

**STRATEGIC PLANNING PRACTICES ADOPTED BY LABOREX
KENYA LIMITED**

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DECLARATION

I hereby declare that this is my original work and has not been submitted for any award at any other institution.

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

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DEDICATION

I dedicate this research project to my love Miriam Nyambura, my daughter Hope Wambui and my brothers Stephen Mwangela and Joseph Kyalo for their support, encouragement and prayer which kept me going. May God bless you abundantly.

ABSTRACT

Strategic planning is an organization's process of defining its strategy, direction and making decisions on allocating its resources in a bid to purpose this strategy including its capital and people. The grand promise of strategic planning has been to increase the efficiency and effectiveness of an organization by improving both current and future operations. This study aimed at examining the strategic management practices adopted by Laborex Kenya limited. The study reviewed related literatures based on the objective which was a case study of Laborex Kenya limited. The study involved a case study of Laborex Kenya limited. The researcher used primary source of data which was collected through interview guide. This gave the respondent ample time to respond to questions asked. Key interviewees of the study included the chief executive officer, human resource manager, operations manager, key accounts manager and the marketing manager. The collected data was examined for completeness and clarity and thereafter was analyzed using content analysis. The findings show that there exist some strategic planning practices that Laborex Kenya limited adopts. The study established that Laborex Kenya limited has existing objectives, mission and vision statements which the company strives to achieve and that the company formulates strategies more often when need arises. It was also established in the study that proper selection of qualified staff and good training has been of great importance in propelling Laborex Kenya limited towards better performance. The study also pointed out that proper marketing strategies and tactics are of great importance to Laborex Kenya limited. This study also noted that account management skills are important to the company. The study recommends application of various strategic planning practices in all pharmaceutical firms in Kenya in order to improve their efficiency and effectiveness.

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ABBREVIATIONS AND ACRONYMS

CAGR:	Compound Annual Growth Rate
CBD:	Central Business District
COMESA:	Common Market for Eastern and Southern Africa
DRC:	Democratic Republic of Congo
EAC:	East African Community
MNCs:	Multinational Corporations
OTC:	Over the Counter
RBV:	Resource-based view
SWOT:	Strengths Weaknesses Opportunities and Threats

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

For an organization to determine its future direction, it has to understand its current position and ways through which it can pursue particular courses of action. Strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does and why it does it, with a focus on the future (Murangiri, 2011). It is the first step in the strategic management process which lays the foundation for the other phases namely implementation, evaluation and control. Formal strategic planning systems provide the framework for formulating and implementing strategies (Steiner, 1979). It brings about changes which may or may not face resistance in the organization. Thompson and Strickland (1989) argue that galvanizing organization wide commitment to the chosen strategic plan is critical for effective performance. It is therefore important for an organization to communicate properly the vision and build a culture of staff involvement.

For the strategic planning process to be effective, the three phases should be taken care of. A good formulated strategy alone does not automatically guarantee achievement of objective. Hambrick and Cannella (1989) state “without successful implementation, a strategy is but a fantasy”. The formulated strategy therefore needs to be implemented at all levels of the organization. Implementing a strategy means putting the strategy to action (Hill and Jones, 2009).

A good strategic plan emphasizes on the long-term, midrange strategic goals and objectives and it results to a proper definition of the organizations activities, allocation of the scarce resources to accomplish organizational strategic objectives. Over the years the pharmaceutical industry has seen birth of new firms competing for the same available demand. With this increasing competition, Laborex Kenya limited has to embrace strategic planning practices in order to obtain sustained competitive advantage over its competitors.

1.1.1 Concept of strategy

Strategic planning as a process was migrated from the corporate world and has been practiced in so many companies for the last 40 years (Fain 2007). However its use has exploded only in the last decade and now virtually most companies have in place some form of a strategic planning process. The sudden rise in strategic planning activities among companies especially the corporate world has been attributed to the need to combat the challenges of increasing intensity of competition, globalization, increasing cost of operations, increased demand of technology, need for greater accountability, political influence and emphasis on quality corporate governance (Kaplan & Beinhocker, 2003).

There was a time when strategic planning was done by the biggest companies, and those who lead change. Now it is a requirement just to survive (Hatfield, 1996). Without strategic planning, businesses simply drift and companies that operate without a plan have higher chances of failure than those that plan and implement well. Many businesses

may fail to create a vision, company values and a strategic plan because of reasons like lack of time, energy, commitment and lack of experience.

Ansoff, (1976) who is considered as the father of strategic management defines strategic planning as “a rational analysis of the opportunities offered by an environment and of strengths and weaknesses of the firm and a selection of a match (strategic) between the two which best satisfy the objective of the firm”.

Drucker, (1974) another well-known management guru defines strategic management as “the continuous process of making present entrepreneurial (risk-taking) decisions systematically and with the greatest knowledge of their futurity; organizing systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectations, through organizing systematic feedback.

1.1.2 Strategic planning process

Boar (1993) categorizes strategic planning process into three broad areas namely: assessment, strategy formulation and execution. The assessment stage involves developing a proper understanding of the business external and internal environment. These environmental factors may include political, social, economic, technological or even legal ones. The strategy formulation stage involves identification of the desired future state of the business, the specific objectives to be achieved and the means to achieve them. It comprises of developing or reviewing of the organization’s mission, vision and long-term goals; conducting internal and external assessments{SWOT

Analysis}); setting selection criteria and selecting the appropriate strategies that will afford the firm the best strategic positioning above its competitors. The formulation stage involve the top management team but communication of the new strategies to be adopted are always communicated to all teams.

Execution stage involves translating intention to reality. Sababu (2007) argues that strategy implementation is the process by which strategies and functional policies are put into action through the development of action plans, goals, programs, budgets, procedures, structures, cultures, motivation, communication, leadership, resource allocation, working climate and enforcement. The execution stage is the most vital stage in the strategic planning process since it determines the outcome. Proper execution leads to success while a poor one leads to failure of the intended strategy.

1.1.3 Strategic planning practices

Strategic planning practices involve forming a vision of where the organization needs to be headed and provides a long-term direction with an established mission to specific performance objectives. It also involves crafting a strategy, implementing and executing the chosen strategy efficiently and effectively and also evaluating the performance together with initiating review programs for corrective adjustments in missions, objectives and strategy depending on changing conditions, available opportunities and ideas. Strategic planning can be formal or informal and involves the corporate business and functional levels.

Strategic planning practices determine the competitive advantage to be gained by a particular organization against its competitors. Some of these practices may include proper location of an organizations premise in order to meet the immediate demand by its client. Close proximity to clients translates to lower transport costs and shorter delivery time and therefore convenience. Customer care services may also attract a good number of clients. After sale services also add mileage towards achieving customer satisfaction. Proper selection of human resource services and current use of technology may make a difference in maintaining clients. Proper pricing of goods or services plays a major role among other practices.

1.1.4 The Pharmaceutical industry in Kenya

Kenya is currently the biggest producer of pharmaceutical products in the Common Market of Eastern and Southern Africa (COMESA) region supplying about 50% of the region's market. Out of the region's 50 recognized pharmaceutical manufactures; approximately 30 are based in Kenya. The country's pharmaceutical and consumer health market is estimated to be worth USD 160 million each year. This is due to the increased expenditure in healthcare by individual and insurance sponsored clients and also due to the general economic growth over the years. The total funding for malaria control in Kenya was about USD 62 million in 2008 with most of the funding coming from donors for example the US government. In recent years Kenya has also experiences a rapid growth in tuberculosis cases and worse being the increasing number of people living with AIDS.

Sales of OTC and prescription drugs clocked up to 17.7 billion Kenya shillings in 2008 from 14.4 billion the previous year according to the Kenya pharmaceutical and health report 2010. This year the Kenyan drug market is expected to hit a value of 33.5 billion Kenya shillings equivalent to a (CAGR) of 13.53% in local currency terms. The pharmaceutical sector consists of more than 35 licensed units including local manufacturing companies and large MNC's, subsidiaries or joint ventures. Kenya enjoys preferential access to the regional market under a number of special access and duty reduction programs related to the EAC and the COMESA among others. The country exports its pharmaceutical products to Tanzania, Uganda, DRC, Rwanda, Burundi, the Comoros, Ethiopia and Malawi among other destinations.

1.1.5 Laborex Kenya limited

Laborex Kenya limited remains to be one of the largest pharmaceutical distributors in the country despite the quick changing external environment realized in the pharmaceutical industry. Laborex was born in 1911 and was named Howse&McGeorge limited which takes its roots from the Eurapharma group in ParisFrance. In 1995 Howse&McGeorge established a branch in Uganda and later in 1999 Eurapharma merged with Howse&McGeorge acquiring 51 % share in both Kenya and Uganda forming Howse and McGeorgeLaborex. In 2004, Eurapharma acquired 100% control of Howse and McGeorge and in the year 2007, Howse&McGeorgeLaborex was renamed Laborex Kenya. In the year 2008, Laborex Tanzania was established in Dar-es-Salaam. Laborex Kenya ventured into the consumer business in 2009.

Laborex Kenya started with a single headquarter offices in firm and auto spare building Mombasa road and over the years it has seen its rapid expansion with birth of several branches including its major outlet in Nairobi's CBD, Mombasa, Kisumu and Nakuru. At the moment Laborex houses several companies including Servier, Novartis, Microlabs, Allergan, Nuby, Roche, Denk pharma, Mission pharma, Canderel, Brocodex, Avi and Expanscience laboratories. Laborex therefore is involved in direct distribution of all the products handled by these companies. In general Laborex handles a wide range of pharmaceutical products including drugs, vaccines, and supplements.

The vision of Laborex Kenya is to bring pharmaceutical laboratories and patients closer together whilst ensuring quality. The mission of Laborex is to be the preferred service provider in the distribution and marketing of pharmaceutical and para-pharmaceutical products in east Africa. Laborex is committed to good management practices and ethical behavior through enthusiastic and professional staff. Laborex Kenya also has some policy objectives for its customers, suppliers, staff, and its shareholders. To the customers, the objective of Laborex is to deliver safe and efficacious products, on time and at competitive prices. To its suppliers, the objective of Laborex is to avail their products in the right condition and offer good services. To its staff, Laborex is dedicated to offer a good working environment that fosters team spirit and encourages innovation through personal development and staff welfare. Finally to its shareholders, Laborex has an objective to offer good management practices and profit optimization.

1.2 Research problem

Competition between firms has become more severe as they strive to gain competitive advantage over their rivals. Customer tastes and needs are constantly changing in addition to increased awareness and variety of choices when making purchase decisions to satisfy their needs. Firms therefore must adopt strategic planning practices in order to enable them survive in this turbulent environment.

Several studies have been done on strategic planning practices but very few have been done on the pharmaceutical industry. Emily (2006) researched into the strategic planning practices in public secondary schools in Kenya and provided a mechanism for coordinating decentralized strategy formulation within a structure of demanding performance targets, but the study shows that these strategic planning practices fostered adaptation and responsiveness, but showed limited innovation.

Ogari (2005), stated that strategic planning in Kenyan universities consist of six stages; environmental scanning, evaluation of issues, forecasting goal setting, implementation and monitoring. Other studies have been done on various aspects of strategic management such as strategic planning practices and performance of state corporate (Kathama 2012), change management strategy (Ojwang, 2012) and competitive advantage (Mwangi, 2012). Churqo (2009) has also done a study on the perceived link between strategic planning and performance contracting in Kenya state corporations while Wambui (2004) studied factors driving strategic planning by the corporate sector.

The focus of the study in most of these studies has been on strategy development and has shown little focus on implementation and the after effect on the performance of the firm.

The various studies established that various organizations are now faced with rapid changes in both the external and internal environment. In spite of the many studies done on strategic planning practices by different scholars, none has narrowed down to study on strategic planning practices adopted by pharmaceutical firms in Kenya. The purpose of this study is to fill the gap in knowledge by addressing the question; “what are the strategic planning practices adopted by Laborex Kenya limited?”

1.3 Research objective

The objective of this study was to determine the strategic planning practices adopted by Laborex Kenya limited.

1.4 Value of the study

The results of this study are helpful to Laborex Kenya limited and the whole Kenyan pharmaceutical industry fraternity to analyze and review the strategic planning practices currently in use and also help them understand the market trend so as to be able to match up with competitors in the field hence improving the general performance of the industry in meeting customer expectation. It will also help the companies in the industry to take advantage of the ever changing external environment for instance technology to advance its operations and maximize profits in return.

The findings may be used as a way of maintaining and improving service delivery and efficiency. Other firms may adopt these practices expecting to improve the effectiveness and efficiency of their organizations and accrue benefits similar to those in the pharmaceutical industry. To the scholars the study will add value to the existing body of knowledge on the pharmaceutical industry and get the future reference for scholars and academicians.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the past or previous studies that have been done and theories advanced on strategic planning practices. The chapter is broken down into the theoretical foundation, the concept of strategy, factors affecting strategic planning practices and challenges of strategic planning.

2.2 Theoretical underpinnings

Porter (1985) asserts that there are three basic business strategies; differentiation, cost leadership and focus. Theorists have argued that firms perform best by combining the three strategies or choosing the one that fits exactly to its objectives. According to pierce and Robinson (2000), the fifteen principals of grand strategy are: product development, innovation, horizontal integration, vertical integration, concentric diversification, conglomerate diversification, turnaround, divestiture, liquidation, bankruptcy, joint ventures, strategic alliances and consortia.

Despite numerous studies there is no commonly accepted universal definition of strategy (Quinn, 1980).most definitions of strategy are concerned with the long term direction of the organization. Strategy defines what business the organization should engage in, matching the activities of the business to the environment in order to reduce the threats and increase the opportunities and also match the organizations activities to the available

resources. From the perspective of classical strategic management theory, strategy is considered a deliberate planning process (formal), initiated by top management (top-down), based on an elaborate industry analysis (rational) and aimed at designing a cohesive grand strategy for the corporation consistency (volberda,2004). As the environment is continually changing, it is also necessary for strategic planning to continually change in order to maintain a fit with the external environment. There exist several theories to support strategic planning. These include the resource dependent theory and the resource based view (RBV).

2.2.1 The resource dependent theory

The resource dependent theory is the study of how the external resource of organizations affects the behavior of the organizations. Basically this theory argues that any organization will depend on the resources it owns to achieve its objectives. These resources may be in form of qualified staff, good structure of the organization, excellent production strategies, proper external organizational links, and sufficient capital among others. Resources are therefore a basis of power to propel the organization towards achieving its objectives.

Power and resource dependence are directly linked in a way that organization A's power over organization B is the same as organization B's dependence on organization A's resources and that power is thus relational, situational and potentially mutual. Organizations depend on multi-dimensional resources for instance labor, capital and raw materials and since many companies may not have all the resources they are therefore

forced to operate through the principle of criticality and scarcity. Critical resources are those that an organization must possess in order to operate. Viewing an organization from the resource dependence basis, it may adopt various countervailing strategies choosing to associate with more suppliers or integrate vertically or horizontally (Hillman et al, 2009). Customers are the ultimate resource on which companies depend on.

2.2.2 Resource based view

An organization must exploit competitively the resources that it has like labor, capital and raw materials in order to remain competitive in the field. The Resource-Based View (RBV) as a basis of competitive advantage of a firm lies primarily on the application of the bundle of these valuable, interchangeable, intangible and tangible resources at the firm's disposal (Wernerfelt, 1984). To transform a short run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Peteraf, 1993). A resource based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their costs cannot be imitated by competition which ultimately creates a competitive barrier (Crook et al, 2008).

A resource based view is made applicable by the fact that resources are rare, valuable, inimitable, non tradable and non-substitutable as well as firm specific (Barney, 1996). Sustained competitive advantage is obtained when the efforts by the competitors to render the competitive advantage redundant have ceased. This occurs when the actions to

imitate end without affecting the firms competitive advantage. The RBV therefore views a successful firm's strategy as that which sustains competitive advantage.

2.3 Factors influencing strategic planning practices

Several factors do influence strategic planning practice and generally these factors are grouped into three categories; external environmental factors, demographic factors and management structure factors.

External factors to the organization affect the day to day running of the organization. These factors include political, social, legal, economic and technological factors. Changes in these factors forces the organization to rethink on the strategies to be implemented since there must exist a fit between the strategies adopted and the objectives of the organization. Glaister et.al (2008) indicate that the correlation between planning and performance may be stronger in a turbulent environment hence environmental turbulence leads to greater incidence, formalization and effectiveness of strategic planning.

Demographic factors like the business structure, business age and business size also influence strategic planning. Greater availability of resources (staff, expertise and time) and increased internal differentiation leads to increased planning. It is therefore important for an organization to consider its size and also how long it has existed before narrowing down to which strategy the organization should adopt.

Besides the external and demographic factors, management structure of an organization also influences strategic planning. The more specialized a firm is the more it can rely on daily routine and existing experience, and the lesser the need to make formal plans to an unknown future. It is also important to understand that the wider the scope of firm's activities the stronger will be the need for internal adjustment of employees' activities. Rudd et al (2008) identified several types of business flexibility: financial flexibility, structural flexibility and technological flexibility. Financial flexibility is the organizational ability to rapidly gain access to and deploy financial resources. Structural flexibility is the organizational ability to rapidly restructure and technological flexibility is defined as the organizational ability to alter technological capacity in line with competitive requirements.

2.4 Strategic planning outcomes

Empirical studies already carried out have associated strategic planning with performance of organizations. Firms with proper strategic plan being implemented have always shown positive growth in performance. Schwenk and Shrader (1993) recently meta-analyzed fourteen studies on formal strategic planning and performance in small firms. They argued that strategic planning promotes long range thinking and reduces the focus on operational details providing a structured means for identifying and evaluating strategic alternatives. However Kall man and Shapiro (1978) find no significant benefits from strategic planning and observe no significant differences in performance between planning and non-planning firms. Boyd (1991) uses meta- analysis to aggregate the results of 29 samples and finds modest correlation between planning and performance.

2.5 Strategic planning challenges

There exist several challenges when it comes to strategic planning. One of these challenges is the fact that for any strategic planning activity, resources are required. These resources may be in form of labor, capital, raw material or even the customer. Some firms management feel that implementation of the strategy may be a waste of time and resources hence opting to stick with existing strategies.

In addition to the resources, some firms may have management inefficiencies. For a firm to be able to implement properly its strategies, implementing skills are necessary to the upper management team. Proper involvement of all members of the organization and good communication is necessary and lack of these skills may pose threat of failure to the organization. Other challenges may include; frequently changing environment which may cause increased competition, declining market share, low innovation among others.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents methods that were adopted by the study in obtaining the research data. The chapter is outlined into research design, data collection techniques and data analysis.

3.2 Research design

This study adopted a case study design. Baxter and Jack (2008) argue that a case study is a form of qualitative analysis where studies are done on institutions and from the study, data is generalized and conclusions or implications drawn. This study therefore gives in-depth information on strategic planning practices adopted by Laborex Kenya Limited. Although the study narrows down to strategic planning practices adopted by Laborex Kenya Limited the research instruments were constructed comprehensively and exhaustively enough to give representative information that ensures reliability and generality of findings on the strategic planning practices that might apply to other pharmaceutical firms operating in Kenya.

3.3 Data collection

The study relied on primary data which was collected through interviews. The interviewees included a team of top management staff of Laborex Kenya Limited that is the chief executive officer, human resource manager, key account manager, marketing

director and operations manager. The five important people were selected since they had the information which was necessary to carry out the study.

The study instrument for this study was an interview guide which comprised of open ended questions made to extract information necessary for the purpose of the study objectives. The interview guide was sent early ahead of the interview date to ensure that the interviewees were prepared for the task. It was designed in a way that it would provide specific and precise information to avoid irrelevance.

The interview guide questions asked are shown in appendix II.

3.4 Data analysis

Content analysis was used in analyzing the data since the data collected from the interviewees was qualitative in nature. This is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involved the description of objects, items or things that comprise the strategic planning practices adopted by Laborex Kenya Limited.

CHAPTER FOUR

DATA ANALYSIS RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter entails data analysis, results and discussion. The main objective of the study was to examine strategic planning practices adopted by Laborex Kenya limited. This objective was achieved through analysis of the human resource management practices, marketing management practices, accounts management practices, operations management practices and the general management practices of Laborex Kenya limited.

4.2 Data analysis

Data was collected using interview guides administered to the top level management staff of Laborex Kenya limited who include the human resource manager, marketing manager, key accounts manager, operations manager and the Chief executive officer of the company. These managers have been serving in the organization for at least three years and are directly responsible for making strategic decisions of the company and are also involved in the day to day formulation and implementation of the strategies.

4.3 Human resource management practices

The human resource management involves activities like the recruitment criteria followed by the organization and the training and retraining programs the company offers to ensure quality productivity. It also looks at the employee promotion criteria not forgetting the supporting staff and services provided by the organization.

4.3.1 Recruitment criteria

The human resource manager pointed out that the exercise of hiring new personnel is free and fair and involves advertisement of the opportunities available followed by thorough interviews subjected to the candidates. The interview is based on the knowledge and expertise required to perform various activities in the organization. The exercise ensures that the proper candidates for the right jobs are selected and therefore enhances performance in the organization. Laborex Kenya limited has collaborated with recruitment agencies within Nairobi who advertise for the job opportunities and narrow down the scope of prospective candidates making the work easier for Laborex human resource office. The office in turn makes the final selection and communicates to the selected candidates.

4.3.2 Training and retraining plans

The human resource manager also pointed out that once the right staffs are hired, they are exposed to an in-house training which is usually theoretical just to update them what happens in the organization and introduces them to the existing staff. This helps the employees to familiarize with each other as well as with the organizations' environment. Later they are taken out for on job training where they are expected to work under close supervision from the experts. This helps them build self-confidence.

The manager also noted that once every year there is usually a re-training program whereby all the staff of the entire company receives information on general and current trends in the market and how it affects them as a team.

4.3.3 Employee promotion criteria

During the interview the human resource manager highlighted that the company works with appraisals which are always done after every three months. These appraisals are aimed at evaluating the performance of every employee based on different perspectives for instance timeliness, performance, attitude, commitment among others. An annual average of the general performance is taken for each employee and the promotions are therefore awarded based on the performance.

Long serving employees are given a priority for promotions based on their experience. This is aimed at retaining experience and limiting poaching besides keeping the company secrets as this remains a threat to the general growth of the company.

4.3.4 Supporting staff and services

The human resource manager also pointed out that the organization depends primarily on contracted supporting staff and services. This is because the services are cheaper as compared to hiring permanent workers for the services like cleaning and sanitary services, catering services, security, transport services and postal and delivery services. This therefore helps the company to minimize on cost while maintaining quality services. However the human resource manager highlighted that the company has a permanent lawyer to handle all legal issues.

4.4 Marketing management practices

Laborex Kenya limited employs several marketing management strategies among them promotional strategies and sale tactics, proper understanding of the company's strengths

and opportunities and ways take advantage of them as well as strategizing on its threats and weaknesses. The company has also put in place proper pricing of products and employed technology besides motivating the employees and offering after sale services and customer care services.

4.4.1 Promotion strategies and sales tactics

According to the marketing manager, the company has a special group of medical representatives who visit doctors and create awareness of the products as well as avail them in the pharmacies so that the patients prescriptions may be honored. This team is responsible for gathering market intelligence and understands which client to target for what business.

Besides the promotions, the company also organizes for continued medical education where health practitioners are sponsored for special training and updates in the field in favor of the company which later it's allowed to advertise its products.

Laborex also applies different pricing strategies to different customers. It gives subsidized prices to some organizations and clients depending on the quantities purchased. They also employ comparative pricing strategy by offering special prices to specific customers who are loyal to close competitors.

Proper and appealing packaging of products has also given laborex an added advantage over her competitors and proper customer care services including telesales services are offered by laborex.

4.4.2 Strengths, weaknesses, opportunities and threats

One of the things Laborex Kenya has done is to ensure that it understands the company's strengths and opportunities and maximize on them as well as taking care of the weaknesses and threats. The marketing manager pointed out that over a long period of time, Laborex Kenya limited has won the perception of her clients that the company offers quality products and this trust remains an added advantage to the Laborex fraternity. The availability of several branches across the country has also been another source of strength.

One of the major weaknesses of Laborex Kenya limited according to the marketing manager was that clients always complain of elevated prices and also the location of the main branch being out of the central business district. However the company has curbed this issue by assuring and insisting to her customers of the quality of the products.

The marketing manager also claims that the rampant increase of HIV cases and lifestyle diseases like diabetes and hypertension remain a major opportunity to the organization since there has been a noted improvement on sales of related products. The settling in of small pharmaceutical companies in the country was also noted as a main threat to the organization and this has kept the organization on toes.

4.4.3 Pricing of products

During the interview, the marketing manager shared some several factors which are considered when setting the selling prices for the products. One of them is the cost of the product which include raw materials, human resource, transport and machinery cost

among others. The manager argued that for the product to exist it incurs some cost therefore the selling price should be higher than the production cost.

Another factor considered is the aim of the organization that is if the organization is a profit making organization or a nonprofit making organization. For laborex since the aim is to maximize profits, a markup is added on top of the production cost.

The marketing manager also admitted that the prices of other competitors in the market are also key in deciding what prices the company should offer for her products. However the manager also pointed out that the organization also puts into consideration the income of the target customers.

4.4.4 Level of technology adopted

The company has a team of information technology specialists who ensure day to day smooth running of the organizations activities. The company therefore offers electronic ordering services, electronic debt management services and electronic stock management. This ensures accuracy in the accounting section and also minimizes costs.

The team also offers daily sale report statements to various department heads for the purposes of tracking the daily sales and analyzing where to add some efforts. Reporting systems have also been put in place for every employee to be able to show what activities he or she has performed for every day spent in the office. This has always ensured that the organization does not spent money on idlers in the office. Clocking in and out services have also been put in place in the company premises.

4.4.5 Motivational styles employed

The marketing management team has set out targets to all the employees accompanied by incentives whereby any sale exceeding the target is awarded some money. Team building activities have also been reinstated to promote team work and togetherness. Promotions and permanent and pensionable employment schemes have also been employed.

The company also offers medical covers to all the employees and their families to cushion them from unexpected expenses on illnesses. All these services have helped the company retain her employees despite the rampant cases of poaching between companies.

4.4.6 After sale services and customer care services

During the interview, the marketing manager also pointed out that the company offers after sale services and customer care services including free transport, free twelve hour consulting services, free exchange for expired products and free gifts like pens, prescription pads and drug envelopes for their clients. These activities are aimed at retaining existing clients as well as attracting new clients.

4.5 Accounts management practices

The accounts management practices employed by Laborex Kenya limited include determining the criteria for credit worthiness, determining what discounts and bonuses to be offered to different clients, determining credit limits for customers and knowing how to deal with defaulters.

4.5.1 Criteria for credit worthiness

The accounts manager highlighted that there are several guidelines followed when deciding the credit worthiness of a client. The customer must purchase goods in cash for a period of six months in order to qualify for credit. After six months, credit application forms are submitted to the client who is supposed to fill them, sign and attach a bank statement for at least six months period. Two guarantors are also required to cover the client in an event where he fails to make the payment. These protocols according to the accounts manager ensures that unnecessary risks of loss of money are avoided

4.5.2 Discounts and bonuses

Discounts and bonuses are given depending on the quantities purchased. According to the accounts manager, institutions and big hospitals tend to buy in larger quantities hence enjoy the benefit more than the small scale business men. This strategy helps encourage the clients to buy larger amounts which are also beneficial to the company since it helps cut down the costs.

The accounts manager also noted that the company when giving discounts and bonuses favors those clients who purchase for consumption and not for resale. This is aimed to avoid the products from spilling back to the market at a cheaper price to some customers than the company can offer hence spoiling the market.

4.5.3 Credit limit and dealing with defaulters

According to the accounts manager, the credit limit is based on the bank statement but is subject to change based on the buying patterns of the customers. If a customer for

instance has developed an habit of paying promptly, then the credit limit may stretch upwards otherwise it remains the same.

On the other hand, defaulters are subjected to legal authorities through the company lawyer where they are summoned to appear before the court and an agreement on payment is reached. However in a scenario where the defaulter has died, the debt is counted as a bad debt and the company stands to lose.

4.6 Operations management practices

Laborex Kenya limited has adopted operation management practices like ensuring proper distribution channels in the country, safe and timely delivery of products to the customers through emphasis on quality control measures.

4.6.1 Distribution channels

The operations manager pointed out that the company has several branches spread over the country with its main branch in Mombasa road just a few kilometers from the city center and another outlet in the central business district. Other branches are found in Nakuru, Kisumu, Eldoret and Mombasa. Products from the main branch are transported to the branches upon demand and the branches can therefore sell directly to wholesale and retail chemists, hospitals, nongovernmental organizations and other authorized dealers.

The operations manager however felt that these branches are not enough and the company needed to open some more outlets in other parts of the country like Garissa

,Machakos, Embu, Meru, Mt Kenya region and other upcoming towns in order to take these services as close to the clients as possible.

4.6.2 Delivery of customer's products

The operation manager's office has made sure that the customer's products are delivered safely and timely by providing delivery notes with copies where a copy is returned back to the office after the recipient has confirmed that the goods are in proper condition. By returning the copy, the management can conclude that the timing is proper and the signature from the recipient is a proof that the goods arrived in the best of quality.

In addition, the organization owns motorbikes and special vans for transporting client's goods. This helps curb the problem of delay of the customer's products. The motorbikes are used to transport less bulky products while the vans take care of the bulky products.

4.6.3 Quality control measures employed by Laborex Kenya Limited

The operations management office claims that they have ensured that those products which must always be kept under refrigeration are refrigerated and when transporting them ice packs are provided to accompany them. Proper handling techniques of both hazardous and non-hazardous products are employed and continuous training of the staff handling the products is done to avoid damage.

In addition, the Laborex staff have a special uniform which helps them be identified fast therefore they are given priorities in busy customer shops to avoid delays which may affect the active ingredients of some products. Because of this uniform the staff has also found it easy dealing with other obstacles in the endeavour to give their services.

4.7 Overhead management practices

The overhead management practices employed by Laborex include crafting of the company's objective, vision and mission statement, frequent formulation of strategies, communication of the formulated strategies and dealing with the challenges of implementation.

4.7.1 Organizations objectives, mission and vision statements

According to the chief executive officer of Laborex Kenya limited, the vision of the company is to bring pharmaceutical laboratories and patients closer together whilst ensuring quality. The mission is to be the preferred service provider in the distribution and marketing of pharmaceutical and Para-pharmaceutical products in east Africa. Laborex is committed to good management practices and ethical behavior through enthusiastic and professional staff.

Laborex Kenya limited has also some policy objectives for its customers, suppliers, staff and shareholders. To the customers, the objective is to deliver safe and efficacious products, on time and at competitive prices. To its suppliers, the objective is to avail the products in the right condition and offer good services. To its staff, laborex is dedicated to offer a good working environment that fosters team spirit and encourages innovation through personal development and staff welfare. Finally to its shareholders, laborex has an objective to offer good management practices and profit optimization.

4.7.2 Frequency of formulation of strategies.

The chief executive officer pointed out that strategy formulation in the organization is an ongoing procedure. This is because the external environment keeps changing day after

day and in order for the organization to fit it must align its strategies to the ever changing environment. He pointed out that some of the factors which make strategy formulation a continuous affair include technological factors, political factors, economic status, social factors and legal factors among others

4.7.3 People involved in strategy formulation

According to the chief executive officer, a team of top management personnel of Laborex Kenya limited are usually involved in the formulation of strategies. These include the operation manager, marketing manager, key accounts manager, Human resource manager and the chief executive officer himself.

However he admitted that the views of the whole Laborex fraternity are given a consideration during the discussions and are not ruled out completely. This is because some ideas suggested by juniors in the company may be helpful to the company in the day to day running of the activities.

4.7.4 How formulated strategies are communicated

After decisions are reached by the committee formulating the strategies, the new strategies to be implemented is communicated to the department heads who are held with the responsibility of ensuring that proper communication of the strategies to the juniors is effected. After communication the department heads also ensure that implementation of the strategies is effected without delay.

A feedback mechanism is also available where the department heads are supposed to pass the feedback of the perception of the new strategies to the employees. Those positive

about the strategies are praised while those who are negative are reprimanded. A proper follow up of the implementation is kept in place to ensure compliance.

4.7.5 Challenges faced in implementation

According to the chief executive officer, some of the challenges faced in implementation include misconception of the strategy. He claimed that some people fail to understand the importance of the strategy reinforced to the organization hence some end up not supporting it.

Other challenges include lack of enough funds to support in the execution of the new strategies which require money to become a reality. Lack of good management is also another challenge faced in implementation of strategies for good management supports strategy implementation while poor management leads to weak and inappropriate strategy

The external environmental changes have also made some not be implemented because of the rapid changes experienced on the same. Other factors include time since some strategies incur a lot of time. Uncooperative stakeholders have also been a challenge when it comes to implementation of strategies at Laborex Kenya limited.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusion, suggestion for further studies and recommendations from the study findings. The main objective of the study was to determine the strategic planning practices adopted by Laborex Kenya limited.

5.2 Summary findings

The study accessed information from the top level management team of Laborex Kenya limited with normal respondents group that is representative of the whole organization. The data collected for this study is therefore observed to be very reliable and can be used to generalize the strategic planning practices in the pharmaceutical industry in Kenya. The following were the summary of the research findings upon which the conclusion and recommendations of the study were made.

The study set out to find the strategic planning practices adopted by Laborex Kenya limited and it observed that Laborex Kenya limited has an established qualified team of experts trained to offer quality services to the customers. These employees are well taken care of and properly motivated as part of improving the performance of the organization. It was also observed that the company has enough support staff and has sufficient service providers who are contracted in order to minimize cost.

The study also established that Laborex Kenya limited has adopted some selling tactics which have helped place the company above her competitors. These tactics include

pricing, packaging, bonuses and discounts. The study pointed out that proper technology has also been embraced therefore yielding to accuracy and better performance. According to the study, other factors which have contributed greatly to the success of Laborex include good customer care services and after sale services, proper distribution channels with timeliness and proper quality control measures in place.

The study also established that Laborex Kenya limited has existing objectives, mission and vision statements which directs the day to day running of the organization. In the study it was also observed that the organization formulates strategies more often when need arises and the top level management is involved in crafting the strategies. Later the strategies are communicated to the department heads for implementation and feedback is given through the same channel. Generally it was also observed that commitment of the top level management in laying strategic planning practices has made the company successful so far.

5.3 Conclusion

The study found that various strategic planning practices are applied on various departments of Laborex Kenya limited. The company's strategic practices were stratified on major areas of operation with each area having some unique practices. The human resource management for instance applies practices like proper selection of employees, proper training, promotions and rewards. This enhances quality workmanship which fosters good results in the organization.

The marketing department on the other hand applies strategies like proper pricing, good packaging of products, offering of good bonuses and discounts to clients to retain them

and win new ones and also proper detailing of the company's products to the involved parties like doctors and pharmacists to create awareness besides advertising on the media.

The operations management applies criteria like on time and safe delivery of products to the customers and ensures that quality control measures and standard operating procedures are followed. This helps keep the product in the right condition till it reaches the customer safely.

The key accounts manager ensures that payment of goods are made promptly hence preventing the company from landing into unnecessary debts. This helps ensure steady and sustainable business. He also helps in identifying other prospective clients and opening accounts for them.

The top management team of Laborex also have a duty to ensure that new strategies are formulated in order to adopt with the ever changing environment. This helps the company remain competitive against her competitors. However various practices in various departments must work together to make the organization a success.

5.4 Recommendations for policy and practices

The study observed that all the departments in Laborex Kenya limited had adopted strategic planning practices. Due to the benefits of using these strategic planning practices, the study recommends that all pharmaceutical firms in Kenya should adopt strategic planning practices so as to gain competitiveness in the sector and also to gain efficiency in operations and hence improve their profitability.

The study also found out that one of the factors affecting strategic planning practices in the pharmaceutical industry was government regulation through the pharmacy and

poisons board. The study therefore proposes that the government should ensure that the right regulations must be put in place to ensure that good quality and affordable drugs are allowed to be sold in the country and that non quality products do not enter the country.

5.5 Limitations of the study

The researcher encountered quite a number of challenges related to the research particularly during the data collection. During the interview, the researcher pointed out that the interviewees were only willing to give information to some extent after which they termed some of the information as company secrets and were not willing to share.

The study also faced time limitation since several appointments with the top officials were let down and had to rebook again. The duration of the study was limited hence exhaustive and extremely comprehensive research could not be carried out. However the researcher tried to conduct the study within the time frame that was specified.

5.6 Suggestions for further study

Since the study looked at the strategic planning practices adopted by Laborex Kenya limited alone, further study should be carried out in the other small and medium sized pharmaceutical companies in Kenya to find further insights of the strategic planning practices adopted by these companies.

Further comparative research should also be done to compare the pharmaceutical firms that have adopted strategic planning practices in their operations and those that have not so as to bring further understanding of the importance of strategic planning practices in the pharmaceutical industries in Kenya.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER



**UNIVERSITY OF NAIROBI
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MBA PROGRAMME**

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DATE 4/8/14

TO WHOM IT MAY CONCERN

The bearer of this letter MR. MWINDE JAMES

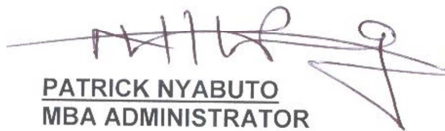
Registration No. 61/64497/2013

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


**PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS**



APPENDIX II: INTERVIEW GUIDE

Section A: Human Resource Manager

1. What recruitment criteria do you use?
2. What training or retraining plans do you have for your employees? e.g. On-job training, in-house training e.t.c?
3. What criteria do you use to promote your employees?
4. Do you have supporting staff and services e.g. lawyers, advisers, cleaners, postal services, catering services e.t.c?

Section B: marketing manager

1. What promotion strategies and sale tactics do you use in laborex?
2. What are your strengths, weaknesses, opportunities and threats?
3. What factors do you consider when setting your selling prices?
4. What kind and level of technology does the organization use and how appropriate is it and how do you plan to cope with the technological development?
5. What motivational styles do you employ to your teams?
6. What after sale services and customer care services does your organization offer and what is the perception of these services to your clients?

Section C: Key Accounts Manager

1. Which criteria do you use to determine the credit worthiness of your clients?
2. How do you determine discounts and bonuses to be given to the clients?
3. What is the time limit for debtors and how do you deal with defaulters?

Section D: operations manager

1. What are your distribution channels?

2. Are customer products delivered on time and if yes what measures are taken to ensure this?

3. What quality control measures does the organization employ?

Section d: chief executive officer

1. What is the organization's mission, vision statements and objectives?

2. How often does your organization make strategies?

3. Who are involved in making the strategies?

4. How are the formulated strategies communicated?

5. Are all strategies planned implemented and if not what are the challenges faced?