

**GLOBALIZATION STRATEGY AND PERFORMANCE OF
PHARMACEUTICAL INDUSTRY IN KENYA**

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DECLARATION

I declare that this research project is my original work and has never been submitted to any other University for assessment or award of a degree.

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D61/67041/2011

This project has been submitted with my authority as the university supervisor.

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DEDICATION

I dedicate this project to my fiancé Elias Temba and my beloved daughter Jeanelle Nkosazana. You are my source of joy.

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I am most grateful to God Almighty for the far He has brought me. Without his wisdom, knowledge and strength I would never have completed this project.

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ABSTRACT

This study was conducted to establish the globalization strategy in pharmaceutical companies in Kenya. The study had two objectives to achieve: to establish the extent to which globalization strategy has impacted the performance of pharmaceutical firms in Kenya and to find out the challenges that globalization possess on the performance of the pharmaceutical firms in Kenya. The research involved all the pharmaceutical firms in Kenya that are registered by the pharmacy and poisons board. The research design involved a descriptive survey of all registered pharmaceutical firms in Kenya. Data was collected using questionnaires that were administered through drop and pick later method. The findings were presented in tables. The study established that most of the pharmaceutical companies had been in existence for several decades. In addition, the study indicated that globalization strategies have been of great benefit to the pharmaceutical industry. It was also clear that globalization has posed its own challenges to the pharmaceutical industry. Further research on the same study can be done in other countries to establish whether the concept of globalization strategy in other countries is able to yield the same effect on performance.

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ABBREVIATIONS AND ACRONYMS

PPB	- Pharmacy and poisons board
GSK	- GlaxoSmithKline
KEMSA	- Kenya Medical Supplies Agency
COMESA	- Common Market for Eastern and Southern Africa
OTC	- Over the Counter
KBS	- Kenya bureau of standards
IT	- Information technology
CEO	- Chief executive officer

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Global strategy as defined in business terms is an organization's strategic guide to globalization. Globalisation as a strategy is the process of the intensification of economic, political, social and cultural relations across boundaries (Njanike, 2010). Globalization is a powerful real aspect of the new world system that represents one of the most influential forces in determining the future course of the planet (Paisecki, 2004). It has had significant impacts on all economies of the world with major effects on efficiency, productivity and competitiveness.

Globalization and liberalization of world economies has intensified competition through: widespread of computers, faxes, mobile phones, introduction of the internet and e-commerce (Hewett, 2002). This accelerating trend is as a result of global consumer convenience in social economic, demographic characteristics, habits and culture (Intriligator, 2001). There is a consensus among scholars that technological changes and globalization are forces that have and will continue to transform the economic and social fabrics of the various nations (Chaykowski, 2002) and for the most part is irreversible (Adei, 2004). Firms must constantly innovate to forge a head of rivals; they must develop new capabilities in areas such as technology development, manufacturing processes, marketing and distribution in order to gain a competitive edge (Yoshino and Rangan - 1995).

Healthcare sectors are also impacted by globalisation strategy due to the development of global standards of quality and the rise of processes of accreditation. (Chaplot, 2012). Globalization of companies in which pharmaceutical companies are a major part of is continually growing in response to the changing environment of international trade. Globalisation in general has an impact on human resource in developing countries such as Kenya (Gachoka, 2008). The pharmaceutical industry is highly globalized, with over half the sales of the fifty largest drug companies made outside their home country. Furthermore because of the extensive regulation and the impacts of health and safety, the coordination of drug policies has proven difficult (Tarabusi and Vivkery 1993).

1.1.1 The concept of globalization strategy

A global strategy standardizes certain core elements and localizes other elements. It is a compromise between global and domestic marketing strategies. Global marketing reflects both the ideal of pure global marketing strategy and the recognition that locally related issues of marketing activities need to be considered. In other words, the concept prescribes that in order to be successful globally, marketing managers must act locally in the different markets they choose to enter. In a global strategy, the corporate level gives strategic direction while local units focus on the local customer differences. (Kotler, 2009)

Globalization is defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring miles away and vice versa (Giddens 1990). Globalization is reshaping how we have

traditionally gone about studying the social world and human culture and a field of globalization studies is now emerging across the disciplines (Appelbaum and Robinson, 2005). The concept of globalization emerged in the period between the latter half of the 19th century and the initial years of the 20th century (1850 -1914).

Initially the concept of globalization mainly concentrated on the aspect of money, which in its turn could be seen in two dimensions; first, the multiplication of international trade and; second, the rising tide of migrant populations. There were two reasons for the former. The so-called 'soft' one was that the development of economic theories promoted world trade, the main proponent of this being David Ricardo. His Theory of Comparative Advantage gave an explicit footnote to economic production and the global division of labor. From the viewpoint of globalization, the principle of impartiality and the opening up of commercial development and international trade was rooted in the distillation of the theory of comparative advantage. Secondly, with regard to the economic development of the third world, nations which followed the theory of comparative advantage enjoyed better performance than those with protectionist policies both in terms of quality and in quantity.

Due to intense global competition most organizations have adopted various strategies aimed at achieving a sustainable competitive advantage. These strategies range from improvement in products and services, acquisition and mergers, strategic alliances, partnerships and downsizing to survive (Hewett, 2002). Many organizations now consider the pursuit of global strategies as offering distinct benefits of cost reduction,

improved quality, better ability to meet customer needs and increased competitive leverage (Johnson and Scholes, 2001). Globalization represents the structural making of the world characterized by the free flow of technology, human and financial resources across national boundaries as well as the spread of information technology (IT) and mass media representing an ever-changing competitive business environment (Kimani 2012).

1.1.2 Organization performance

The essence of global strategy is an expansive world vision that considers the possibilities of every location as a market and as a source of competitive advantage, both alone and when integrated with the rest of the firm. Global enterprises must craft strategies for international expansion, diversification, and integration to develop, protect, and exploit their resources and capabilities. Determinations of geographical scope and degree of coordination must be taken with respect to a world-wide competitive environment. Concerns for both strategy processes and strategic goals and objectives are deepened in the transnational setting.

Performance refers to the degree of achievement of the mission at work place that builds up an employee job difference; researchers have different thoughts about performance. Researchers use the term performance to express the range of measurements of transactional efficiency, and input and output efficiency. According to Larcker (1998), performance is a continuous process to controversial issue between organizational researchers. Organizational performance does not only mean to define a problem but also provide a solution to the problem. According to Shabbir, (2012) organizational

performance is the organization's capability to accomplish its goals effectively and efficiently using resources. Achieving organizational goals and objectives is known as organizational performance. Organizations success shows high return on equity and this becomes possible due to the establishment of good employee performance management system.

Organizational Performance is defined as the ability of an organization to fulfill its mission through sound management, strong governance and persistent rededication to achieving results. Consistently relating the activities of the organization to its performance is essential to a strategic perspective. Performance is a broad concept with many manifestations, made even more complex by operations in multiple markets with varying degrees of global integration. Defining and measuring the many aspects of performance for global organizations, and establishing their limits, are constant and evolving challenges. Strategic performance must consider the risks and uncertainties involved in most actions, considerations that again are more complicated in the global environment.

1.1.3 The Pharmaceutical industry in Kenya

There are 50 companies listed as local pharmaceutical manufacturers in Kenya. These companies constitute an important pharmaceutical manufacturing centre in the region. Local pharmaceutical companies are characterized by common product lines, low capacity utilization, need for greater production efficiencies and shortage of qualified personnel. Local pharmaceutical companies in Kenya face competition on two fronts

which include competing with each other collectively and facing stiff competition from imports (UNIDO, 2010). The market for pharmaceutical products in Kenya is estimated at Kenya shillings 8 billion per annum. The government, through Kenya Medical Supplies Agency (KEMSA) is the largest purchaser of drugs manufactured both locally and imported, in the country. It buys about 30% of the drugs in the Kenyan market through an open-tender system and distributes them to government medical institutions (Noah, 2005).

The Pharmacy and Poisons Board is the drug regulatory authority established under the pharmacy and poisons act, chapter 244 of the laws of Kenya. The pharmaceutical industry consists of three segments namely the manufacturers, distributors and retailers. All these play a major role in supporting the country's healthcare sector, which is estimated to have about 4,557 health facilities country wide.

Kenya is currently the largest producer of pharmaceutical products in the Common Market for Eastern and Southern Africa (COMESA) region, supplying about 50% of the region's market. Out of the region's estimate of 50 recognized pharmaceutical manufacturers; approximately 30 are based in Kenya. It is approximated that about 9,000 pharmaceutical products have been registered for sale in Kenya. These are categorized according to particular levels of outlet as free sales or Over the Counter (OTC), pharmacy technologist dispensable, or pharmacist dispensable or prescription only (Noah, 2005). The number of companies engaged in manufacturing and distribution of pharmaceutical products in Kenya continue to expand, driven by the Government's effort to promote local and foreign direct investment in the sector

1.2 Research problem

Over the past decade, the Pharmaceutical sector in Kenya has continued to grow by opening branches in various parts of the city. This is attributed to the increased level of competition in the sector coupled with enlightened customers on their rights and more stringent measures from regulatory bodies like the Kenya bureau of standards (KEBS) and the pharmacy and poisons board (PPB). As such the pharmaceutical companies can use the globalized practices to reduce their cost and improve their performance and efficiency in their operation to remain competitive.

Several studies have been done on the influence of globalization; for instance Mugabe (2002); studied the impact of globalization on science and technology in Sub-Saharan African Countries; he established that if sub-Saharan countries are to take advantage of the opportunities offered by globalization, they must create the necessary enabling environment which will allow a willed future to be realized, concretized, nurtured and sustained. A start can be made by bringing back home the many teachers, scientists, engineers, medical doctors, and technological personnel who equal, perhaps number more than, the expatriate personnel currently working in the sub-Saharan African countries. In addition Vogel (2002), researched on the Globalization of Pharmaceutical regulations, he established that the undermining of national regulatory sovereignty has improved both the effectiveness and efficiency of government regulation. Hence there is also need to know if pharmaceutical companies in Kenya can benefit from globalization practices.

Moreover, Gachoka, (2008) researched on the impact of globalization on the human resource management function in developing countries: a case study of Kenya public corporations. She established that one of the positive measures of globalization has been the passing on of information which has to do with flow of ideas. This has led to improvements in the way things are done. An example is the public service, where the new ideas have been embraced thus improving service delivery. Hence there is need to know if pharmaceutical companies in Kenya can benefit from globalization practices. Finally, Chaplot, (2012) in his research on the impact of globalization on the healthcare sector in India, he established that there was a shortage of human resources in the sector owing to underinvestment in the health sector and poor governance.

In as much as a lot of research has been done on the influence of globalization to various fields of the economy there is need to research on the influence of globalization on performance of pharmaceutical firms in Kenya which is also an important field of study. This study therefore will seek to establish the influence of globalization on performance of pharmaceutical firms in Kenya and will be guided by the following questions: what is the influence of globalization on the performance of pharmaceutical industries in Kenya? What are the challenges pharmaceutical firms faces in embracing globalization?

1.3 Research objective

- i. To establish the globalization strategies in of pharmaceutical firms in Kenya.
- ii. To establish the challenges faced in the implementation of globalization strategies by the pharmaceutical firms in, Kenya.

1.4 Value of the study

The findings will be of benefit to the management of pharmaceutical sector at large who will gain insight into how their organization could effectively utilize the positive influences of globalization in their practices. The study will offer an understanding on the importance of adopting globalization and as such will improve their performance and competitiveness in the pharmaceutical sector.

Understanding the globalization practices adopted by pharmaceutical companies will help policy makers in the line of ministries of the governments, the pharmacy and poisons board and other state supporting agents involved in drug control like, the National Quality Control Laboratory (NQCL), Drug Analysis Research Unit (DARU) and Mission for Essential Drugs and Supplies (MEDS) to come up with targeted policies and programs that actively stimulate the growth and sustainability of the pharmaceutical sector.

It will be of value to academicians as they will find useful gaps that will stimulate interest in further studies. It will also be important to the current and potential scholars in the business field more especially those who have interest in globalization practices, to expand the one that already exist.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter provides information from publications on the topics related. It examines findings from various scholars and authors about globalization practices. This chapter presents a review of theory as well as literature of the study in line with globalization, performance and its challenges. This chapter also seeks to identify the research gap that exists between what other researchers have done and what this study seeks to tackle as well as capture the relationship of the research variables. The study is specifically anchored on the concept of competitive advantage and this chapter gives this theory in detail.

2.2 Theoretical foundation

This study was guided by Porter's Theory of Competitive Advantage of Nations of international trade. The theory has the following premises namely; the nature of competition and the sources of competitive advantage differentials in the industries, successful global enterprises draw competitive advantages through their value chain of worldwide network; secondly, innovation is the pillion of gaining or sustaining competitive advantage, Pioneering and aggressive competitors in exploiting new market or technology are most successful.

Different nations have different management attitudes, ideologies and approaches which either strengthen or weaken their comparative advantage. Will and motivation to go international are based on the firm, management strategies and organizational structure.

A computing firm's goal in such a situation is to set the business strategy to capture larger market share and go global.

Porter argued that government policy and actions as well as chance events are the secondary auxiliary variables in creating competitive and effective advantage of a nation. Effective positive industrial and trade policy of an open economy would encourage local firms to compete abroad. Restrictive and protective policies weakened the firm's abilities to compete in global markets. Sometimes chance events may become the cause of success. Therefore, the government policies and actions should be directed to the creation of favorable, environment and provide a framework that cause to encourage business community firms to improve, innovate and be dynamic in achieving the competitive advantage. The government of a developing nation should design positive policies in this regard, based on a long-term planning horizon, not on short-term economic fluctuations (Yoffie and Gomes, 1994).

2.3 Globalization and performance

Globalization is often equated with growing integration of national economies. In the sphere of economics, globalization is reflected in the increasing acceptance of free markets and private enterprise as the principal mechanism of promoting economic activities. Therefore, globalization is generally seen as the process of broadening and deepening of inter-relationships in international trade, foreign investment and portfolio flows (Wignaraja, 2001). Its growing importance is captured in such indices as trade in goods and services, private capital flows in different forms, foreign investment, technology transfer, operations of transnational enterprises, business travel and

communications, migration and remittances. The social sphere of globalization comprises of social relations and customs, consumption patterns and lifestyles while the cultural dimension includes the important domain values, religion and identity. At the political level globalization is reflected in the spread of pluralist systems, multi-party democracies, free elections, independent judiciaries and enhanced human rights.

According to Wagnaraja, (2001) on the impact of economic aspects of globalization on labor market in Kenya. For globalization to be successful, international trade should improve the welfare of the people in all participating countries. For instance, it should offer opportunities for increased supply of goods from the developing countries to the world's market, improve performances in production of goods and services, and improved labor market outcomes in the long run in these countries. It should also help improve welfare in developed countries. However, with globalization has come the concern that not everyone is benefiting from the increasing international integration of markets of goods and services. The pattern of global economic integration displays some sharp inequalities in terms of trade, capital flows, foreign investment, technology transfers or activities of transnational enterprises with most transactions taking place among developed countries. Most of the poor and least developed countries are largely bypassed by the intensified circuits of trade, capital and investment flows (Ghai, 1997).

Organizational performance is the organization's ability to attain its goals by using resources in an efficient and effective manner. Organizational performance is the ability of the organization to achieve its goals and objectives. Hefferman and Flood (2000) stated that as a concept in modern management, organizational performance suffered from problems of conceptual clarity in a number of areas. The first is the area of

definition while the second is that of measurement. The term performance was sometimes confused with productivity. According to Ricardo (2001), there is a difference between performance and productivity. Productivity is a ratio depicting the volume of work completed in a given amount of time, while Performance is a broader indicator that could include productivity as well as quality, consistency and other factors. In a result oriented evaluation, productivity measures are typically considered.

The next issues are the factors that determine organizational performance. According to Hansen and Wernerfelt (1989) in the business policy literature, there are two major streams of research on the determinants of organizational performance. One is based on economic tradition, emphasizing the importance of external market factors in determining organizational performance. The other line of research is built on the behavioral and sociological paradigm and sees organizational factors and their 'fit' with the environment as the major determinant of success. The economic model of organizational performance provides a range of major determinants of organizational profit which includes: Characteristics of the industry in which the organization competes, the organization's position relative to its competitors, and the quality of the firm's resources. Organizational model of firm performance focuses on organizational factors such as human resources policies, organizational culture, and organizational climate and leadership styles. Another study by Chien, (2004) found that there are five major factors determining organizational performance, namely: Leadership styles and environment Organizational culture, Job design, Model of motive, and Human resource policies.

2.4 Challenges of globalization

The overall challenge to economic globalization is to make the global system deliver economic growth more consistently and more equitably, as the best way to further reduce global poverty and inequality. The specific challenges to globalization are both regional and subject-specific. The challenges include: The International Trading System. Reductions in tariffs and the growth in trade in the past half century have been greater among the developed countries than between industrialized and developing countries. (Fischer, 2003).

According to Khan, (2003) some of the challenges in globalization include lack of complete access to product markets caused by both trade barriers and hefty subsidies in developed countries on commodities of interest to agricultural producers; Limited access to financial resources, and for some countries high conditionality attached to concessional resources and the constraints on acquiring technology in terms of resources, both human and financial, and inadequate infrastructure.

Human Resource Management challenges to business especially those operating across the national boundaries as multinational or global enterprise competing in global markets entails many factors and centralization of its human resource practices is certainly vital to improve global competitiveness and empower employees for global assignment. To achieve success in global market place, the challenge of all businesses regardless of their size is to understand global corporate cultural differences and invest in human resources (Kayode, 2012). There are certain human resource management issues that are particular

for the global enterprise. The key issues involve staffing policies selecting and retaining talented employee, training and development whilst encouraging employees to be innovative and creative, culture barriers, and legal frame work. Other issues include understanding the challenges of living and working conditions, performance appraisals from a distance, training and management development, compensation packages and labor relations and organized labor laws. (Vernon, 2004)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was applied in conducting the study. It discusses the research design, target population, sampling design and sample size, data collection procedures and instruments, determination of reliability and validity as well as data analysis techniques.

3.2 Research design

The study used descriptive survey type of research design. According to Salaria, (2012) descriptive research is devoted to the gathering of information about prevailing conditions or situations for the purpose of description and interpretation. This type of research method is not simply amassing and tabulating facts but includes proper analysis, interpretation, comparisons, identification of trends and relationships. (Knupfer, 1994)

Descriptions of this type often provide important leads in identifying needed tactics and changes within the instructional design of such material. We should note that since proper sampling procedures were employed, Knupfer was able to generalize these descriptive findings from the sample to the population from which they were drawn. In addition to summary statistics, survey data may be used to explore relationships between two or more variables. Questionnaires may refer to past, present, or future phenomena, so they have a great deal of flexibility. This design was appropriate as it will allowed the researcher to draw conclusion on the link between globalization practices and organizational performance.

3.3 Population

The study population was all the registered pharmaceutical companies in Kenya. According to Export processing zone project on Kenya's Pharmaceutical Industry there are 50 pharmaceutical companies (see appendix ii). There was a census of all the companies.

3.4 Data collection

The study used primary data collected with the help of a structured questionnaire. The primary data was used to establish the globalization practices adopted by pharmaceutical firms in Kenya, the impact on performance and the challenges that the firms experience in the embracing these practices. The study respondents were pharmaceutical company marketing managers or equivalents of the same.

The questionnaire had an introduction explaining the study topic and the purpose of the study. Drop and pick method was used as a method of administering so that the respondents could fill the questions at their convenient time. The questionnaire was in the form of Likert scale where respondents were required to indicate their views on a scale of 1 to 5 and percentages. The questionnaire had 3 sections: Section A; was on the pharmaceutical company profile; B highlighted the influence of globalization on pharmaceutical companies in Kenya; C covered the challenges faced on implementing globalization practices.

3.5 Data analysis

The data was analyzed by use of descriptive and inferential data analysis. Descriptive statistics are ways of summarizing large sets of quantitative; numerical information. It involved measures of central tendency such as the mean, mode and measures of dispersion such as the standard deviation.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This study was carried out to establish the globalization strategies in pharmaceutical industries in Kenya. Data was collected from chief executive officers and equivalents of the same. The findings are presented next. A total of 50 questionnaires were distributed to pharmaceutical firms through their headquarters based in Nairobi. Out of the 50 questionnaires, 35 were returned to the researcher. This represents a response rate of 70%. This percentage was considered sufficient for this study according to Babbie (2002), any response of 50% and above is adequate for analysis. The 30% who never returned the questionnaires cited busy schedules as the main reason for lacking time to fill them.

4.2 General information

This sought to establish the company information as well as that of the respondent for the purposes of getting to understand the companies' operations better in order to link them to the globalization strategies.

The respondents were asked to classify their companies as either local or multinationals.

The results are shown in table 4.1.

Table 4.1 Ownership of the company

Classification of the company	number	percentage
Local	13	37.14
Multinational	22	62.86
Total	35	100

As from Table 4.1 the study established that 62.86% of the companies interviewed were multinational firms and only 37.14% were local firms.

The respondents were then asked to indicate the type of ownership of their company, as either corporations, partnerships, sole proprietorship, cooperatives or any other that was specific to them.

Table 4.2 Types of ownership

Type of ownership	number	percentage
Sole proprietorship	5	14.3
Partnership	15	42.85
Corporation	15	42.85
Cooperative	-	0
Total	35	100

As from Table 4.2 above, the research established that the highest percentage of company owners were partnerships and corporations as indicated by 42.85 and 42.85 percentages respectively. Sole proprietorship registered as low as 14.3% whereas there were no cooperatives among the companies that were interviewed.

The researcher sought to establish the number of years that the respondents had been working for their respective companies, and the findings are illustrated in table 4.3 below.

Table 4.3: Duration served by respondent in the company

Duration of working	Frequency	Percentage
1-5years	9	25.7
5-10years	16	45.7
10-15years	8	22.8
15-20years	2	5.8
20years and above	0	0
Total	35	100

As from Table 4.3, confirm that a good percentage of the recipients i.e. 74.3% have been in the company for more than five years and therefore would provide tangible feedback to the project. 25.7% of the total respondents had been in the company for a period of less than 5 years.

The respondents were asked to indicate the number of years there companies had been operating in Kenya and the results are shown in table 4.4.

Table 4.4: Duration of company operation

Duration of operation (years)	Frequency	Percentage
0-5	0	0
5-10	3	8.5
10-15	10	28.6
15-20	17	48.6
20 and above	5	14.3
Total	35	100

As from Table 4.4, 91.5% of the pharmaceutical firms in Kenya have been in operation for more than 10 years. This is an indication that the pharmaceutical firms have interacted with globalization strategies for more than 10 years since the same has been available for more than two decades now.

The researcher sought to establish the size of the company in terms of employees and the findings are as shown below in table 4.5.

Table: 4.5 Company size

Number of employees	Frequency	Percentage
0-50	10	28.6
50-100	9	25.7
100-150	8	22.8
150-200	5	14.3
Over 200	3	8.6
Total	35	100

Results in Table 4.5 show that 91.4% of the companies that were researched on had less than 200 employees with only 3 companies having over 200 employees in Kenya.

The respondents were asked to indicate the percentage foreign ownership of their companies, and the findings were as shown in table 4.6 below.

Table 4.6: Foreign ownership of the company

Percentage foreign ownership	Frequency	Percentage
0-20 %	12	34.3
21-40%	4	11.4
41-60%	8	22.9
61-80%	9	25.7
81-100%	2	5.7
Total	35	100

From the Table it was established that most of the local pharmaceutical firms have a percentage of foreign ownership. Incorporation of foreign investment in pharmaceutical companies employs globalization strategies due to foreign interest.

4.3 Globalization strategy and performance

Other opportunities globalization seems to bring into the industry include Increase in firm's opportunities for trade and investment; increase in firm's market potential; and increased opportunities to expand the firm's products and/or markets. Table 4.6 is a summary of the perception of industry players about the opportunities Globalization has brought to the pharmaceutical industries at large.

The respondents were then asked to indicate the extent to which their companies were exercising different aspects of globalization using the likert scale as 1. Strongly disagree, 2. Disagree 3. neutral 4. agree 5. Strongly agree. And the findings were computed in %, mean and standard deviation as in table 4.6 below.

Table 4.7: Globalization opportunities

Statement	1	2	3	4	5	mean	Standard deviation
Increased opportunities to develop customer markets worldwide.	0	0	22.85	12.85	59.5	4.25	0.8168
Increased opportunities for trade and investment.	0	0	17.14	31.42	51.42	4.34	0.7648
Increased market potential	0	0	14.28	34.28	51.42	4.37	0.5345
Increased opportunities to access raw materials and labor worldwide	51.42	34.28	0	5.71	8.57	1.85	1.2407

Increased opportunities to expand the firm's products and/or markets.	0	0	11.42	37.14	51.42	4.4	0.6945
Facilitation of international market Expansion	2.85	8.57	20	28.57	14	3.94	1.1099

As from above Table 4.7 the percentage of responses indicates that globalization has had a marked positive effect on the pharmaceutical firms. The mean as indicated in table 4.7 shows that the response of the respondents was around 4 which represent Agree. A greater than 1 standard deviation indicates there was a huge variation and a standard deviation of less than one indicates a small variation. In our case, the results show the standard deviation was less than 1 in all cases and hence there was a small variation. The greatest variation was 1.2407.

The respondents were also asked to establish their companies' marketing efficiency in foreign markets and their findings were as follows

Table 4.8: Marketing efficiency of the firms in foreign markets

Statement	1	2	3	4	5	mean	Standard deviation
Achievement of international sales growth with lesser resources	54.28	14.28	8.57	22.85	0	1.77	1.0025
Achievement of more sales revenue in foreign markets than the amount of marketing and selling expenses allocated in those markets	40	20	11.42	11.42	14.28	2.37	1.4366
Profits in foreign markets exceeding marketing and selling costs expended in those markets	20	31.42	0	8.57	2.85	1.68	1.0508
Achievement of international sales and profit goals with minimum marketing costs	65.71	2.85	2.85	2.85	5.71	1.6	1.0901
Efficiency in utilizing marketing and selling resources allocated to foreign markets in generating more revenue in the said markets	14.28	22.85	5.71	28.57	28.57	2.23	1.457

According to Table 4.8 the frequency of responses indicates that despite the increase in market size and the efficient utilization of allocated resources, the firms have not had an increase in profits neither is there a decrease in the expenses of marketing and the selling of the products.

4.4 General perception of globalization threats

Results from the previous section indicate that globalization has an overall impact on businesses such that it presented various firms the opportunity to engage or extend their business abroad. However, the pharmaceutical industry has also recognized negative impacts of globalization on their businesses. This section examines the threats that face the businesses of pharmaceutical firms. Several difficulties or threats of competition were seen to be associated with the concept of globalization in practice. Globalization has thus made the market very competitive making it difficult for firms especially local ones in the industry to stay in business.

The respondents were also asked to establish the challenges of globalization in their companies and Table 4.8 indicates their findings;

Table 4.9: Challenges of globalization

Statement	1	2	3	4	5	Mean	Standard deviation
Increased number of competitors	2.85	2.85	2.85	51.42	40	4.23	0.8774
Difficulties in out-competing the competition	34.28	46.71	0	11.42	8.57	2.14	1.2636
Increased difficulty in forecasting demand for the firm's products	5.71	25.71	28.57	34.28	5.71	3.09	1.04
Increased uncertainty in the markets	2.85	2.85	8.57	28.57	57.14	4.34	0.9684
Unpredictable changes in consumer purchasing patterns	2.85	5.71	0		25	4.51	0.9813
Increased cost of business operations	11.42	5.71	11.42	28.57	42.85	3.86	1.3535
Added complexity to business operations	5.71	8.57	0	31.42	54.28	4.2	1.1832

According to Table 4.9, the mean of around 4 (Agree) indicates that globalization strategies lead to more competition among the pharmaceutical firms. The local pharmaceutical firms face a lot more competition from the multinational ones as they are more conversant with the international market.

4.5 Discussion

Findings from above show that globalization has created several opportunities for businesses entering the international market. There have been more opportunities to develop in customer markets; there are more trade and investment opportunities, increased market potential, increased opportunities to expand markets, and the facilitation of international market expansion. It was also observed that there was no increase in opportunities to access raw materials. This is an indication that globalization has a positive effect on the performance of the pharmaceutical firms in Kenya. However, the opportunity presented by globalization does not necessarily mean good performance. Thus although globalization has increased the firm's opportunity to trade and investment worldwide, findings from the study show that performance in the foreign market depends solely on strategies put in place by competing firms in the market. In the case of the pharmaceutical industry in Kenya, the firms were not able to perform much in the foreign markets leading to less profit they attained in these markets.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This research was carried out to determine the effect on of globalization strategies on the performance of pharmaceutical firms in Kenya. The study had two objectives: to establish the globalization strategies in pharmaceutical firms in Kenya, and to establish the challenges in the implementation of the globalization strategies by the pharmaceutical firms. This chapter presents the summary of findings for the two objectives mentioned above, the conclusions, recommendations made based on the findings and the suggestions on areas that need to be researched further on this concept.

5.2 Summary of findings

The study established that most of the pharmaceutical firms in Kenya have been in business for over 10 years and hence have had quite a long interaction with globalization strategies. It was also found that most of the pharmaceutical firms are multinational firms with most being corporations, while the rest were local companies which are partnerships and sole proprietorships. It was found that most of the local partnerships had partly foreign ownerships. Globalization strategies are employed in such companies due to the incorporation of foreign investment. Many of the pharmaceutical firms employed less than 200 people with only three firms employing the stated number.

It was also found that with globalization strategies, there has been a positive outcome on the fate of the pharmaceutical firms. There is a marked increase in market potential, increase in trade and investment opportunities, and there are more opportunities to

develop new customer markets. Globalization strategies also facilitate the expansion of the firms' businesses to the international market. Such advantages formed the most solid base for the local pharmaceutical companies to venture and exploit the international market and hence expand their customer base and attract more investments be they local or foreign. However, the study also indicates that there was no increase in the opportunities to access raw materials for the manufacture of the pharmaceutical firms' products.

It was also established that despite the increase in market size, potential and the efficient utilization of resources, the pharmaceutical firms are yet to realize a marked increase in their profits. The firms' expenses on the production, marketing and selling of their products are still high. It was also seen the firms' market growth rate was smaller compared to the amount of resources expended in this endeavor. The research also shows that the performance of the pharmaceutical companies in the foreign markets solely depends on strategies put in place by competing firms in Kenya.

The study established that globalization also had its own challenges in addition to the many advantages that it had established. The study established that globalization has increased number of competitors. It has made it Difficult to out-compete the competition, Increased difficulty in forecasting demand for the firm's products and Increased uncertainty in the markets.in addition the study established unpredictable changes in consumer purchasing patterns, on the other hand the study found out that cost of business

operations locally and complexity to business operations were not the case as globalization had made the situation easier.

5.3 Conclusion

In effect, globalization has facilitated firms' international market expansion; increased firms' opportunities to access raw materials and labor worldwide. Globalization has also increased the firms' opportunities for trade and investment. It has also made it easy for the firm to identify potential customers, increased firms' opportunities to develop customer markets worldwide. However, whereas the players in the pharmaceutical industry are not able to fare well in the foreign market, it is surprising to note that foreign products gained more grounds in the domestic market mainly as a result of globalization strategy.

Firms cooperate instead of compete with one another to gain stronger market power and competitive market position. Collaborating with other firms not only alleviates competition and improves their competitive position in the market, but also helps them avoid potential costs resulting from intensified competition (2002). Furthermore, since globalization inhibits firms from possessing all necessary resources to compete effectively and efficiently in many markets, many firms have formed co-marketing alliances with other firms that possess complementary resources. Alliances enable firms to leverage their unique skills and combine their specialized resources to build competitive advantages, which help them gain stronger market position and succeed in global markets.

However, it was noted that the challenges of globalization to local firms in the local markets outweigh the ability of local firms to take advantage of the opportunity in doing business in foreign markets. From the quantitative survey, it was realized that although firms acknowledged the opportunities presented by globalization, pharmaceutical firms in the local industry are not able to explore these opportunities in the foreign market. Although the Kenyan pharmaceutical firms could not fare well in the foreign market, the local market has been well entered by multinational companies. The influx of foreign companies into the Kenyan market thus pose lots of challenges to the local firms.

5.4 Recommendations

5.4.1 Recommendation with policy applicators

The study confirmed that globalization was very significant in enhancing the performance of pharmaceutical firms in Kenya. Therefore all organizations should be advised to embrace the concept so that they can be able to reap the benefits of globalization. It was also evident that the concept of globalization has enabled pharmaceutical firms to achieve market efficiency. Other organizations should also be encouraged to adopt the same in order to provide efficient services to their customers. It is also recommended that management of firms should consider forming alliances especially in order to compete effectively and efficiently in foreign markets to explore the full benefits of globalization to businesses. The organizations should also pay attention to the challenges they face and seek ways of mitigating the risks that come with the challenges. The importance of globalization in driving the economy demands that each

firm in the sector play its part and this can only be ensured by carrying out serious global strategic management. The firms should also consider talking to stakeholders such as the government and suggest policies, procedures and rules that would enhance the progress of the sector.

5.4.2 Suggestions for further research

The study focused on the influence of globalization and pharmaceutical companies in Kenya and it therefore recommended that a comparative study can be carried out to establish whether the concept of globalization strategy in other countries is able to yield the same effect on performance. This will assist in comparing with the Kenyan experience and provide concrete facts upon which reliable conclusions can be made. More studies can be carried out in other areas of the economy other than the pharmaceutical industry in Kenya so as to ensure that these sectors also reap the benefits of globalization and are fully aware of the challenges that come along with globalisation. In this way the various sectors of the economy will be able to handle the challenges better for the good of the economy.

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QUESTIONNAIRE

This questionnaire seeks to collect data about the impact of globalization on the performance of pharmaceutical firms in Kenya and their challenges. The data collected will be used for academic purpose only. All responses are strictly confidential and no information which could reveal your firm's or your identity will be used in any data reporting, nor will be shared in its individual form with any outside party without your expressed permission to do so. Thank you.

Section A: General Information

Tick as appropriate

Q1. What is the name of your company?

.....

Q2.What is your position?

Q3. How would you classify your company?

- a) Local
- b) Multinational

Q4. Please indicate which ownership best describes your firm's organization by selecting only one of the choices below.

- a). Sole Proprietorship
- b). Partnership
- c). Corporation
- d). Cooperative
- e). other (please specify) _____

Q5. How long have you worked for your firm?

- a) 1-5 years
- b) 5-10 years
- c) 10-15 years
- d) 15-20 years
- e) 20 years and above

Q6. How has your company been in operation?

- a) Less than 1 year
- b) 1-6 years
- c) 7-12 years
- d) 13-18 years
- e) Over 19years

Q7. What is the size of your company according to number of employees?

- a) 0-50
- b) 50-100
- c) 100-150
- d) 150-200
- e) Over 200

Q8. Please indicate the percentage of foreign ownership of your firm:

- a) 0 -20%
- b) 21-40 %
- c) 41-60 %
- d) 61-80 %
- e) 81-100%

Section B

Q9. To what extent do you agree/disagree with the following statements? The scale below will be applicable:

1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. strongly agree

	1	2	3	4	5
Globalization has increased my firm's opportunities to develop customer markets worldwide.					
Globalization has increased my firm's opportunities for trade and investment.					
Globalization has increased my firm's market potential					
Globalization has increased my firm's opportunities to access raw materials and labor worldwide					
Globalization has increased my firm's opportunities to expand the firm's products and/or markets.					
Globalization has facilitated my firm's international market expansion					

Q10. My company has very well achieved its goals in terms of....

	1	2	3	4	5
Growth in international market Share					
International sales growth					
International market position					

Q11. Please indicate the extent to which you agree with the following statements regarding marketing efficiency of your firm in foreign markets.

	1	2	3	4	5
My firm has achieved international sales growth with less resource than expected.					
My firm has achieved more sales revenue in foreign markets than the amount of marketing and selling expenses allocated in those market					
My firm's profits in foreign markets exceed the marketing and selling costs expended in those markets.					
My firm has achieved international sales and profit goals with minimum marketing costs.					
my firm is efficient in utilizing marketing and selling resources allocated to foreign markets in generating more revenues in those markets.					

Q12. Please choose the range of percentages that most accurately describes the firm's domestic and international performance. Percentage per year

	0-20	21-40	41-60	61-80	81-100
Percentage of total profit to total sales(Total profit divided by total sales)					
Percentage of total profit to total assets(Total profit divided by total assets)					
Percentage of sales in foreign markets to total sale (International sales divided by total sales)					
Percentage of profit in foreign markets to total profit (International profit divided by total profit)					
Percentage of sales growth in foreign markets					

Section C

Q13. Please indicate the extent to which you agree with the following statements

Regarding the effects globalization on your business.

	1	2	3	4	5
Globalization has increased the number of competitors my company is facing.					
Globalization has increased the level of competition my company is facing					
Globalization has made it difficult for my firm to out-compete the competitors					
Globalization has increased the difficulty in forecasting demand for the firm's products					
Markets have become increasingly Uncertain due to globalization.					
Globalization has caused unpredictable changes in consumer purchasing patterns					
Globalization has increased the costs of my business operations					
Globalization adds complexity to my business operations					

Q14. Any other challenges of globalization in your firm please specify?

1) _____

2) _____

3) _____

APPENDICES

Appendix I

List of Pharmaceutical Companies in Nairobi, Kenya The International Trading System.

Reductions in tariffs and the growth in trade in the past half century have been greater among the developed countries than between industrialized and developing countries.

1. Adcock Ingram
2. Astrazeneca Pharmaceutical
3. Aurobindo
4. Bayer East Africa
5. Beta Healthcare
6. Boringer Ingthem
7. Cosmos Pharmaceuticals Limited
8. Eli Lilly
9. Europa Pharmaceutical
10. Eurox Pharma
11. Galaxy Limited
12. Getz Pharma
13. GlaxoSmithkline Kenya
14. Glenmark Pharmaceuticals Ltd
15. Harleys Kenya Limited
16. Highchem Limited
17. Infusion Kenya

18. IPCA
19. Jansen Silag
20. Kulal Pharmaceutical
21. Lab and Allied.
22. Laborex Pharma Limited
23. Lords Pharmaceutical
24. Mac Naughton Kenya
25. medisel
26. Medox Pharmaceutical
27. Mepha Limited
28. MSD Schering Plough
29. Neopharma
30. Norvatis Kenya
31. Novo Nordisk
32. Pan Pharmaceutical
33. Pfizer Limited
34. Pharmaco Kenya Limited
35. Pharmalinks
36. Phillips Pharmaceuticals.
37. PSI Kenya
38. PSM Kenya Limited
39. Regal Pharmaceuticals Limited
40. Roche

41. Sai Pharmaceuticals Limited
42. Samba pharmaceuticals
43. Sanofi Aventis
44. Sanofi Pasteur
45. Sun Pharmaceutical Limited
46. Surgilinks Kenya
47. Surgipharm Limited
48. Synermed
49. Unisel Limited Pharmaceutical
50. Universal Pharmaceutical Limited

Source: www.epzakenya.com/UserFiles/.../Pharmaceutical%20Sector%20profile, 2012

Appendix II

Company Information

Name of company	Position of respondent	Classification of company	Type of ownership
Adcock ingram	Regional manager	Multinational	Corporation
Astazeneca	Regional manager	Multinational	Corporation
Aurobindo	Country manager	Multinational	Partnership
Bayer east Africa	Regional manager	Multinational	Corporation
Beta health care	CEO	Local	Partnership
Eli lilly	Regional manager	Multinational	Corporation
Europa	Country manager	Multinational	Corporation
Galaxy limited	CEO	Local	Partnership
Glaxo SmithKline	Regional manager	Multinational	Corporation
Glenmark	Country manager	Multinational	Corporation
Harleys Kenya Ltd	Country manager	Multinational	Partnership
Highchem ltd	Country manager	Multinational	Corporation
Infusion Kenya	CEO	Local	Partnership
IPCA	CEO	Local	Partnership
Kulal	Country manager	Multinational	Partnership
Lab and Allied	CEO	Local	Partnership
Laborex Pharma	Regional manager	Multinational	Corporation
Mac Naughton	Regional manager	Multinational	Corporation

Medisel	Country manager	Multinational	Partnership
Medox	Country manager	Multinational	Partnership
Neopharma	CEO	Local	Partnership
Norvatis	Regional manager	Multinational	Corporation
Pan pharmaceuticals	Country manager	Multinational	Partnership
Philips	CEO	Local	Sole proprietor
PSI Kenya	Country manager	Multinational	Corporation
Regal pharmaceuticals	CEO	Local	Partnership
Roche	Country manager	Multinational	Corporation
Sanofi Aventis	Regional manager	Multinational	Corporation
Sun pharmaceuticals	Country manager	Multinational	Corporation
Surgilinks	CEO	Local	Partnership
Surgipharm ltd	CEO	Local	Sole proprietor
Synermed	CEO	Local	Sole proprietor
Unisel ltd	CEO	Local	Sole proprietor
Universal ltd	Country manager	Multinational	Partnership

