STRATEGIES USED BY UNIVERSAL CORPORATION LIMITED IN KENYA TO ACHIEVE SUSTAINABLE COMPETITIVE ADVANTAGE

BY

GEORGE N. KARANJA

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DECLARATION

This research project is my original work and has not been submitted for another degree award of this or any other University.

Signed: ........................................... Date. i \ w

GEORGE N. KARANJA

D61/60256/2011

This project has been presented for examination with my approval as University Supervisor

Signed: ........................................... Date. 11/1/2012

Professor E. Aosa

Lecturer

School of Business

University of Nairobi
DEDICATION

This project is dedicated to my father, the late Francis Karanja Njoroge; Daddy...this world was so much easier when you were around. I miss you, now that you are gone, I realize each day just how wise you were. You were ....my first teacher...my counsel, my friend and my dad. I know angels keep you company and you watch over me each day. RIP Daddy.
ACKNOWLEDGEMENT

God sent people our way and in time we realize why he did so. I now realize just how much my Supervisor Professor E. Aosa was a hand on to assist me whenever he could. My mum Mary N. Karanja there will never be a friend like you, may God favour you with joy and peace in your life.

My wife Flora; No one will ever know the support you give me by being on my side each day of my life. I know it dear.

Our brave sons Prince and Prudent. My promise to be with you; my children remains real even if I have to go away some times.

The Church i shepherd in Pipeline your prayers, concern and understanding Jehovah will reward you with life eternal. Keep up the good work!

I am also grateful to my colleagues James Mbati, Onesmus Mwaniki, Anup, Naren and Calistus Makokha. I cannot forget the contribution made by Dr. George Muriithi and UCL Technical director Pentti Kentiskalo, gentlemen thank you very much.

My classmates Paul, Jimmy, Lilly, Jane, Josiah and Jimmy in you guys I found best of School Company.

And to you, my leader....turn the pages, I hope you will find nuggets of wisdom in the pages that follow.
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ABBREVIATIONS AND ACRONYMS

ARV  Anti Retro Viral
DRC  Democratic Republic of Congo
DC   Developing Countries
EHS  Environment Health and Safety
FDA  Federation of Drug Administration
GSK  Glaxo SmithKline
GMP  Good Manufacturing Practices
ISO  International Standards Organization
KEMSA Kenya Medical Supplies Agency
LDC  Low Developed Countries
MEDS Missions for Essential Drugs and Supplies
NEMA National Environmental Management Authority
ORS  Oral Rehydration Salts
OTC  Over the Counter
PPP  Public Private Partnership
PPB  Pharmacy and Poison Board
UCL  Universal Corporation Limited
UNICEF United Nations Children Fund
UPKL Universal Pharmacy Kenya Limited
USAID United States Agency for International Development
WHO  World Health Organization
WTO  World Trade Organization
PICS Pharmaceutical Inspection Cooperation Scheme
VL   Voluntary Licence
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TABLE 1: UCL Annual Production Capacity (2011)
ABSTRACT

An organization's success depends on the operating environment. The environment offers opportunities and poses threats to an organization. For an organization to survive it has to pay keen attention to its environment. Thomson et al (2010) argues that a company's competitive strategy deals exclusively with the specifics of the management plan for competing successfully.

With changing operating environment, a more pronounced transformation of business landscape lies ahead. Strategy becomes vital to the adaptation of the business to the changing business environment. The pharmaceutical industry in Kenya has undergone numerous changes since being liberalized in 1990s. There has been an influx of many pharmaceutical companies in the market, either as direct investment or through franchise holders. The product range within the industry has widened greatly to meet the ever increasing consumer needs. The industry has been characterized by many changes and an increasing turbulent environment. The configurations of the competitive forces such as intensity of competition, new entrants, substitute products, and supplier and buyer power have transformed the environment to a great deal. Creating the need for firms to change their competitive positions.

The study investigated strategies used by Universal Corporation Limited in Kenya to develop sustainable competitive advantage. It was based on the premise that the numerous and significant changes in the business environment have led to totally different responses to environmental challenges by firms, and as a result there was need for a study to update the existing knowledge about competitive strategy and the new environment in the pharmaceutical industry in Kenya because of the political, legal, economic, and trading environments have undergone numerous changes, ushering challenges for businesses.

As this was a case study focusing on UCL, primary data was collected by way of an interview guide that facilitated probing for greater detail. The target population was mainly to management of UCL as they were in a position to expound the strategic issues facing the company. The study established that some of the strategies used by UCL to gain sustainable competitive advantage include human resource management, planning, partnership with foreign direct investment partners, resource provision and management systems among others. Though there is no uniform approach to sustainable competitive advantage, UCL is continuously searching for strategies to reap the accrued benefits. This has helped the company to experience high growth by exploiting the opportunities and confronting the challenges that arise.

The study concluded that even for companies that are successful, it is critical that they continuously engage in strategies that are aligned and march with changes in the external
environment to create sustainable competitive advantage. Organizations also need to jealously protect their core competencies and unique resources to be able to create a sustainable competitive advantage. A dynamic environment therefore means firms have to compete more intensely. An organization therefore needs to align itself with its environment by making strategies to achieve advantage and defend the position in the market.
CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In today's fast paced economy, competition is an issue of services and products. Understanding sustainable competitive advantage has become a major area of research in the field of strategic management. The business environment is constantly changing and so it makes it imperative for organizations to constantly adapt their activities in order to succeed (Ansoff, 1987). Competitive advantage is regarded as the heart of a firm's performance in competitive markets (Porter, 1985) almost all firms are eager to search for competitive advantage in fast changing and competitive environment.

The fundamental basis of long run success of a firm is the achievement and maintenance of a sustainable competitive advantage. Grant (1991), contends that to cope with unpredictable world, one must build an enormous amount of flexibility into the organization. He argues that while one cannot predict the future one can get hold of trends which in a way to take advantage of the change and convert risks into opportunities. According to Barney (1991), a firm is said to have a sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor and when these other firms are unable to duplicate the benefits of this strategy. This sustained competitive advantage exists only after efforts to replicate that advantage has failed. It is for this reason that organization are focusing on methods and strategies that are difficult to imitate.

Proponents of the position or environment model argue that to achieve a competitive advantage, the firm is required to make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it. Choosing the competitive scope or the range of the firm's activities plays a powerful role in determining competitive advantage for the firm because it aims to establish a profitable and
sustainable position against the industry competition (Porter, 1985). To sustain competitive advantage in uncertain and competitive market, firm's strategies and activities must be changed to adapt and match to intensive completion and industry development in turbulent and changing environment growth.

Pharmaceuticals manufacturing industry in Kenya has come a long way. Currently there are forty two companies listed as local pharmaceuticals manufacturing in Kenya. Amongst those, there is only one multinational company, Glaxo Smith Kline (GSK). Together these companies constitute an important pharmaceuticals manufacturing centre in the region (Global UNIDO Project Vienna, 2010). The indigenous firms produce generic drugs. Most of these firms have similar product portfolios in that they produce the same categories of pharmaceutical products. The Pharmaceutical industry in Kenya faces immense challenges ranging from technology to competition from peers and cheaper imported drugs. Universal Corporation Limited is a relatively new name in the industry but the consistent steps taken both in production of essential drugs. Commissioning of state of the art facility and acquisition of the certification by European body (PIC,S) in 1997 marked the company as the first one in the country to acquire such accreditation. In 2011 the company was WHO prequalified for the facility and Lamozid tablets (an ARV drug). Again it was the first company in the country and among the three in the region to acquire such status (Pharmaceutical Sector Profile: Kenya, 2010, UNIDO).

1.1.1 Concept of strategy

According to Porter (1998), strategy is basically about competition and the means by which an organization tries to gain competitive advantage. He further states that competitive strategy is a broad formula for how a business is going to compete, what goals should be pursued and what policies will be needed to carry out these goals. Chandler (1962) defines strategy as the establishment of the long term goals and objectives of the organization, including the actions and allocations of resources for achieving these goals. Ansoff and McDonnell (1990) states that "strategy is a set of
decision making rules for guidance of organization behavior”. Strategy can also be seen as strategic stretch which is the process of building or stretching an organization resources and competencies to create opportunities on them. Strategy is a very powerful tool for coping with the conditions of change which surround the firm today. But it is complex, costly to introduce and costly to use.

According to Pearce and Robinson (2003), by strategy, managers mean their large scale future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy reflects a company's awareness of how, when and where it should compete. They further argued that for strategy to provide coordination there is need for the strategy process to act as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning process of companies (Pearce and Robinson, 2005).

1.1.2 Sustainable Competitive Advantage

Porter (1985) argued that generic strategy does not lead to above average performance unless it is sustainable in relation to competitors, though an action that improves industry structure may improve industry wide profitability even if they are imitated. The sustainability of the three generic strategies demands that a firm's competitive advantage resist erosion by competitor's behavior or industry evolution, the sustainability of a generic strategy requires that a firm possess some barriers that make imitation of the strategy difficult. Since barriers to imitate are never insurmountable, however it is usually necessary to offer a moving target to its competitors by investing in order to continually improve its position.

Porter (1985) further argues that cost advantage will result in above average performance only if the firm can sustain it. Improving relative cost position in unsustainable ways may allow a firm to maintain cost parity of proximity but a firm attempting to achieve cost leadership must also develop sustainable sources of cost advantage. Cost advantage is sustainable if there are entry barriers that prevent competitors from imitating its sources.
Sustainability varies from cost drivers and from one industry to another. Some cost drivers however; tend to be more sustainable than others.

According to Porter (1985) the sustainability of differentiation depends on two things, its continued perceived value to buyers and lack of imitation by competitors. According to Hitt el at (1997) a sustainable competitive advantage is achieved when firm implement value creating strategy that is grounded in their own unique resources, capabilities and core competences. This is based on Resource based model, which suggest that unique resources and capabilities of a firm's internal environment are the critical link to strategic competitiveness. Firms achieve strategic competition and earn above average returns when unique competencies are leveraged effectively to take advantage of the opportunity of the external environment.

1.1.3 The Pharmaceutical Manufacturing Industry in Kenya.

There are forty two companies listed as local pharmaceutical manufacturing industries in Kenya. Fifteen others are listed as institutional facility based and four companies are listed as dormant. There is only one Multinational Pharmaceutical Manufacturing company, GlaxoSmithKline (GSK) among the forty two producers. Most pharmaceutical industries are located around Nairobi and as a group, they constitute an important pharmaceutical manufacturing centre in the region.

Universal Corporation Limited and Cosmos Limited were granted voluntary License under provision in the World Trade Organization (WTO) Trade and related aspects of intellectual property lights (TRIPS) to manufacture Lamivudine and Zidovudine by GSK and Nevirapine by Boehringer Ingelheim (Germany). Local firms produce generics with similar product lists and same pharmaceutical categories of products such as antibiotics, analgesic or bronchial spasm relaxants. This similarity makes it difficult to differentiate one company's offerings from the other and also drives down the margins because they all tend to compete in the same market segments.
Some pharmaceutical firms have already made investments needed in plant and equipments to meet the WHO basic GMP standards. In December 2004, a public private partnership (PPP) project for improving drug quality standard was launched in East Africa as part of an initiative by Germany ministry of foreign affairs and Ministry of Economic Corporation and development (BMZ). The participating companies from Kenya and one from Tanzania were helped to upgrade their facilities with the aim of reaching the Pharmaceutical Inspection Convention (PIC) and Pharmaceutical Inspection Cooperation Scheme (PIC/S) level within two to three years. A joint GMP audit based as International /EU standards was conducted in 2007 by EU accredited GMP inspectors. Three companies from Kenya, Pioneered by Universal Corporation Limited, Cosmos Ltd and Regal Pharmaceutical were successful in 2007 while Shellys from Tanzania qualified in 2008.

WHO pre qualification is a coveted accreditation where Universal Corporation Limited qualified in 2011 to become the first Pharmaceutical manufacturing company to be pre qualified for the standards in Kenya and among the few in the region. The current situation with regard to availability of trained pharmacists is improving with time but is still insufficient relative to the population in need, (one pharmacist per every eight thousand and ten persons). There are basic training institution for pharmacists and pharmaceutical technologists at university and diploma colleges respectively but these institutions do not have a demonstration centers to expose student to real situation in the industry.

A major challenge of the industry is the dominance of the domestic pharmaceutical market by the imported generic medicines which are retailed at lower price. This means that efforts are needed to lower local production costs. In addition to competing with fixed costs of imported active Pharmaceutical Ingredients (API) and packaging materials. Manufacturers point to electricity as a significant production cost. Electricity costs are higher in Kenya than in countries like India, China, locally at costs up to fifteen percent. Also there is lack of support industries. Local pharmaceutical production import between
eighty percent and ninety five percent of all raw materials. Most packaging materials are imported as well.

Local pharmaceutical companies in Kenya face competition on two fronts; Firstly from their peers, and secondly from imports, often from suppliers of raw materials who are also manufacturers of finished products. In fact it can be argued that the more significant confrontation is the competition between the local industry and import because imports are rising sharply and grew by more than thirty percent between 2007 -2008. The perception of the Kenya pharmaceutical market is that they prefers locally produced products to imported generic medicines that are of lower quality than locally made drugs however imported generics are cheaper than domestics drugs.

1.1.4 Universal Corporation Limited

Universal Corporation Limited (UCL) came into being in 1996 with a small manufacturing unit in Industrial Area, Nairobi Kenya. It started manufacturing tablets and capsules initially and added a Syrups/Suspension line. The endeavor of the three founder Directors was actually to set up a bigger, state of the art Pharmaceutical manufacturing unit in Kenya. This dream came into reality in 2004 with the start of a syrup line at the plant and since then there was no looking back. The plant has been inspected by various United States Federal Drugs Administration (US-FDA) from different countries in east and central Africa, and has unequivocally been applauded by various Non Governmental Organizations (NGO’s) and Health Groups.

Today UCL manufactures over one hundred formulations including tablets, capsules, syrups and suspensions, ointments, creams and injectables. From 2005 onwards after the commissioning of the full facility, backed by continuously upgraded technical excellence and focus on quality assurance, UCL has spread its presence in most of the countries in the East African region. Currently UCL is doing business with Malawi, Mozambique, Zambia, Burundi, Rwanda, Democratic Republic of Congo (DRC), Sierra Leone, Somalia, Angola, Tanzania and Uganda. Since 2005 UCL has been growing at very high
rate of almost a hundred percent every year despite the fact that the first full year business capacity as UCL was in 2006.

The future business growth strategy includes a large share from the export market and key market segments. The company aims at estimated growth of a hundred percent by targeting thirty countries across African continent. UCL management is encouraged after achieving WHO pre-qualifications for Lamozid tablets an ARV and is determined to achieve another four products including fixed dose combination ARVs and anti-malarial range. This step will enable the Company to double up the turnovers and profits in the next five years. The company is developing another strategic line of business by importing the finished products for the niche market segments. In addition to UCLs own range of products, Oncology, Anesthesia and the latest drug delivery systems for diabetic patients have been introduced. These new ventures 'shall boost up the profits for the company, and diversify the risk inherent in the pharmaceutical manufacturing industry.

In the fast growing African pharmaceutical market, UCL is banking upon a new product pipeline and aggressive marketing approach for brand promotion for some of its key products. Great emphasis is being put on the quality and affordability of the drugs. Among the generics, UCL has many products in its range covering various therapeutic segments. The innovative research and development team that comes up with new products while at the same time improving on the existing ones in order to meet customer expectation and demands. Much emphasis has been demonstrated in ensuring compliance with regulatory authorities of different countries. This has come by way of investing in the infrastructure, Personnel and training, and adapting current good manufacturing practices and systems.

Strong team work, innovation and supportive culture have been instrumental in steering the company forward. This unique culture as perpetuated in the company's core values and entrenched in the day to day operation systems. These growth in largely due to the
opening up of East African Community as a regional trade block. The export market is bright owing to mass entry in many nations and the good response demonstrated this far.

1.2 Research problem

Achieving a competitive advantage is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today. This increase in importance is as a result of the belief that fundamentals basis of above average performance in the long run in sustainable competitive advantage (Porter, 1985). The essence of strategy, lies in creating tomorrow's competitive advantages faster than competitor can mimic the ones a firm has today. The key is not to anticipate future but to create future (Hamel and Prahalad, 1989). The key to survival in the ever competitive global market for a product is to offer a product that in some way is superior to its competition. It is often observed that companies position themselves based on their strength, or the advantages they possess comparing to their competitors. Therefore sustainable competitive advantage is playing a major role in company's positioning against its competitors. Nowadays positioning has become a popular word among marketing practitioners and theorists. Finns have to respond strategically to environmental factors in order to be sustainable (Hamel and Prahalab, 1993).

The rapid growth of Universal Corporation Limited as a market leader in the local and regional Pharmaceutical Industry has elicited interest to many managers and investors. Such phenomenal growth from a non entity to a market leader in fifteen years, it is evident therefore that there must be a well crafted strategy that the management has been implementing hence driving the company towards achieving its vision. Pharmaceutical industry worldwide is highly regulated and more so in the third world where majority of the products manufactured are generic. With a constraining external environment with competition from peers and imported drugs there must be internal strengths and capability that drives this growth.

Although similar studies have been undertaken on the same subject, management is sensitive to the context in which it is practiced, this is primarily due to the fact that different companies have different structures, systems, resources, and objectives. Therefore the researcher undertook a case study of Universal Corporation Limited a leading Pharmaceutical Company in Kenya. The study sought to establish the strategies Universal Corporation Limited uses to create sustainable competitive advantage.

1.3 Research objective

The objective of the study is to establish the strategies UCL uses to achieve sustainable competitive advantage.

1.4 Value of the study

The findings of the study will be important to the government and policy makers. The results can be used to formulate positive national policies based on a framework that is relevant and sensitive to the forces influencing the pharmaceutical industry in Kenya. The Management of Universal Corporation Limited in its quest to establish a strategic position by utilizing the company's sustainable competitive advantage. It will serve as an important tool that Universal can use to evaluate the existing and reinforce their strategies for better performance in the business. Potential investors in the Pharmaceutical Industry can use the resource to form a better understanding of the pharmaceutical industry and enable them to make well informed investment decisions. The pharmaceutical industry is
a knowledge based field and there is great tendency to concentrate of the technical aspects of the industry under emphasizing the great role played by strategy.

The academicians and researchers may use the resources also as a source of reference. The results of this study will shed light into the other areas of research that other researchers need put focus on. This study will make a contribution in extending the frontiers of knowledge. This study will highlight the role played by the synergy of the mix between tangible and intangible assets in pursuance of realization of an organization's vision.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will review the literature on strategy and how it matches the organization with its external environment. It further seeks to highlight on sustainable competitive advantage and the prequisite for an organization to achieve it.

2.2 Concept of strategy

Ansoff and McDonnell (1990) defined strategy as a set of decision making rules for guidance of organizational behavior. They further added that there four distinct types of such rules, firstly is a yard stick by which present and future performance of the firm is measured. The quality of yard sticks they say are called objectives and the desired quantity are goals. Secondly the rules used the organization in developing its relationship with the external environment which is called products relationship with the external environment which are called product-market or business strategy. The third type is rules for establishing internal relations and processes within the organization which are referred to as the organizational concept. Lastly are the rules by which the organization conducts its day to day business which are called operating policies.

Chandler (1962) argued that strategy is the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and allocation of resources necessary for carrying out the goals. Kotler (2002) argues that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customer's competitors, consumers, suppliers, creditors and the government and how they impact on its operation. Success is dependent on productivity, customer satisfaction and competitor strength.

According to Aosa, (1988) Strategy is solving a strategic problem, which is a match between the internal characteristics of an organization and its external environment by matching organization core capabilities with the external environment and minimize the
impact of threats from external environment of the organization. According to Mintzberg, Quinn and Ghoshal (1998) a strategy is a plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organization's resource into a unique and viable posture based ion its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligence opponents.

To help people manoeuver through the field of strategy Mintzberg et al (1998) came up with five definitions which were strategy as a plan, ploy, pattern, position and perspective. Strategy as a plan specifies a deliberate, consciously intended course ot action that is designed in advance of the action it governs. Strategy as a ploy is specific maneuvers intended to outwit competitors. As a pattern strategy emerges from a stream of actions, visualized only after the events it governs and in developed in the absence of intentions and without preconception, this they termed as emergent strategy. As a position strategy is a means of locating an organization in an environment and indicates how the organization will develop a sustainable competitive advantage. As a perspective, strategy gives an organization an identity and reveals the way an organization perceives the outside world. Mintzberg et al (1998) argued that no one definition should be preferred to the others. In some senses they can be considered as alternative or complementary approaches to strategy.

Strategy is a firm's game plan for surviving in the changing environment (Johnson, Scholes and Whittington (2006). It is the direction and scopes of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the needs of the market and fulfill stakeholder's expectations.

Strategy development is a multidimensional process that must involve rationed analysis and institution, experience and emotion. But whether strategy formulation is formal or informal, whether strategic are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process (Ghemawat,
Without analysis the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers to contemporary fads, and to wishful thinking (O'Brien, 1999).

Equally important, a strategy serves as a vehicle for achieving consistent decision making across different departments and individuals. Insch (2003) views an organization as composed of many individuals all of whom are engaged in making decisions that must be coordinated, for strategy to provide such coordination requires that the strategy process act as a communication mechanism within the firm. Such a role is recognized in the strategic planning process of large companies. The shift of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussions at the business and the corporate headquarter (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Thompson, 2007).

### 2.3 Sustainable Competitive Advantage

Sustainable competitive advantage is the prolonged benefit of implementing some unique value creating strategy not simultaneously being implemented by any current or potential competitor, along with the inability to duplicate the benefits of this strategy (Hoffman, 2000). Sustainable competitive advantage allows the maintenance and improvement of the enterprise's position in the market. It is an advantage that enables business to survive against its competition over a long period of time. Sustainable competitive advantage is derived from the following: A unique competitive position, clear tradeoffs and choices vis-a-vis competitors, activities tailored to the company's strategy, a high degree of fit across activities, it is the activity system, not the part that ensure sustainability and a high degree of operational effectiveness (Porter, 1990). Benefits derived from sustainable competitive advantage include repeat sales and customer retention.
Competitive advantage is all about winning and staying a winner. It is a style of management that seeks to achieve sustained leadership by out thinking the competition with more effective strategies and by outperforming the competition with superior quality and customer satisfaction. The concept of competitive advantage appeared in the strategic management literature in the early work of Ansoff (1965) but Porter's work first appeared in Harvard Business review in which he explains the five forces that shape competition in an industry. His well defined analytical framework helps managers to link remote factors to their effects on firm operating environment. More recent work by Porter and other Porter, (1979), (1980), Amit and Schoemaker (1993); Barney (1991); Ghemawat(1986); Porter(1985) has focused on the expanded concept of sustained competitive advantage, which simply put, is the idea that some form of competitive advantage are very difficult to imitate and can therefore lead to persistent superior economic performance.

The three methods of creating sustainable competitive advantage are cost leadership which occurs when a firm derives the same service or product as its competitors but at a lower cost. Differentiation advantage occurs when a firm delivers greater services for same price of its competitor. They are collectively known as positional advantages because are collectively known as positional advantages because they denote the firm’s position in its industry as a leader in either superior service or cost. Focus arises when a firm concentrating on a narrow, exclusive competitive segment market niche, hoping to achieve local rather than industry wide competitive advantage. There are cost focus seekers, who aim to obtain a local cost advantage over competition and differentiation focusers, who are looking for a local difference. Many forms of competitive advantage cannot be sustained indefinitely because the promise of economic rent invites competitive advantage held by one firm (Porter 1985).

Firms of all sizes see competitive advantage on an integral part of ensuring its long-term survival and prosperity, creating competitive advantage are dependent on having the right source of competitive advantage. The source of the competitive advantage could be from
with or without the firm. An organization that has external sources of competitive advantage arising from the industry or the characteristics of a national economy in likely to enjoy a privileged market position, economies of scale, is learning and experience curve, and irrevocable commitment which are the main components of privileged market position have the position to erect entry barriers to new entrants or small rivals. An organization may entirely rely on privileged market position to defend its market but capitalizes on its resources to win a market war.

Organization resource such as assets, capabilities, competencies, information knowledge and reputation that are owned or controlled by a firm and which enable it to conceive and implement strategies that improve efficiency and effectiveness can provide it with sustained competitive advantage (Barney, 1991). Internal resources of an organization do not automatically provide Leverage and therefore a source of competitive advantage. Some resources are easier to decode than others. A resource only become a source of competitive advantage when it meets four basic criteria; rare, valuable, imperfectly initiable and non-substitutable. (Barney 1995; Grant 1999 and Collins and Montgomery (1995). Organization resources that conform to the above criteria fall under the category of core competencies. Prahalad and Harmel (2000) state that core competencies are what matters in situation where firms have to compete within an industry. Core competitive are an area of specialized expertise that result from harmonization of complex stream of technology, knowledge and work activities that eventually lead to lower cost of differentiated offerings.

The organization culture is one of the many components that leaders can use to grow a dynamic organization. Leadership in organizations starts the culture formation process by imposing their assumptions and expectations on their followers. Schein (1999) outlines the manifestations of culture as "the way we do things around here", "the rite and rituals of our company", "the company climate", "the reward system", "our basic values". Deal (1999) defines organizational culture as values, beliefs, and behaviors that differentiate one organization from another.
Schein (2004) states that as organizations stabilize because of success in accomplishing its primary tasks, the leader's assumptions become shared and embedding those assumptions can then be thought of more as a process of socializing new members. Organizational leaders achieve success by being consistent, in sending clear signals about their priorities, values and beliefs. Once culture is established and accepted, they become a strong leadership tool to communicate the leader's beliefs and values to organizational members, and especially new comers. When leaders promote ethical culture, they become successful in maintaining organizational growth and consequently are competitive against rivals.

2.4 Resource Based Model

Hitt et al (1997) in explaining the resource based model argued that it assumes that each organization is a collection of unique resources and capabilities that provide the basis of its strategy and is in primary source of its returns. In the new competitive that is managed dynamically in pursuit of above average return. Thus according to this model differences in firm performances across time are driven primary by the organizations unique resources and capabilities rather than by an industry's structural characteristics (Rumelt, 1991). This model also assumes that over time, firms acquire different resources and develop unique capabilities. As such, all firms competing within a particular industry may not possess the same strategically relevant resources and capabilities. Another assumption of this model in that resource may not be highly mobile across firms. The difference in resources firms the basis of competitive advantage (Barney 1994).

Hitt et al (1997) defines resources are inputs into a firm's production process, such as capital, equipment, the skills of individual employees, Patents, finance and talented managers. In general a firm's resources can be classified into three categories; physical, human and organizational capital (Barney 1991). Individual resource alone may competitive advantage. For example a sophisticated piece of manufacturing equipment may become strategically relevant resource only when its use is integrated effectively
with other aspects of a firm's operations (such as marketing and the work of employees). In general, it is through the combination and integration of sets of resources that competitive advantage is formed.

Strategic capability is the adequacy and suitability of the resources and competencies of an organization for it to survive and prosper (Johnson et al, 2006). Through continued use capabilities become stronger and more difficult for competitors to understand and imitate. As a source of competitive advantage a capability should neither be so simple that it is highly imitable nor so complex that it defies internal steering and control.

Hitt et al (1997) concludes, the resource based model is grounded in the perspective that a firm's internal environment in terms of its resources and capabilities is more critical than is the external environment. Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment, the resource based view suggests that a firm unique resources and capabilities provide the basis for a strategy. The strategy chosen should allow the firms to best exploit its core competencies relative to opportunities in the external environment.

Not all of a firm's resources and capabilities have the potential to be the basis for competitive advantage. The potential is realized when the resources and capabilities are valuable, rare, costly to imitate and are non substitutable (Barney 1995). Resources are valuable when they allow a firm to exploit opportunities and/or neutralize threats in the external environment; they are rare when they are possessed by few if any, current and potential competitors; they are costly to imitate when other firms either cannot obtain them or are at a cost disadvantage to obtain compared to the firm that already possess them; and they are non substitutable when they have no structural equivalents (Barney, 1991).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a blueprint of the methodology that was used by the researcher to find arrests to the researcher's question in this chapter the research methodology is organized into three parts which are research design, data collection and data analysis.

3.2 Research Design

This was a case study of Universal Corporation Limited. Kothari social unit, institution, family, cultural group or an entire community. A case study he argues embraces depth rather than breadth of a study. According to Cooper and Scheduler (2001), case studies place more emphasis on a full contextual analysis of fewer events or condition and their interrelation. The researcher used the case study strategy to gain a rich understanding of the context of the research and the processes being enacted (Saunders, Lewis and Thornhill, 2009).

Saunders et al (2009) in justifying the use of a case study strategy argued that it can be a very worthwhile way of exploring existing theory. In addition a well constructed case study can enable a researcher to challenge an existing theory and also provide a source of new research questions. Other studies such as those of Ndungu (2006) and Njoroge (2006) have successfully adopted a similar research design.

3.3 Data Collection

The study used both primary and secondary data. Primary data was collected through in depth interviews. An interview guide (Annexure: 11) was used to help steer the interview as well as ensure crucial data is not forgotten during interview. The interview guide was used with open ended question. The open ended questions allowed the respondent to explain phenomenon in their own words and in detail.
Secondary data was obtain from the company records such as financial statement and other publications, this method assisted to obtain data quickly and cheaply and also assisted in probing when collecting primary data.

The interview guide was administered to senior managers and directors of Universal Corporation Limited. The choice of the senior managers was ideal because they are involved in the strategy formulation and implementation. The interviews were done during work breaks and weekends to avoid work interruptions. The data was be summarized and reported in prose format.

### 3.4 Data Analysis

Data analysis concentrated on ideas, themes and strategies of competitive advantage used at UCL. The information collected was of most importance other than the number of proportions associated with the data. Emphasis therefore was on the qualitative aspects rather than the quantitative. The data collected from the study is qualitative.

A content analysis is performed on the data to allow for an in depth understanding of issues in the case. Nachmias and Nachmias (1996) defines content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends. By performing a content analysis a clear understanding of respondents' answers will be obtained. This approach has been used successfully by other researchers for previous similar studies like Omwenga (2007) and Muthike (2009).
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Data in raw form, that is, before this data have been processed and analyzed, convey little meaning. These data, therefore, need to be processed to make them useful. That is to turn them into information. Content analysis was used in this study to allow an in depth understanding of issues. This involved establishing related patterns and trends from the responses of the interviewees.

4.2. UCL Strategies for Achieving Sustainable Competitive Advantage

4.2.1. Strategic Planning

Planning is analyzing a situation, determining the goals that will be pursued in the future and deciding in advance the actions that will be taken to achieve these goals. Because sustainable competitive advantage is hardly permanent, the company continuously makes plans for future. At UCL plans are developed for the entire organization, for specific department, and for individual managers and workers. The plans cover long term periods of time varying up to five years or short time horizons ranging from days to weeks. The plans are sometime specific or general.

Planning process start by defining the firms goals; the plans are in line with the UCL, s mission "Quality for Quality Life."UCL has come up with the vision 2016 a five year strategic plan. All departments are involved in planning towards achieving the goals .resources are allocated through budgeting in line with these plans and operationalized by having each functional area develop plans which are implementable. The plans and budgets are approved by the board of directors. The plans are evaluated and necessary corrective measures to ensure overall business growth; this is done during quarterly board meeting while progressive reports are tabled by the heads of departments during the monthly management meetings.
4.2.2 Human Resource Management

UCL considers its employees as the most valuable resource thus linking human resources to strategic planning. Employees are treated with respect and dignity. This is because they are likely to produce an excellent result that genuinely adds value to the firm. The firm has an organization culture conducive to quality performance. Employees are required to adhere to teamwork and make free contributions to improvements.

UCL invests heavily in employee training and development. Consultants offer training in a wide range of areas such as Good Manufacturing Practices (GMP) management, ethics to name but a few. This inspires the staff and inculcates them with company values. In addition to the occasional hiring of training consultants, UCL has a training department where new employees are trained on the company aspects and thereafter there is continuous training and evaluation examinations are administered. The company is in partnership with local as well as regional and international organizations that offer training and assistance to middle and senior staff on professional and management skills. The trained staff in return trains their peers back in the company replicating the knowledge.

UCL has reaped benefits of extensive training programs, the stringent regulatory bodies require the personnel who are directly involved in manufacturing or administering quality aspects of manufacturing to be adequately trained in their relevant programs. To stay updated on the current trends in good manufacturing practices it is mandatory for the company to sponsor some members of staff to enroll in training locally, regionally, and international institutions, as a result of this the company has been able to comply with the requirement and more so implementing the requirements thereafter approval by corporate, national authorities to sell their products in those countries or institutions and hence gaining entry into new markets which otherwise could have been impossible.

The management has mandated every Head of Department to project training budget the staff. No effort is spared to partner with organizations that offer or assist in training. In line with training the company has benefited from WHO Technical Assistance which is a
preserve of WHO pre-qualified organizations with a view to enhance more compliance and production of high quality products.

With realization of the role of human resource in the company achieving its vision, UCL has kept in place mechanisms to manage talents and develop her staff by creating opportunities to further studies up to and including masters' level. This has created a multiplier effect and loyalty that boost retention and management of the youthful workforce.

4.2.3 Customer Focus

Although customers may have different specific requirements when making purchases, the basic want are the same for all customers. Customer wants include high quality, low cost, high flexibility, low variability, high service standards and short lead times. Traditional thinking considered "trade off" of basic wants. If all companies seek to provide all customers wants, how can a company realize a competitive advantage? A company attains and retains competitive advantage by striving to improve.

Giving customers the service they want and value for money is a core principle in UCL. Listening and responding to customers is critical as it helps to maximize new opportunities. UCL external customers include distributors (local and international), corporate customers including Government of Kenya through KEMSA, UNICEF, MEDS, USAID whose orders are tenders and run for weeks or months, Hospitals including KNH, Nairobi Hospital, Aghakhan Hospital and retail chemists. High lead time and product stock outs are avoided through planning, efficient communication channels and product bonuses for specified periods of times are some of the strategies applied to create value for the customers. UCL regularly hold regular meetings with key customers to seek ideas on how well they can be served. Meeting and sometimes exceeding the customer's needs is a source of competitive advantage.
4.2.4 Resource Provision

The respondents pointed out that UCL played has played great steps in improving its technological capacity and innovation. For example the use of truscan as an analytical tool to perform identification test of raw materials upon entry into the ware is a great step in ensuring time is saved in analysis. In the production like the use of modern high capacity, efficient equipments facilitate reduced process times, reduced wastage, efficient power utilization, with high quality product that have minimum requirements for reworks and reprocessing. In the oral solid dosage forms the introduction of the six hundred kilograms granulators has boosted the manufacturing capacities to five billion tablets per year. Marching the granulators are the eleven modern European made high speed compression machines, coating, and seven blistering machines.

Due to the use of modern drugs manufacturing technology huge orders can be processed, with minimum production losses at shorter times. This technological adaptation creates efficiency that lowers the production cost of products when ran under campaign. The company is capable for selling some products at lower cost than the competitors due to the lowered production cost leading to cost advantages. The same is replicated in other production lines as liquids/creams and ointments manufacturing, powders and capsulation.

Table 1: UCL Annual Production Capacity (2011)

<table>
<thead>
<tr>
<th>S/NO</th>
<th>SECTION</th>
<th>ANNUAL CAPACITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tablets</td>
<td>5 billion tablets</td>
</tr>
<tr>
<td>2</td>
<td>Capsules</td>
<td>96 million capsules</td>
</tr>
<tr>
<td>3</td>
<td>Liquids</td>
<td>10 ml - 100 ml: 9.6 million bottles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5.0 Liters: 12.5 million bottles</td>
</tr>
<tr>
<td>4</td>
<td>Creams/ Ointments</td>
<td>10 million tubes</td>
</tr>
<tr>
<td>5</td>
<td>Satchets</td>
<td>30 million satchets</td>
</tr>
</tbody>
</table>

Source: UCL Company profile 2012
The Quality Control laboratory is equipped with modern drugs analytical equipments handling analysis raw materials like (Truscan), intermediate products, finished products and waste water. The timely analysis done in house has an added advantage of releasing the Raw material by Truscan Spectroscopy Technology an online material identification tool, where materials are identified while at receipt without having to expose the material. This saves time and logistics spared for further for product process shorting the supply chain and reduces cost.

The ultra modern manufacturing site designed to comply with current good manufacturing practices, and meets drug manufacturing requirements such as zone concept, air handling units, purified water systems for manufacture goes a long way in ensuring and creating confidence among the customers that the quality of products manufactured within the site are of high quality. This aspect of perception by the customers of high quality product differentiates the UCL products and therefore the company can sell some products particularly the branded ones to some market segments at a premium price. This creates a sustainable competitive advantage. For example certain foreign owned organization like UNICEF can only purchase their product from WHO pre-qualified manufacturing company.

UCL therefore since the certification enjoys that market segment in the region. The other few pre qualified companies manufacture specialized product as sterilize preparations.. This is exemplified by the certification and approval by many regulatory authorities in the region and Africa which translates into opening up of more markets for the company's products which otherwise could not be authorized as a regulatory requirement.

UCL has a well developed and equipped product development department and well qualified staff with global exposure. The department develops new molecules which as a requirement have to be registered by the regulatory authorities of any country. The latest innovation is the development of Lamozid tablets which is an ARV. With the voluntary licensing by GSK. This development has enabled the company to be the first locally
manufacturing, to win a full tender on the supply of the ARV in Kenya. Prior to this any tender awarded to local companies were small order meant to bridge a delay by main foreign based companies usually from India and China. This timely innovation by the product development department and the company WHO pre-qualification makes UCL to take the competitive advantage of a window to the local and region market which is not well tapped by the local companies.

4.2.5 Corporate Culture

Although UCL has been in existence for about fifteen years there are members of staff that have seen the corporate culture develop over the years. Majority of those who have been in the organization for the longest are the junior and middle members of staff. The corporate culture has developed over the years and has influenced the performance of the organization in creating a sense of common goal and vision, and has helped to reduce the rate of staff turnover. From the onset the management has always insisted that when the company grows in terms of turnovers, the staff will grow along with it, this has been evidenced by the milestones the company has made from a small unknown organization, to a currently a big name in the pharmaceutical industry, likewise the staff who have worked with the organization testify how their career growth and promotion has been fueled by organization growth.

This mentality is passed on to new employees indicating when individual employees perform well, corporately the organization will grow. The management has not disappointed for every milestone the company makes likewise a must that ordinary the growth is reflected on the employee's earnings. This has all the time created a sense of teamwork which improves the quality of work and enhances staff morale. The company's top leadership has been consistent to remind the employees together they will always do better. Teamwork and productivity has largely shaped mindset of the employees.

The management has always encouraged and rewarded innovation. Members of staff who make contributions towards improvement to the systems or development of new ideas as
individual or teams are recognized and rewarded. This has enhanced the development of cost cutting measures, reduced process times, and reduces wastage of time and materials or products. Whenever a breakthrough is achieved the department or team involved expects return which creates internal healthy competition.

4.2.6 WHO Prequalification

In the East African region there is low level awareness of the Trade Related Aspects of Intellectual Property Rights (TRIPS) which based on the Doha declaration Low Developed Countries (LDC,s) and Developing Countries (DC) are allowed access by local producers to patented pharmaceutical ingredients and also the knowhow and the technology to produce patented pharmaceuticals. The only known successful use of the TRIPS flexibilities in the region involved the Rwandese government and a Canadian Pharmaceutical company, Apotex, in the manufacture of TriAvir, a fixed dose ARV combination therapy. Several other cases involving voluntary licensing have been tried in the region; for instance a Voluntary License (VL) was granted to Cosmos by GlaxoSmithKline to produce generic ARV,s. Other companies having recently acquired royal-free licenses include Shelys Pharmaceutical and Zenufa Laboratories in Tanzania as well as UCL in Kenya. However, such initiatives have not led to the improvement of access to affordable ARV,s. Due to other factors the cost of locally manufactured ARV's remain significantly higher than those imported from India, and furthermore none of the companies that have obtained VL from innovator companies meet WHO prequalification standards. The WHO bulk pre qualification is a preliquisite for accessing the donor market which mainly finances the acquisition of ARV,s in the region.

Although several companies in the region have acquired the VL there is further requirement of WHO pre qualification which only UCL has. This gives the competitive advantage over the competitors. The donors of these ARVs require the WHO pre qualification thereby giving UCL an edge over the competition in the region in that segment.
Progressively UCL has improved on her systems leading to being approved for compliance with local, regional, international regulatory authorities. The major step was made in 2007 with the acquisition of the PIC/S certification which come by way of complying with the standards. UCL was the first company in the region to acquire the standards. In 2011 UCL was again WHO - prequalified as a manufacturing site and Lamozid tablets (Zidovudine and Lamivudine) an ARV drug. It was the first to be prequalified by WHO in Kenya and among the three in the region. GSK had offered to issue voluntary License under WTO to manufacture the ARV affordably for the third world countries.

The WHO prequalification gives high confidence on the quality of product made in the site. The prequalification has attracted corporate customers including UNICEF, USAID among others who otherwise could not buy her products without WHO prequalification status. Since the prequalification the Kenyan government for the first time in the history of ARVs drugs procurement has given an order to a local company which previously was awarded to foreign manufacturers.

The WHO prequalification comes with requirements for stringent adherence to current good manufacturing practices which by so doing attracts a market segment that is particular on the perceived level of quality of products being made. UCL has lately welcomed the influx of such corporate customers leading to growth in turnovers.

4.2.7 Partnership with Foreign Direct Investment Partners

Since 2005 the Management of UCL joined hands with Finnfund who made their first investment of ten percent in to the plant becoming shareholders. Consequently the share holding ownership structure has changed as Finnfund has injected more funds in the company which facilitated the up gradation of the plant to the status of readiness for WHO pre qualification.

Currently Finnfund has a shareholding of forty two percent. The availability of funds by the entry by Finnfund has enabled the company to maintain the current infrastructure.
Availability of funds was crucial to the acquisition of the WHO pre-qualification huge investment was requirement to bring the existing facility to comply with the WHO requirements. The acquisition of modern high capacity and efficient equipment which easily comply with regulatory requirements, enable the organization to have minimum queries during audits thereby opening up avenues for potential markets thus creating the competitive advantage. Pharmaceutical industry being knowledge based industry; it requires huge investments in terms of capital to create the infrastructure.

This partnership with Foreign Direct Investors has provided the much needed capital and technology that has bridged the hurdles that otherwise could have been insurmountable. It is apparent that this partnership has created confidence to other partners in the industry which results intention of technology transfer by Roche who intended to transfer the technology in the manufacturing of Saquinavir an ARV. This initiative created openings for staff trainings. The benefit accrued by the training enable the staff to implement the knowledge which makes it easy to comply during Audits thus creating more markets.

4.2.8 Management Systems

UCL Operate facility at WHO-GMP, PIC/S cGMP standards, Local EHS regulations /IFC- World bank guides, ISO 140001 for Environment Management, OSHAS 18001 for Occupation Health and Safety. These have provided leverage on ensuring compliance to the local legislation and corporate social responsibility to its workers, environmental protection, safety of customers and consumers.

UCL is therefore able to Acquire and retain business from key customers such as UNICEF, USAID and Mission Pharma to mention but a few who insist that their suppliers should implement these systems, thus creating a sustainable advantage. UCL since 2009 implemented the Kaizen principles.

The words of Gemba Kaizen pledge in UCL as indicated below commits the workers to work as a team. "Alone we are weak, together we are strong. Together we shall work with our own hands, as a family, in mutual trust and with responsibility Progress can only
be achieved, if we are ever ready to change ourselves. My opinion is of no importance. The only thing of importance is reality at the Gemba. We shall change it with teamwork. Working in UCL is all about team work. Long Live Universal Corporation Ltd”.

Fundamentally kaizen is a Japanese model structured to obtain systematically, organization, cleanliness and standardization at work place. This is achieved through sorting, cleaning, creating standards and ultimately sustaining the change. Equally the model seeks to eliminate waste which comes from overproduction, transportation, waiting, defects, inventories, movements and reworks. Since the implementation of the Gemba Kaizen the members of staff have been trained and have created a strong sense of ownership of processes by the staff that does the job. In return the processes have been streamlined creating efficiency which also reduces the cost production. As a team any one department owns the responsibility to reduce waste generated, reduce process time and maximize the productivity. Internal mechanisms are in place to foster health completion. Every Tuesday the leaders of every team meet for thirty minutes to review the progress made during the previous week. Every team on weekly basis must have an ongoing projection ranging performing a root cause analysis and investigation and reason for high wastage rate from a given machine to devising methods of maximizing output with same or less resources. Monthly audits are conducted and cash rewards are given to the best performing team and also the most improved team. This gesture creates a competition which in return improves the work system with minimum management cohesion.

Implementation of Gemba Kaizen model as a management system have created avenues for some members of staff to travel overseas to Japan for specialized training. Equally the company has enjoyed sponsorship for staff training on Kaizen principles and implementation on the work place which is generating efficiency. Operators are trained on efficient machines utilization. Reduced machines breakdowns, shortened change over times, and identification of caused of wastage and measures to mitigate has been
witnessed. Value creation has come in the way of implementing the Gemba Kaizen management principles.

4.5 Discussion of Results

Implementation of the strategies by UCL in Kenya has enabled the organization to register an annual growth of seventy per cent in the recent years, meeting and sometimes exceeding its various objectives. A case in point is the year 2011 performance that saw the organization grow by seventy percent. This is not mean feat considering the level of competition in the local industry.

The result of this study are in support of Pearson and Robinson (2008) suggestion that other than managing the internal activities, the modern executives must also respond to the challenges posed by the firms immediate and remote environment. It is evident from this study that UCL has had to respond to the changes in the environment and come up with strategies to be able to create a sustainable competitive advantage.

This study also supports the argument by Barney and Hesterly (2008) that any analysis of the threats and opportunities facing the firm must begin with the understanding of the general environment within which the firm is operating. This general environment consists of broad trends in the context within which the firm operates that have an impact on firm's strategic choices. The general environment consists of six interrelated elements which are technological change, demographic trends, the economic climate, legal and political conditions and specific international events.

The study is also in line with argument by Ansoff and Mc Donnell (1990) that a firm's performance is optimized when the aggressiveness of its strategic behavior matches environmental turbulence, the second condition being the responsiveness of the firm's capability matches the aggressiveness of the strategy and thirdly, that the component of the firm's capability to support each other. This study has evidence that UCL has responded to changes in the external environment with a force that is dependent on the strength of the change and its own capabilities.
This study also supports the argument by Hitt et al (1997) that sustainable competitive advantage is achieved when a firm implements a value creating strategy that is grounded in their own unique resources, capabilities, and core competencies. This unique resources and capabilities of a firm's internal environment are critical link to strategic competitiveness. They further argued that firms achieve strategic competitiveness and earn above average returns when unique competencies are leveraged effectively to take advantage of the opportunity of the external environment.

The results of this study can easily be compared with similar studies done to establish the strategies used by different organizations to achieve sustainable competitive advantage. These studies include done by Oyego (2008) who studied the sources of sustainable advantage in the banking industry, Njoroge (2006) explored on building competitive advantage through diversification at Kenol Kobil Oil Corporation and was able to conclude that Kenol Kobil attained competitive advantage through geographical diversification. Njenga (2008) looked at sources of sustainable competitive advantage in top ranking secondary schools in Nairobi and Kimari (2011) studied sources of competitive advantage in the mobile telephony sector in Kenya.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, conclusions and recommendations. The results have been discussed in line with the research objective. The chapter concludes by suggesting recommendations for adoption to ensure sustainable competitive advantage and also suggestions on areas for further research.

5.2 Summary and Findings

The objective of the study was to establish the strategies which UCL has used to achieve sustainable competitive advantage. Consequently in an effort to achieve the objective the managing and the technical directors were interviewed in addition to the Commercial head, Human Resource, Quality Assurance, Production and Technical Managers were interviewed. The respondents are considered useful in availing sufficient information regarding the company's efforts to achieve and maintain competitiveness.

Sustainability of an organization's competitive advantage depends on the strategies the firm has adopted. The strategies must be maintained for a significant duration of time even in the presence of competition. Sustaining a competitive advantage need to be at the core of the strategy development. This ensures that a company is not only growing but also getting above normal profits. The benefits of developing sustainable competitive advantage evident in UCL as a result of the strategies adopted. The revenues have increased in accordance with company's expectation, employee's turnover is on the downward trend signifying job satisfaction and supply chain is ensuring high demand is met.
Pharmaceutical industry is highly regulated worldwide. Stringent requirements are kept to ensure safety of the consumer. To access any market any company must satisfy the requirements which are demanding. The current trends in the pharmaceutical industry in Kenya demand registration of products and retention fees annually. The cost is high and therefore this eats into the profits of the investors delaying the break even periods for the companies. NEMA, Labour Ministry, Lobby groups and other regulatory bodies have tightened the requirements which must be met at a cost. In Kenya ninety five percent of the raw materials are imported from other countries particularly India and China. With the escalating global economic situation importation affects adversely the return of individual companies in general.

UCL is located in the peri-urban Kikuyu town in the Kiambu County and the sewerage system is not well developed. Due to this the company had to invest huge resources to the install a waste water treatment plant in order to comply with NEMA and local authorities requirements, the cost of maintenance is also high baring in mind that the samples has to be analyzed to ensure complyes before disposal not to mention the monitoring and rigorous documentation.

Due to the high quality bench mark pegged by UCL on its product there is a high cost input which makes it’s a challenge to compete in certain market segments where general generic products which are manufactured under less stringent conditions or imported from India or China. Some competitors maintain minimum GMP standards therefore the investment level is low and can afford to sell their product at relatively low prices. Competing for the same customers puts UCL who cannot afford to sell her product profitably in such segments.

The management has always ensured compliance with the law and other regulatory requirements to avoid penalties and has always conduct business as a good citizen. To mitigate against the global economic forces Raw materials are always procures in sufficient quantities and with proper planning projections are made which forms the basis of imports. Unnecessary emergencies are avoided which would cause delayed order or
raise the cost of shipment where air lifting would be preferred to meet demand instead of sea route which is cheaper.

Despite these challenges UCL is determined to remain the market leader by being proactive in mitigating the challenges and adopting leans systems to reduce waste which in return must be treated, proper planning and material projections, ensuring compliance with regulatory requirements.

The study established that UCL has used planning, human resource management, customer focus, partnership with foreign direct investment partners, management systems and resource provision strategies to develop sustainable competitive advantage.

5.3 Conclusion

All organizations operate within an internal and external environment. The external environments consist of all conditions and forces that affect its strategic option and define its competitive situation. A dynamic environment therefore means firms have to compete more intensely. An organization therefore needs to align itself with the environment by making strategies to achieve advantage and easily defend the position in the market.

To succeed in developing a sustainable competitive advantage, a firm must try to provide what buyers will perceive as superior value. This entails either a good quality product or at low price or better quality product that is worth paying more for. UCL does this by determining the purpose and the long term objective of the company. It then adopts courses of action and allocation of necessary resources to achieve desired lead in the market. To achieve sustainable competitive advantage, managers link the organization unique resources and core capabilities to different types of strategies over time. This has helped UCL learn from the environment on how to survive and be ahead of competition.
5.4 Recommendations

From the findings of this study, it is apparent that UCL has applied a number of strategies that have enabled it maintain competitiveness in a turbulent environment. The choice of strategies to be pursued should be based on growth objectives, resource capacities, nature of business and nature of products. They also need to develop unique and flexible strategic structure that can confer sustainable competitive advantage by emphasizing important sets of strategic tactics and activities and changing their configuration whenever their competitive advantage appears to wane. Tomorrow more that yesterday and today, human resource will remain the single most important resource that will keep the organization competitive and steer through the turbulent environment in pursuit of realizing its vision.

Strategies adopted should be critical to achieving the competitive advantage for the firm. The strategies should be adequate enough so that the firm does not loose strategic focus and have the capacity to effectively pursue them. Strategies that have been applied in the past and have resulted in sustainable competitive advantage in a particular market should be maintained. Unfamiliar market segments will call for application of new strategies tailored specifically for that market.

5.6 Limitations of the study

The study was carried out within limited time and resources. This constrained of the scope as well as the depth of the research. Some managers were too busy to have a scheduled interview. A lot of time was also used to request for interviews having visited the various offices severally.

With a competitive operating environment, it was difficult to convince some UCL managers to share some information they consider sensitive. Some gave in and shared the information in confidence while other out lightly refused to share information citing privacy policy. However, the information gathered was adequate enough to establish
strategies used by UCL to gain sustainable competitive advantage. UCL should also be proactive in developing new strategies now which will start mature by the time the current one will have been copied by competitors cannot be sustained any more.

5.5 Suggestions for Further Study

The research design was a case study and thus concentrated on strategies used by UCL to develop sustainable competitive advantage. These strategies are in response to environmental changes which affect companies in a particular industry and sometimes all companies in a given geographical market. Further studies are therefore required in other companies in the industry to get a holistic view.

The difference in strategies by various companies is due to differences in structures, systems, cultures, leadership, capabilities, resources and objectives. There are many pharmaceutical companies in Kenya with a wide range of products. Some have specialized in specific areas as over the counter drugs, sterile, or infectious diseases to mention but a few. Such companies have different resources and objectives. The need to do more research to get a broader view of strategies that are used to develop sustainable competitive advantage in these companies is therefore necessary.
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APPENDIX I : LETTER TO THE MANAGEMENT UCL

GEORGE. N. KARANJA
P.O BOX 78302-00507
NAIROBI
TEL 0720853546
Email georania@yahoo.com
14th August, 2012

MANAGING DIRECTOR
UNIVERSAL CORPORATION LIMITED
P.O BOX 48
KIKUYU, KENYA.

Dear sir,

RE: LETTER OF INTRODUCTION.

My name is George N. Karanja. I am a student pursuing Masters Degree studies at the School of Business, University of Nairobi. I am currently undertaking a Research project as part of fulfillment for the Masters of Business Administration (MBA) degree. The title of my study in the strategies UCL has used to achieve sustainable competitive advantage. The primary information for the study will be collected through a questionnaire/interview (a copy attached) administered to your senior managers. The purpose of this communication is to seek your authority to conduct the study.

I assure you that information will only be used strictly for academic purpose and will be treated with utmost confidentiality. At the end of the study if you will be interested I could avail to you the executive summary of the findings upon request.

Thank you for your organizations anticipated participation in the study

Yours sincerely

George N. Karanja.

Supervised by:

Professor; Evans Aosa

Lecturer University Of Nairobi.(School of Business).
Appendix 11: INTERVIEW GUIDE.

SECTION A: DEMOGRAPHIC QUESTIONS

Position held in the organization
1. Department
2. What in your Age Bracket
3. What is your highest level of education?
4. For how long have you been working in your Organization?

SECTION B: STRATEGIES USED

6. Has your organization taken advantage of the WHO prequalification?
7. What are the effects of WHO, prequalification?
8. Which other factors or strategies influence the achievement of a sustainable competitive advantage in UCL?
9. Does the company use of generic strategies influence the achievement of sustainable competitive advantage? If yes how?
10. Which are the major resources in your organization?
11. Does the use of Resource Based view influence the achievement of sustainable competitive advantage?
12. How does the organization respond to competitors' action in the pharmaceutical industry?
13. To what extent have changes in the political/legal and social factors affected your organization.
14. How has the organization addressed these changes to create a sustainable competitive advantage?