceutical industry in the sense that it removed protection of the patency of the drugs/molecules for HIV/Aids and its opportunistic infections as a result pharmaceutical generic manufacturing companies, local, Indian, Pakistan are free to go ahead with manufacturing of antiretrovirals generics and other generics for the drugs of the HIV/Aids opportunistic infections hence leading to increased competition. It also allowed individuals to outsource for cheaper accessibility of these drugs leading to free parallel importation which was initially illegal.

These changes in the external environment are beyond the firms control for example the recent enactment of industrial property bill which has brought a lot of challenges and opportunities to the pharmaceutical firms in Kenya. However, despite the government regulations in the pharmaceutical industry in Kenya, some shortcomings have been experienced, Okong'o (1999) alleged that due to lack of publication of the "revised essential drugs list," a loophole has emerged that has allowed unscrupulous businessmen to import and sell unregistered drugs without fear of drugs inspectors. Further, the Medical Supplies Co-ordinating Unit (MSCU), the arm of the government that channels drugs and medicines to public health outlets, has been described as "having gained notoriety after it had been linked to a multi-million shillings drugs scam that resulted in the prosecution of several government officials. In addition, the operations of the watchdog Pharmacy and Poisons Board (PPB) have been similarly described as ineffective allowing for "massive imports of unregistered drugs into the country." Indeed a local pharmaceutical firm was charged in court on misdeeds of drug supply. Meanwhile three products belonging to different pharmaceutical firms were also banned from the market (Mbau 2000).

The above scenario has not augured well for the sector. It has led to a proliferation of generic products making the sector appear like a commodity market with little ability to innovate and build strong local brands. One pharmaceutical outlet was reportedly importing drugs, repackaging and putting new printed labels that are different from the manufacturers' labels (Mbau 2000).

Business companies are open systems. They get their inputs from their external environments and gets market for their products in the external environment, so for them to be successful, they have to keep focused to the external environment.

1.3 The Problem Statement

The Industrial Property Act puts a situation in the pharmaceutical industry as follows:-

- Removes protection of patents of drugs/molecules which treats HIV/Aids at its opportunistic infections.
- It allows parallel importation of the said drugs.
- Lowers entry barriers hence creating an environment of price reduction.

The major tasks of managers is to assure continued success and therefore survival of the companies they manage by maintaining profitability, but this act threatens the profitability of the pharmaceutical firms who have invested heavily in R&D (Sunk Costs). It wipes out opportunities for recouping investments in R&D especially the manufacturers of branded drugs. However, it has brought new opportunities to the distributors who are free to do parallel importation and to the generic manufacturers are now free to manufacture since there is no patents protection hence leading to increased competition and little investments in R&D.

The decision challenge to the manufacturers and distributors is what do we do to maintain profitability?

1.4 Research Objectives

1. To identify the strategic responses by pharmaceutical manufacturers of branded drugs, generic drugs, and distributors as a result of enactment of the Kenya Industrial Property bill.
2. To identify some of the factors influencing their strategic responses.

1.5 Importance of the Study

It is anticipated that the findings of the study will be of value to the following groups:

1) The pharmaceutical firms shall be able to use the findings and recommendations of the study to develop better strategic management practices.
2) Scholars, academicians and researchers will also find the study a useful starting point for further research in various aspects of strategic management.
3) Other interested organisations including the Federation of Kenya Pharmaceutical Manufacturers, The Pharmaceutical Society of Kenya, The Ministry of Health and other relevant departments of the government shall hopefully find the outcome of this research useful.

CHAPTER TWO: LITERATURE REVIEW

2.1 Environmental dependence

Managers face difficulties in trying to understand the environment. It is difficult to in the sense that the diversity in the environment influences strategic planning. Indentifying very many environmental influences may be possible, but may not be much use because no overall picture emerges of really important influences on the organisation (Johnson and Scholes, 1999). Different external elements affect different strategic at different times and with varying strengths. The firm has to therefore change and adapt to these changes.

Assessing the potential impact of the changes in the environment offers a real advantage. It enables managers to narrow the range of the available options and to eliminate options that are clearly inconsistent with the forecast opportunities. Environmental assessment seldom indentifies the best strategy, but generally leads to the elimination of all but the promising options (Pearce and Robinson, 1997). Despite the uncertainty and dynamic nature of the business environment, an assessment process that narrows, even if it does not precisely define, future expectations is of substantial value to managers. The firm has to therefore consider the external environment and the changes therein, so as to ensure continued survival and long term profitability.

Pharmaceutical firms like any other business firm, operate like open systems. A system is a set of components which relate in the accomplishment of some objective. The components relate and interact within a boundary. The system may be closed or open. A closed system does not depend on its external environment for survival. It can be sealed off from the outside world. An open system crucially depends on its external environment for survival. It continuously consumes resources from the environment and release resources to the environment.

- Inputs – form the environment e.g. money, people, physical assets,
- Throughput – transformation within the system.
- Output – to the environment e.g. physical products, services, by-products, (Ansoff H. 1993).

These products/services are released to the external environment which has customers/consumers, competitors and government which is the regulator. In Kenya the government acts as the regulator, it formulates and implements laws which business firms must abide by on their operations.

Organisations today are operating in dynamic, changing environments. This environmental dynamism is throwing up new opportunities and challenges. Future survival of organisations is no longer guaranteed. Managers need to act now in order to secure future success. Strategic management provides a framework within which such proactive actions are undertaken. Specifically, strategic helps managers:-

(i) think about the future while still carryng out present operations (Aosa E., 1992)

(ii) respond to external changes on a timely basis

(iii) build internal capacity

The major tasks of managers is to assure continued success (and therefore) survival of the companies they manage. Such success is attained if the companies provide products and services to society at price enough to cover costs and earn an acceptable return (profit). They also need to marshall the required resources and exploit them competently.

For the companies to achieve their objectives, they have to constantly adjust to their environment. This environment is constantly changing and so it is imperative that a company has to constantly adapt its activities to reflect the new environmental requirements. A company that does not adequately adjust to meet environmental challenges will experience a big strategic problem. This is a problem that arises out of the maladjustment of any company to its environment. It is characterised by a mismatch between the output of the company and the demands of the market place. Strategy is useful in helping managers tackle the potential problem that faces their companies (Aosa E., 1992).

Strategy may be defined as the broad programme of goals and activities to help a company achieve success. It is a description of the match a company achieves with its environment. Hofer and Schendel in their book "Strategy Formulation: Analytical concepts", define strategy as the

> "Fundamental pattern of present and planned resource deployments and environments and environmental interactions that indicates how the organisation will achieve its objectives".

A good company strategy has to have at least four components:

i) Scope – It has to define the company's business i.e. the present and planned interactions of the company with its environment.

ii) Competence – This is an indication of the level and pattern of the company's present and past resources and skills that will help it achieve its objectives.

iii) Competence advantage – The unique position a company will develop vis-à-vis its competitors through its resource deployments and scope decisions.

iv) Synergy – The joint effects tat are sought from the company's resource deployments and the company's scope decisions.

Its paramount that a company has to achieve a fit with its environment for it to succeed.

Strategy is a multi dimensional concept and various authors have defined strategy in different ways. Strategy is the match between an organisation's resources and skills and the environmental opportunities and risks it faces and the purposes it wishes to accomplish (schendel & Hofer, 1979). It is meant to provide guidance and direction for the activities of the organisation. Since strategic decisions influence the way organisations respond to their environment, it is very important for a firm to make strategic plans. Schendel & Hofer (1979) define strategy in terms of it function to the environment. The purpose of strategy is to provide directional cues to the organisation that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Schendel & Hofer, 1979).

Ansoff (1965) views strategic in terms of market and product choices. According to his view, strategy is the "common thread" among an organization's activities and the market. Johnson & Scholes (1984) define strategy as the direction and scope of an organization that ideally matches the results of it's changing environment and in particular its markets and customers so as to meet stakeholder expectation. According to Juach and Glueck (1984) is a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.

Mintzberg & Quinn (1991) have perceived strategy as a pattern or a plan that intergrates organization's major goals, policies and action into a cohesive whole. Porter (1996) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort.

Pearce and Robinson (1977) defines strategy as the company's "game plan" which results in future oriented plans interacting with the competitive environment to achieve the company's objectives. This definition of strategy is important in this study as it reflects competitiveness in the environment and the game plan aspects which organizations put into place to be able to compete effectively. Thompson et al (1993) states that managers develop strategies to guide how an organisation conducts its business and how it will achieve its objectives.

The major tasks of managers is to assure success (an therefore) survival of the companies they manage. Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa, 1998). Strategy is a tool that offers significant help for coping with turbulence confronted by firms. It is therefore very important for managers to pay serious attention to strategy as a managerial tool. If the concept of strategy is to be of value, correct strategies have to be formulated and implemented, a process known as strategic management.

Strategic management has grown in importance over the last thirty years or so, largely on account of the increasing complexity of modern business organisations (Porter 1996). In Kenya, strategic management has become of increasing importance over the last ten years or so (Aosa 1999).

Aosa (1988) defines strategy as solving a strategic problem by matching the internal organisational conditions with the external environment. That is, creating a fit between the organisational resources with the demands of the external evironment in order to exploit opportunities in the external environment. It is continuously obtaining the correct resources from the correct output (products/services) into the environment (customers). It is creating superior profitability potential through a perfect match between the external environment and the internal organisational conditions.

2.2 Characteristics of an effective strategy

An effective strategic plan should help firms to respond successfully to environmental demands. It should help them in identifying opportunities to pursue and exploit, and threats to avoid in the external environment thereby enhancing the chances of business success in the future.

Aosa (1999), asserts that an effective strategy is one that links strategy development and execution, and makes line managers responsible for strategy development and implementation with the assistance of planning personnel in making the strategic decisions. Planning managers should not independently make such decisions on behalf of the line managers. Secondly, strategic planning systems should be flexible and adaptable. This is in recognition of the increasing changes that characterise the external environment, the context in which the firms are operating. Thirdly, planning should be more focused. Key strategic issues affecting the success of a firm should be identified and strategic activities should be centred on such key strategic issues. Fourthly, planning should take into account competitive activities. Strategic planning should enable a firm to develop an edge over its competitors in the market place. Focus on competition and markets (customers) is, therefore, crucial for strategic success and hence organisational effectiveness.

According to Shipper. et al (1988) "improved organisational effectiveness, due to a successful strategy, can be portrayed through three models: the goals attainment model, which focuses on market share and increase profits through increased sales; resources allocation model which focuses on success of obtaining raw materials, financial support, employee recruitment and new product development; and organisational efficiency model which focuses on the manufacturing process of turning raw materials into finished products."

Fifthly, strategic planning should enhance and not inhibit creativity and strategic thinking. Overly formal, bureaucratic planning systems should be avoided. There should be an emphasis on the strategic planning itself as well as the strategic plans produces. Porter (1987), asserts that strategic thinking is the ability to formulate strategy for the firm after the thorough industry and competitor analysis. Morris, et al, (1990), lists six elements that must be practised by a management for it to be regarded as thinking strategically namely: Determination of key success factors, segmentation of the market, analysis of anticipated competitor response, exploiting the degree of freedom, analysing the competitive advantage and investing strategically.

Lietdka (1998), asserts that strategic thinking is an analytical process aimed at programming already defined strategies. It is a sysnthesising process, utilising intuition and creativity, with five basic elements, namely: system perspective, intent focused, thinking in time, hypothesis testing and intelligent opportunism. Finally, effective strategic planning should take into account both analytical and behavioural factors in organisations to enhance changes for effective strategy implementation. Managers have been faced with the need to adapt increasingly complex organisations to rapidly changing environments. Strategic management helps organisations cope with the turbulence in the environment. It is too important for any organisation to ignore.

Porter (1980) summarised the value of the strategic management as follows, firstly an organisation's strategy provides the central purpose and direction (vision, mission and objective) to the activities of the organisation, to the people who work in it, and often to the world outside (framework of the organisation's actions). This provides a perspective for various diverse activities over time. The company is able to perform current activities while at the same time viewing them in terms of their long-term implications.

Secondly, strategic management enables organisations to adapt under conditions of externally imposed stress or crisis because of the changing environment. Organisations can and do often create their enviroment, besides reacting to it by focussing on strategic issues. The third value according to Porter (1980) is that strategic management helps companies developing strategy, organizations carry out an analysis of their external and internal environment and see where they can perform their competitors and vise versa. This enables the company to outperform competition. The goal is to help secure a competitive advantage over rivals.

Fourth, that strategic management is important for the management of the organisations boundaries interface. This sustains the legitimacy of the organisation and enchances the quality of its relationship with the outside environment (effective/futuristic orientation). Lastly, strategic management helps organisations to be more focussed in their efforts, effective in resource allocation and key success factors. It helps to cultivate a culture of forward thinking and therefore creating a culture of learning organisations.

2.3 Pharmaceutical industry and environment

Mbau (2000), in his study, he reckons that pharmaceutical industry is very competitive which needs strategies for survival. For example, he recommends building strong brands in order to protect and retain the market share and maintain profitability. Mbau also reckons that external environment is very dynamic and hence new marketing strategies should be devised to address external constraints such as cut-throat competition, market size, customer purchasing power and rapid technological changes. He further recommends that strategy which various managers of brands would choose to adopt must depend upon the brands' own life cycle as well as the level of development of the brands' own market.

Mwaura (2001) in his study recommends that strategy facilitates a fit between the company and its environment. It is therefore important for firms to develop methods of collecting information from the environment on competition and they should do market analysis and take it seriously so that they come up with appropriate and effective strategies. He further recommends that strategic plans should be flexible and should involve the whole organisation and employees should be involved in formulating their strategic plans. As a result of this act, many firms are bound to respond differently and some of the possible responses are:-

A) Manufactures of branded drugs (Multinationals)

1. Closing of manufacturing.
2. Re-locating.
3. Franchise
4. Limit drug availability.
5. Stop R&D
6. Start manufacturing of generics
7. Continue manufacturing of brands

B) Manufacturers of generics

1. Start manufacturing of the unpatented drugs

2 Invest R & D

1. Change to distributorship

2. Start parallel importation

C) Distributors

1. Start parallel importation.
2. Expand distributorship.
3. Establish strategic alliances with local manufacturing companies for distributorship.

Establish alliance with foreign manufacturing companies for agency.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the various steps that were necessary in executing the study, thereby satisfying the objectives.

3.2 Research design

The researcher used an exploratory survey, to explore the strategic responses by pharmaceutical firms in Kenya. An exploratory survey is a research methodology that is used to study the general conditions of people and organisations. It investigates the behaviour and opinions of people usually by questioning them and a general review, examination and description is done out of findings and the results reported.

The researcher used an exploratory survey in this study because this is the methodology suited for the research problem in which the researcher was investigating the strategic responses of the pharmaceutical firms in Kenya through the opinions and views of the management of these companies.

3.3 Population

The pharmaceutical industry according to the Medical Directory (2000) has 137 firms which are involved in manufacturing, marketing and distributors. For the purpose of this study, the sampling frame consisted of all manufacturers of branded drugs, generic drugs and distributors of antiretrovirals and drugs for the treatment of opportunistic infections in HIV/AIDS. Hence population sample of sixty was used.

3.4 Sampling plan

For the purpose of this study, stratified sampling was used rather than the whole population (census) of all pharmaceutical firms. The identified stratas/categories were three that is manufacturers of brands, manufacturers of generics and distributors. Samples were obtained from each category randomly. These categories were chosen because this study focuses on them. The sample size taken was sixty (60).

3.5 Data collection

Primary data was collected by use of questionnaire and was administered to the chief executive officers, general managers or any top company manager who was involved in the strategic management of the firm.

The questionnaire contained both open and close-ended questions as well as structured questions. After the questionnaire had been dispatched, the firms were contacted on telephone to make appointments and to identify appropriate respondents. The response was however excellent with 100% of the respondents managing to fill the questionnaire. It however, took the researcher extra efforts of making personal visits to the respondents during non-working hours, that is, early in the morning between 7.00am to 8.00am before work and evenings between 6.00pm to 7.00pm after work. It also forced the researcher to explain some strategic management terms for quicker understanding.

The questionnaire contained section A and B. Section A consisted of questions aimed obtaining general information about pharmaceutical firms. Section B focused on their intended and adopted strategic responses. The respondents of the study were chief Executive Officers, or where they were not available, general managers or any top company manager who were involved in the strategic management of the firm.

3.6 Data compilation and analysis

Before processing the data, the questionnaire were edited for purpose of completeness and consistence. The data analysis used descriptive statistics, such as percentages, mean, mode, which tried to classify the data and described the relationships in proportions. The descriptive statistics had been used in other related studies for example (Naikuni 2001) and was also relevant in this study.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The data in this study was summarised and presented inform of tables, percentages and frequency distribution. The study uses descriptive statistics such as percentages which tries to classify the data and describe relationships in proportions. The percentages calculated help to the distributions of various variables in the study.

This chapter consists of information background of the pharmaceutical organisations and their strategic responses to the Industrial Property Act and other factors that might have influenced this response.

4.2 Background information

The response rate was 100% successful since all the questionnaires were completed and returned. It however required extra efforts whereby the researcher had to do personal interviews to the respondents and even explain to them the meanings of the strategic management terms used and assure them that the information is for only academic purposes and will be kept secretly.

Table 1: Company ownership

Company ownership	Manufacturing brands (multinationals) n = 19	Manufacturing generics n = 23	Distributors n = 18
Privately owned	100%	96%	100%
Government owned	0%	4%	0%
Jointly private/government	0%	0	0%

n = 60

The findings in the study indicate that the Multinationals who are the manufacturers of brands are privately owned 100%.

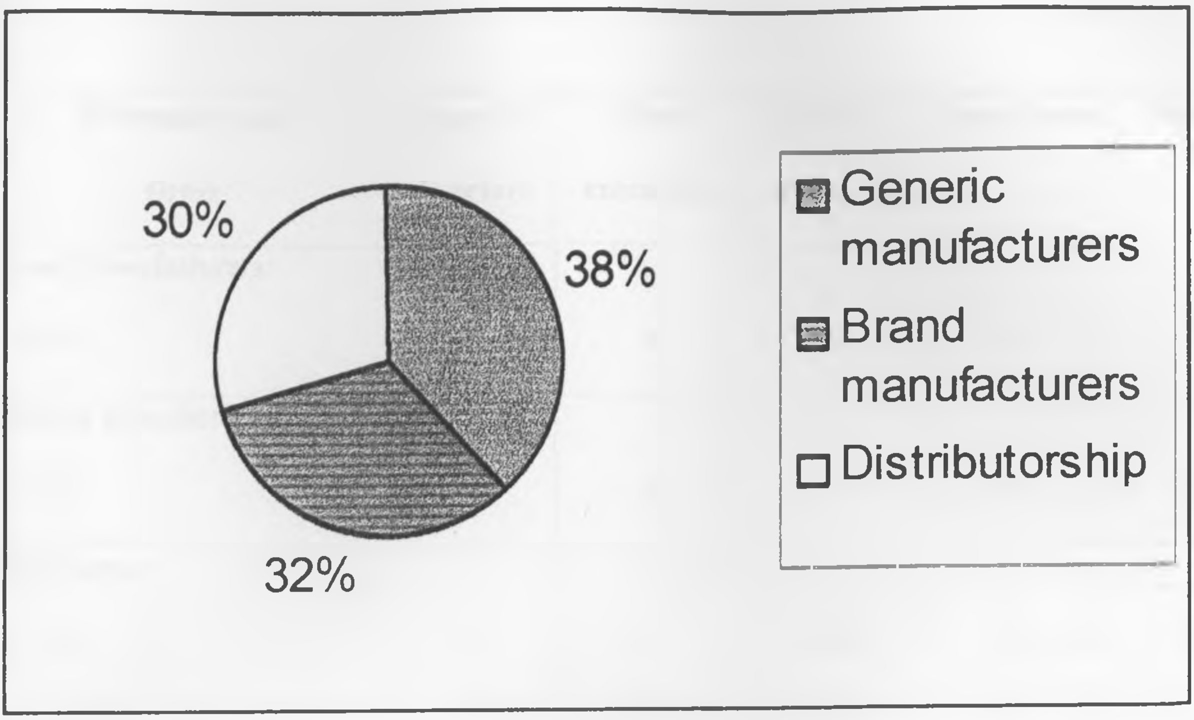
The manufacturers of generics are privately owned 96% and 4% is government owned.

100% of distributors are privately owned.

There are no manufactures (both brand and generics) and distributors which are jointly owned by the government and private.

All the pharmaceuticals firms do not have a strategic planning department implying that there is no clear department designated specifically for strategic planning purposes which is very key for the success of any organisation especially in this turbulent pharmaceutical environment.

Table 2: Firms core business



From the above response it indicates that most of the pharmaceutical firms studied are generic manufacturers with 38% followed by brand manufacturers with 32%. In the third position are the distributors with 30%.

4.3 Strategic Responses and Factors

Table 3: Initiators of strategic planning and their frequencies.

Pharmaceutical firms	**Board of directors**	**Chief executives**	**Senior Managers**	**Consultants**	**Others**
Brand Manufacturers n = 19	19	6	19	0	0
Generic manufactures n = 23	0	0	23	0	0
Distributors n = 18	0	0	18	0	0

n = 60

All brand manufacturers (multinationals) use Board of directors as initiators of strategic planning with a frequency of 19 implying 100%, they also use Senior managers as initiators of strategic planning with 100% as shown from the respondents. None of these multinationals use consultants in initiating strategic planning.

All the generic manufacturers only use Senior managers as initiators of strategic planning, this is because they do not have board of directors and they are mostly family owned.

All the distributors use only Senior managers as initiators of strategic planning.

They do not use consultants because they are expensive and their recommandations are normally not realistic since they are not involved in implementations which is rather impossible.

The Brand manufacturing companies (multinationals) have both Board of Directors and Senior Managers being responsible for initiating strategic planning in the organisation whereas the generic manufacturers and distributors the Senior managers are responsible for initiating the strategic planning.

Table 4: Ranking of forces according to the degree of influence to the Pharmaceutical Industry in Kenya in the order of merit.

Force element	Ranking	Frequency	%
Degree of rivalry among pharmaceutical firms	1	50	83.00
Bargaining power of buyers	2	43	72.00
Bargaining power of suppliers	5	39	65.00
Threat of substitute products	3	35	58.00
Threat of new entrants	3,4,5	31	52.00

n = 60

The Porters five forces of competition ranked above indicate that: (Porter 1980).

The degree of rivalry among pharmaceutical firms in Kenya is ranked number one with 83% of the respondents, this shows that there are many players in the industry who are likely to lead to price war competition hence the profit margins are bound to diminish.

The bargaining power of buyers was ranked number two with 72% of the respondents. This shows that the consumers pressure groups influence is key and that is why the Industrial Property bill was enacted.

Threat of substitute products was ranked number three with 58% of the respondents. With many players in the industry, which has led to stiff competition and with easy entry of generic manufactures who produce similar products in terms of efficacy and safety hence there is tendency of product substitution.

The threat of new entrants was ranked number four with 52% of the respondents, this implies it is not a big threat since entrance requires high capital which is a hindrance. The respondents indicated that the least influential force is bargaining power of supply with 65%.

Table 5: Ranking of the factors according to their degree of influence to the corporate strategy.

Factors	**Ranking**	**Frequency**	**%**
Government	1	38	63.00
Competitors	2	35	58.00
Customers & consumer pressure groups	2	35	58.00
Globalisation	4	33	55.00
Regional markets Comesa E.A. Community	5	32	53.00

n = 60

Data from the respondents shows that most company strategies are highly influenced by the Government with 63% closely followed by competition with 58% and customers/consumer pressure groups with 58% both in the second position. Globalisation is in the fourth position with 55% of the respondents and regional market is the last position with 53%.

From the above results it shows that the organizations operate like open systems, they interact with the environment for survival. They continuously consume resources from the environment and release resources to the environment. All the above factors are found in the external environment. Therefore, it is important for the organisation to link its internal environment for survival.

Government is ranked number one as far as influence to the corporate strategy is concerned. This is because it is the government which regulates policies and legal aspects in the business environment. Therefore, before any firm enters in a specific market, it must comply with the regulations laid down by the government. In this case, any entry to the Kenyan pharmaceutical market has to abide by the Industrial Property Act. Competition was ranked second this is a key factor in the business environment, it is indeed important that, for the organisations to remain successful they have to do competitor analysis whereby they will be able to know the strength and weaknesses of the competitors in relation to theirs and be able to identify the threats to protect themselves against and opportunities to exploit. In this case, the big threat here is the entry of the generic manufacturers.

Customers and consumer pressure groups is also a key factor ranked number two tying with competition. It is as a result of consumer pressure groups that led to the enactment of Industrial Property Act. It is therefore important that organisation should consider customers and consumer pressure groups in their strategic planning practices because they are key stakeholders in their business since they are the ones who consume their products in the market. The external environment in which companies operate is changing continuously. It is necessary that a company adequately responds to these changes. Failure to do so makes a company face numerous strategic problems. The pharmaceutical industry in Kenya is dynamic hence calling for organisations to have proper strategy plans to adhere to this environmental dynamism.

No Pharmaceutical firm was willing to give its sales turnover. They said it is due to the company secrecy/confidentiality and the degree of rivalry/competition in the industry. There is no free flow of information. All the firms in the industry are aware of this act.

Despite the 100% awareness of the bill none of the firms participated in the formation of the Act. This implies that the Kenyan government did not involve all the stakeholders in the drafting of this Act. It is important that for the success of any strategic plan implementation all the key stakeholders should be involved.The degree of understanding is 100%. This means the pharmaceutical firms are fully aware of the Industrial Property Act and its implications. So it means they are considering this act in their strategic planning.

Table 6: The threats and opportunities of the act.

Pharmaceutical firms	Threat	Opportunity	Percentage	How?
Distributors n = 18		18	100%	The drugs will be affordable hence high sales turnover hence expansion.
Brand Manufacturers n = 19	19		100%	No patents protection hence it will be difficult for them to recoup their R&D investments With influx of generics there will be stiff competition which is likely to affect their profits and yet they have an obligation from their mother company to maximise the shareholders value and provide dividends.
Generic Manufacturers n = 23		23	100%	With no patents protection, they can start manufacture of generics due to the availability of the ready market hence calling for expansion.

The table shows that the bill is both a threat and an opportunity in the industry. To the distributors – it is an opportunity by 100% since they can now expand the business since they will be more customers who can afford their products.

From the findings, it shows that: Brand manufactures, the act is a threat with no patents hence Brand's will have competition from the allowed generic manufacture hence stiff competition and with price reduction they can not maximise their profits hence can not recoup its R&D but to their mother companies they have an obligation to make profits and maximise their shareholders value of their money by providing dividends. Therefore to fulfill this is going to be difficult.

Generic Manufacturing – It is a big opportunity since there is ready market and they are now free to manufacture the generics.

Table 7: The decisions likely to be taken by pharmaceutical firms in response to this act.

a) Manufacture of brands (multinationals)

Pharmaceutical firms responses	Frequency	Percentage
Closing of manufacturing	8	42.00
Re-locating (where? We don't know)	7	37.00
Start manufacturing of generics	8	42.00
Continue manufacturing of brands	8	42.00
Franchise	13	68.00

n = 19

68.42% of the respondents will franchise their business followed by 42.10% of the respondents will close manufacturing in the country and 42.10% will continue manufacturing of brands since they have already incurred the sunk costs (R&D). 42.10% are likely to start manufacturing generics whereas 36.84% are to relocate but they do not know where since the decision is made at the regional headquarters. None of the respondents are to stop R&D since it has already been incurred (sunk costs).

Table 8: The decision likely to be taken by the pharmaceutical firms in response to this act.

b) Manufacture of generics

Strategic response	Frequency	Percentage
Start manufacturing of unpatented drugs	13	57
Invest in R&D	6	26
Start parallel Import	6	26.00
Others do not know yet	10	43.00

n = 23

From the table it shows that most generic manufacturers are likely to start manufacturing the unpatented drugs, with 57% of the respondents followed by 43% who do not know yet how they are going to respond to the act. Despite the 100% awareness of the Act they have not yet planned how to respond. Such organisations are bound to fail for failing to adopt the change in the external environment in their strategic planning. Successful organisations should be able to respond to the external changes on time.

Only 26% of the generic manufacturers are willing to invest in R&D. this implies that most firms are willing to manufacture but not invest in R&D which might lead to the production of substandard drugs to the country. To control this the government should ensure strict Quality Control Standards.

26% of these firms want to do parallel importation from India, Parkistan and Egypt since producing in these countries the operation costs involved are low hence the drugs would be cheaper as compared to producing locally in Kenya where operation costs are high hence the drugs would be expensive and not affordable by most Kenyans. Since producing locally is going to provide employment to Kenyans the government should come up with policies of reducing these operation costs. None of the generic manufacturers are willing to go into distributorship.

Table 9: The decisions likely to be taken by pharmaceutical firms in response to this act.

c) Distributors

	Frequency	Percentage
Start Parallel Importation	10	56.00
Expand Distributorship	18	100.00
Establish alliances with local manufacturers	10	56.00
Establish alliances with foreign manufacturers	5	28.00

n = 18

100% of the respondents are to expand their business distributorship. 56% of the distributors are likely to start parallel importation or establish strategic alliances with the local manufacturers. Few of the distributors are likely to establish the strategic alliances with foreign manufacturers with 28%.

All the distributors are to expand their businesses since most of their customers are likely to afford their products due to the price reductions hence high sales turnovers.

Parallel importation might lead to the importation of substandard drugs by unscrupulous businessmen which can be a health hazard to the country. To control this, the government through pharmacy and poisons board should put strict measures of the quality control.

Table 10: The likely reasons for these responses.

	Manufacture of Brands % n = 19		Manufacture of Generics % n=23		Distributors % n = 18	
Resource capability			20	87%	18	100%
Already invested in R&D	19	100%				
Government	19	100%	23	100%	18	100%
Mother company influence	10	53%	9	39%		
Stiff competition	15	79%	13	57%	15	83%
Availability of ready market	-		23	100%	12	67%
Strategic alliances	-		-		10	56%
Others	-		-		-	

n = 60

a) Manufacturers of brands (multinationals)

The results indicate that the industrial property act is indeed a big problem to the manufacturers of brands with 68% opting to franchise as a strategic response and reducing investment costs None is to stop R&D because it is already incurred as a sunk cost so there is no control over it. 42% are to close down manufacturing plants but only retain the scientific offices for the purposes of marketing. 37% are to relocate but do not know where since the decision is made by the regional offices. All these responses are due to the following factors: -

First, because they have already invested in R&D, i.e. 100% of the respondents. Secondly, it is the governmental directive (The Act) which is by 100%. Thirdly, 79% of the respondents is due to stiff competition as a result of the influx of generics. Fourthly, is due to the mother company influence by 53%. With such a given scenario, the future of multinationals (manufacturers of brands) in this country is not stable/guaranteed. By multinationals franchising, there will be loss of jobs to Kenyans and limited availability of the branded drugs.

b) Manufactures of Generics

The act is an opportunity to them with 57% to start manufacturing of unpatented drugs which is due to their resource capability with 87% and as a result of the government regulation for cheap accessibility to essential drugs hence removal of patency protection with 100% and 79% of these response is due to stiff competition hence enhancing their competitive advantage. 53% of the respondents is as a result of the mother company influence. 30% of the respondents do not know what to do because all the strategic decision are made by the mother companies who have not delegated the duties to them. 26% of the respondents will start investing in R&D due to their resource capability. With this given scenario, the generic manufacturing firms are most likely to expand their businesses and their future in this country seem to be stable/guaranteed.

c) Distributors

It is an opportunity since 100% of them are to expand their distributorship businesses which is due to their resource capability by 100%, the availability of the ready market by 67% and government regulation by 100%. Since there will be influx of generics resulting to price war hence price reduction it implies that most of their customers will now afford their products leading to a higher sales turnover.

83% of the respondents is due to stiff competition hence expansion of their business in order to maintain competitive advantage. Lastly, 56% of the respondents is as a result of their strategic alliances with foreign and local manufacturers.

The overall scenario shows that as multinationals will franchise, jobs will be lost and limited availability of brand drugs. On the other hand, this impact is cancelled with more generics manufacturing of unpanted drugs. This will result in job creation/employment opportunities to Kenyans. The distributors are to expand their businesses. This implies that more jobs will be created to Kenyans and there will be more entrants to this market hence there will be many players resulting to increased competition which is likely to lead to price wars among the industry players as such there will be a reduce profitability.

By legalising parallel importation of essential drugs, it also poses the danger of unscrupulous businessmen who are likely to import substandard drugs hence a health danger to the country, unless the government through pharmacy and poisons board put some strict measures to control and regulate this aspect.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The two objectives of the study were to identify the strategic responses by pharmaceutical firms in Kenya and secondly to identify some of the factors influencing the strategic responses. A questionnaire based on the literature was used to collect the data. The questionnaire was dropped and picked and some cases there were personal follow-ups. The sample size was sixty (60). All the companies returned the questionnaires. This is 100% of the total sample.

5.1 Summary

The pharmaceutical firms in Kenya are mainly in three categories that as 32% brand manufacturers who are wholly owned privately, 38% Generic manufacturers mainly owned privately and 30% Distributors are privately owned. None of the studied pharmaceutical firms have strategic planning department, but their strategies are outlined mostly by the Senior Managers

The pharmaceutical industry in Kenya is dynamic. From the respondents, 83% ranked degree of rivalry between pharmaceutical firms as number one. Bargaining power of buyers was ranked number two by the respondents with 72% and threat of substitute of products was ranked number three by the respondents with 58%.

All the pharmaceutical firms acknowledge that the government played a key role in their survival, the government regulate and controls the industry, in terms of marketing, production and distribution. The firms have to align their strategic plans according to government regulations. All pharmaceutical firms in Kenya are aware of the industrial property act but none of them was involved by the government in its formulation. All of the firms acknowledge that the Industrial Property Act has the following implications : removal of patents protection of HIV/AIDS and its related opportunistic infections drugs, legalisation of parallel importation, pressure on price reduction of the HIV/AIDs related drugs. The three set is however a threat to Brand manufacturers and an opportunity to the generic manufacturers and Distributors.

Most Distributors and Generic manufacturers operate locally (within the country) whereas Brand manufacturers operate globally and most strategic decision are made by the mother companies (foreign countries). With these grand implications the firms need to respond to this government regulation in order to continue operating in the country. It's a difficult scenario for multinationals who all claim that they have an obligation to fulfill from the mother company to be profitable and provide dividends to shareholders the options they to do to fulfill this is by 37% relocating to other countries with favourable conditions. They have to wait for a direction from the mother companies they do not know where to go.

This implies that Kenya will loose jobs. 68% are to franchise in the local distributors as a way of cutting down operation costs. Other 42% are to start manufacturing of generics where there is less investments and R&D but still provide jobs for Kenyans. Other by 42% (are to continue manufacturing brands since they are already invested in R&D (sunk costs) but enter the new markets with favourable conditions.

Generic manufactures

57% are to start manufacturing these unpatented drugs and 27% to start investing in R&D. 26% in see to start parallel importation but 43% do not know what to do because the Act has just been implemented and are still doing the feasibility studies of manufacturing patent drugs.

Distributors – All of the distributors are set to expand their business since their drugs will be cheap hence customers will afford and there is a ready market. 56% will start parallel importation.

Beside the Act there are other factors contributing to these responses. 53% of the multinationals are due to their mother company influence whereby they have to maximise on the shareholders value. 79% is due to the stiff competition in the industry. All the multinationals will continue manufacturing because they have already invested in R&D (sunk costs). All generic manufactures will start manufacturing unpatented drugs due to resource capability and availability of ready market and 57% as a result of the stiff competition. All the distributors will expand due to resource capability. 83.31% due to stiff competition and 66.66% due to availability of ready market.

5.2 Conclusion

The findings in the research show that different category of pharmaceutical firms that is, brand manufacturers, generic manufacturers and distributors will respond differently to the act. Most Brand manufacturers will respond to this act by 68% franchising, 42% will start manufacturing generics and 37% will close down the manufacturing and relocate. This means that the act is a big threat to the multinationals. These responses are also as a result of 100% mother company influence and also since they have already incurred the R&D sunk costs.

The act is an opportunity to the generic manufacturers as they are responding to this act by most of them to start manufacturing unpatented drug, that is 57%. But 43% do not know yet since the act has just been implemented. This response is also due to resource capability and 100% availability of ready market.

The act is also an opportunity to the distributors whereby 100% will expand their businesses in distributorship as a result of resource capability and since the drugs will be cheaper this implies that it will be now affordable hence higher sales turnover.

5.3 Recommendations

The external environment in which pharmaceutical firms operates is changing continuously. It is important that these firms respond to these changes adequately. Failure to do so makes a firm face numerous strategic problems. Strategy guides company responses to such changes. Without strategy it is difficult to understand how a company is responding to environmental developments. Strategy requires that managers have both internal and external focus this means, the environment is being constantly monitored, managers are also futuristic in their thinking and actions. This external focus and the futuristic orientation can enable managers to anticipate possible environmental changes and develop a proactive stance in responding to them.

Undoubtedly strategic planning is very key to the success in the pharmaceutical industry. The pharmaceutical industry in Kenya has become very competitive and very unpredictable. Survival has become of utmost importance. To ensure survival, Manager should device strategic plans. Strategic planning is therefore a prerequisite for survival in this turbulent pharmaceutical industry.

Strategy facilitates a fit between a company and its environment. Therefore, any mismatch of the two will lead to failure. Environmental scanning should be taken seriously as a way of obtaining information in the external environment. Strategic planning should include both Managers and their employees which is key to their success.

5.4 Limitations of the Study

The study was faced with a number of constraints as outlined under:

A few of sampled firms were reluctant to fill in the questionnaires citing policy issues while a number of other could not be traced for reason of either having shut down, or relocated.

All the firms do not have the strategic planning department/managers and hence the issues raised in the questionnaires may not have been answered as well as they would otherwise have. Some respondents actually required to be guided on what they referred to as technical strategic terms.

Some firms were not willing to disclose all the information as solicited in the questionnaires especially those to do with financial matters. This withholding of some vital information may undermine the authority of conclusions arrived at.

Cases of distributor firms arguing that a good proportion of the questions would be better handled by their foreign head offices were also a limitation of the data collection process.

The sector also comprise as good number of very small firms which are not even properly organised in terms of departments or sections. These small firms argue that the scale of their operations does not warrant them to fill questionnaires that they consider should be filled by multinational firms.

Lack of adequate time by executives targeted as they were too busy to find time to fill the questionnaires. It forced me to go there personally.

The above limitations did not however have any significant effect on the study as 100% of the respondents were able to fill in and return the questionnaire.

5.5 Suggestions for Further Research

This study focused only on the manufacturers of brands, generics and distributors but did not touch the retailer who were also affected by the act and might respond differently depending on their resource capability.

Since the act has just been enacted/implemented it will be necessary for one to look into strategic implementation of these strategic responses in this dynamic environment preferably after two years.

Lastly, a study to check the strategic impact of parallel importation of drugs of pharmaceutical firms in Kenya.

UNIVERSITY OF NAIROBI
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Nairobi, Kenya

DATE: 22ND MAY 2002

TO WHOM IT MAY CONCERN

The bearer of this letter: WAMALWA C. W.

Registration No: D/61/P/8725/99

is a Master of Business Administration student of the University of Nairobi

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

Thank you.

DR. MARTIN OGUTU
LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek

ALPHABETICAL LISTING FOR PHARMACEUTICAL MANUFACTURERS & DISTRIBUTORS

1	A.S. Lundbeck Overseas,	Nairobi
2	Aashpham Ltd,	Nairobi
3	Abacus Pharma (Africa) Ltd,	Nairobi
4	Aesthetics Ltd,	Nairobi
5	Africon Sales Ltd,	Nairobi
6	Amoun Pharmaceutical Industries Co. Ltd,	Nairobi
7	Apple Pharmaceuticals	Nairobi
8	Armicon Pharmaceuticals Ltd,	Nairobi
9	Assia Pharmaceuticals Ltd,	Nairobi
10	Bakpharm Ltd,	Nairobi
11	Bayer East Africa Ltd,	Nairobi
12	Beta Healthcare International,	Nairobi
13	Biochemie GMBH Austria,	Nairobi
14	Biodeal Laboratories,	Nairobi
15	Boehringer Ingelheim,	Nairobi
16	Boma Drughouse Ltd,	Nairobi
17	Bristol Myers Squibb Company,	Nairobi
18	Bulk Medicals Ltd	Nairobi
19	Business Frontiers	Nairobi
20	C Mehta & Co Ltd,	Nairobi
21	Cadila Healthcare Ltd,	Nairobi
22	Caroga Pharma Kenya Ltd,	Nairobi
23	Cedar Pharmacare Ltd,	Nairobi
24	Choice Meds Ltd,	Nairobi
25	Chemid Kenya Ltd,	Nairobi
26	Cooper Pharmaceuticals,	Nairobi
27	Core Healthcare Ltd,	Nairobi
28	Cosmos Ltd	Nairobi
29	Countrywide Pharmaceuticals,	Nairobi
30	Cussons & Company Ltd,	Nairobi
31	Curamed Pharmaceuticals	Nairobi
32	Dawa Pharmaceuticals Ltd,	Nairobi
33	Denken Pharmaceuticals Ltd,	Nairobi
34	Didy Pharmaceuticals Ltd,	Nairobi
35	Donvet Pharmaceuticals Ltd,	Nairobi
36	Drugpharm Services Ltd,	Nairobi
37	E.T. Monks & Co	Nairobi
38	Eli-Lilly (Suisse) SA	Nairobi
39	Elys Chemical Industries Ltd,	Nairobi
40	Europa Healthcare Ltd,	Nairobi
41	Fortepharma Ltd,	Nairobi
42	Framin Kenya Ltd,	Nairobi
43	Gesto Pharmaceuticals Ltd,	Nairobi
44	Glaxo Wellcome,	Nairobi
45	Globe Pharmacy,	Nairobi
46	Goodman Agencies Ltd,	Nairobi
47	Harleys Limited,	Nairobi
48	Hoechst E.A. Ltd,	Nairobi
49	Howse & McGeorge Ltd,	Nairobi
50	Infusion Kenya Ltd,	Nairobi
51	Janssen Pharmaceutica,	Nairobi
52	Johnson & Johnson (K) Ltd,	Nairobi
53	Jos. Hansen & Soehne (E.A) Ltd,	Nairobi
54	Karuri Stores Pharmaceuticals,	Nairobi
55	Kemipharm Ltd,	Nairobi
56	Laboratory & Allied Ltd,	Nairobi
57	Ladopharma Company Ltd,	Nairobi
58	Leo Pharmaceuticals,	Nairobi
59	Letap (Kenya) Ltd,	Nairobi
60	Lords Healthcare Ltd,	Nairobi
61	Mac's Pharmaceuticals Ltd,	Nairobi
62	Manhar Brothers (K) Ltd,	Nairobi
63	Medical & Health Care Industries,	Nairobi
64	Merck Sharp and Dohme,	Nairobi
65	Merrel Dow Pharmaceutical Ltd,	Nairobi
66	Metro Pharmaceuticals,	Nairobi
67	Mission For Essential Drugs & Supplies(MEDS),	Nairobi
68	Mombasa Medical Stores (K),	Nairobi
69	Monks Medicare Africa,	Nairobi
70	Nairobi Enterprises Ltd,	Nairobi
71	Nairobi Medical Stores,	Nairobi
72	Nairobi Pharmaceuticals (K) Ltd,	Nairobi
73	Neema Pharmaceuticals Ltd,	Nairobi
74	Nicholas Pharmaceuticals E.A. Ltd,	Nairobi
75	Ninikam Limited,	Nairobi
76	Norvatis Pharm Services Inc	Nairobi
77	Novelty Manufacturing Ltd,	Nairobi
78	Orient Pharmaceuticals Ltd,	Nairobi
79	Pan Pharmaceuticals Ltd,	Nairobi
80	Paramedic & Pharmaceuticals	Nairobi
81	Petterson Pharmaceuticals,	Nairobi
82	Pfizer Laboratories Ltd	Nairobi
83	Pharma Share (K) Ltd,	Nairobi
84	Pharmaceutical Manufacturers,	Nairobi
85	Pharmaceutical Products Ltd,	Nairobi
86	Philips Pharmaceuticals Ltd,	Nairobi
87	Polymerics Pharmaceuticals Ltd	Nairobi
88	Polystar (K) Ltd,	Nairobi
89	Procter & Gamble (EA) Ltd,	Nairobi
90	Ray Pharmaceuticals Ltd,	Nairobi
91	Reckitt & Colman Industries	Nairobi
92	Regal Pharmaceuticals Ltd,	Nairobi
93	Regency Pharmaceuticals Ltd	Nairobi
94	Rhone Poulenc Kenya Ltd,	Nairobi
95	Rivervln Pharmaceuticals	Nairobi
96	Roche Products Ltd,	Nairobi
97	Sai Healthcare,	Nairobi
98	Schering Africa GMBH,	Nairobi
99	Schering-Plough Corporation,	Nairobi
100	Smithkline Beecham International,	Nairobi
101	Spin Pharmaceuticals,	Nairobi
102	Statim Pharmaceuticals Ltd	Nairobi
103	Strobe Systems,	Nairobi
104	Surgilinks	Nairobi
105	Surgipharm Ltd	Nairobi
106	Syner-Med Pharmaceuticals E.A.	Nairobi
107	Tealands Pharmaceuticals	Nairobi
108	Tech-Medicare Labs	Nairobi
109	Temple Stores Pharmaceuticals	Nairobi
110	3M (K) Ltd,	Nairobi
111	Transwide Pharmaceuticals	Nairobi
112	Trinity Pharma Ltd	Nairobi
113	Twiga Pharmaceuticals	Nairobi
114	Universal Pharmacy,	Nairobi
115	Upjohn E.A.,	Nairobi
116	Vantage Pharmaceuticals,	Nairobi
117	Vinci Pharmaceuticals Ltd,	Nairobi
118	Warner-Lambert (E.A.) Ltd,	Nairobi
119	Westco Kenya Ltd,	Nairobi
120	Wockaine (K) Ltd,	Nairobi
121	Wockhard Ltd,	Nairobi
122	Wyeth-Ayerst Promotions Ltd,	Nairobi
123	Zeneth Pharmaceuticals,	Nairobi
1	Alliance Enterprises & Saitone,	Kisumu
2	Alsafra Healthcare Ltd,	Mombasa
3	Betroy Pharmaceuticals,	Nyeri
4	Central Drug Company Ltd,	Nyeri
5	Central Medical Stores,	Kisumu
6	Health Care Pharmaceutical Products,	Kisumu
7	High Fields Pharmaceuticals,	Kitui
8	Maruti Pharmaceuticals,	Kisumu
9	Medivet Products Ltd,	Kiambu
10	Nakuchem (K) Ltd,	Nakuru
11	Nakuru Medical Stores,	Nakuru
12	Sipri Pharmaceuticals,	Kisumu
13	Spectropharm Ltd,	Mombasa
14	Westway Pharmaceuticals Ltd	Nakuru

Appendix III

Questionnaire

This questionnaire seeks to establish strategic responses within pharmaceutical manufacturing distributing companies in Kenya. The information obtained will be treated in utmost confidence and will be used for no other purpose other than academic. Please, discuss with the data collector in case of any difficulties or clarifications required.

The questionnaire is in two parts, A and B.

Part A consists of questions aimed at obtaining general information about your organisation.

Part B seeks information on the strategic planning practices of your firm.

Date____________________________ Questionnaire NO.__________________

Part A: Background Information

1. Ownership (please tick the appropriate)

   ☐ Privately owned company

   ☐ Government owned

   ☐ Jointly privately and government owned

2. How many years has the company been in operation?

________________ years.

3. Do you have a strategic planning department? (Tick)

☐ Yes.

☐ No.

4. How many employees do you have?

☐ 0 – 25

☐ 26 – 50

☐ 51 – 75

☐ 76 – 100

☐ over 100

5. What is your sales turnover per annum in Kshs?

____

6. What is your core business?

☐ Manufacturing brands

☐ Manufacturing generics

☐ Manufacturing both

☐ Distributorship

Part B: Strategic Responses/Factors.

1. Who is responsible for initiating strategic planning in your organisation?

- ☐ Board of Directors
- ☐ Chief Executive Officer
- ☐ Senior Managers
- ☐ Consultant
- ☐ Others, please specify ________________________________

2. Please, rank on the scale provided below your perception of how the following forces have influenced the pharmaceutical industry in Kenya.

	No influence				Highly influenced
Threat of new entrants	1	2	3	4	5
Threat of substitute products	1	2	3	4	5
Bargaining power of suppliers	1	2	3	4	5
Bargaining power of buyers	1	2	3	4	5
Degree of rivalry among The pharmaceutical companies	1	2	3	4	5

3. Indicate the extent to which each of the following factors have influenced your corporate strategy.

	No. influence			Strongly influenced	
Government	1	2	3	4	5
Competitors	1	2	3	4	5
Regional markets	1	2	3	4	5
(COMESA, EAST AFRICAN COMMUNITY, etc)	1	2	3	4	5
Globalization	1	2	3	4	5
Customers & consumer pressure groups	1	2	3	4	5

4. Would you describe your business environment as stable or turbulent? Please indicate your perception on the following scale.

Stable				turbulent
1	2	3	4	5

5. What is the scope of your business?

☐ Local (within the country)

☐ Regional (within Africa)

☐ Global (across continents)

6. Are you aware of Industrial Property Act?

☐ Yes

☐ No

7. Did you participate in the formulation of the Bill?

- [ ] Yes
- [ ] No

8. If yes, what was your contribution?

____

____

9. How do you understand the act?

- [ ] No patents protection of drugs HIV/Aids related
- [ ] Allowance of parallel importation
- [ ] Forced price reduction on HIV/Aids related drugs
- [ ] Accessibility to cheaper generics of HIV/Aids related drugs
- [ ] All the above
- [ ] None of the above

10. Give your comments about the act?

____

____

____

11. Is the act a threat or an opportunity to your firm and how?

____

____

12. What decision do you think your firm might take in response to this act?

Profile of possible responses are:- (Please tick the correct one)

A) Manufactures of branded drugs (Multinationals)

- ☐ Closing of manufacturing.
- ☐ Re-locating.
- ☐ Franchise
- ☐ Limit drug availability.
- ☐ Stop R&D
- ☐ Start manufacturing of generics
- ☐ Continue manufacturing of brands

Please specify/elaborate____

____

If its relocating which country do you consider and why?---

What do you think are the reasons to the above responses?

- ☐ Resource capability
- ☐ Already invested in R&D (Sunk costs)
- ☐ Government
- ☐ Mother company influence
- ☐ Stiff competition
- ☐ Availability of ready market
- ☐ Strategic alliances
- ☐ Others, specify ____________________

____

B) Manufacturers of generics

- ☐ Start manufacturing of the unpatented drugs
- ☐ Invest R & D.
- ☐ Change to distributorship
- ☐ Start parallel importation

Please specify/elaborate____

____

If its relocating which country do you consider and why?-----------------------------------

----

What do you think are the reasons to the above responses?

- ☐ Resource capability
- ☐ Already invested in R&D (Sunk costs)
- ☐ Government
- ☐ Mother company influence
- ☐ Stiff competition
- ☐ Availability of ready market
- ☐ Strategic alliances
- ☐ Others, specify ____

____

C) Distributors

- [ ] Start parallel importation.
- [ ] Expand distributorship.
- [ ] Establish strategic alliances with local manufacturing companies for distributorship.
- [ ] Establish alliance with foreign manufacturing companies for agency.

Please specify/elaborate____

____

If its relocating which country do you consider and why?--

What do you think are the reasons to the above responses?

- [ ] Resource capability
- [ ] Already invested in R&D (Sunk costs)
- [ ] Government
- [ ] Mother company influence

- [ ] Stiff competition
- [ ] Availability of ready market
- [ ] Strategic alliances
- [ ] Others, specify ____

____

Filled by ____

Designation ____

THANK YOU VERY MUCH FOR YOUR CO-OPERATION.

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