

**STRATEGIES ADOPTED BY MULTINATIONAL
PHARMACEUTICAL CORPORATIONS TO COPE
WITH COMPETITON IN KENYA**

BY

LIHANDA BEVIN LIKUYANI

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD
OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF
NAIROBI.**

NOVEMBER, 2015

DECLARATION

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

Signature..... Date.....

Lihanda Bevin Likuyani

D61/67849/2013

This project has been submitted for examination with my authority as the University supervisor.

Signature..... Date.....

Prof. Evans Aosa

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

I dedicate this research project to my loving parents Caleb Lihanda and Colleta Khamete Libeya.

ACKNOWLEDGEMENTS

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

My deepest gratitude goes to my supervisor Prof Evans Aosa for his valuable insights, counsel and guidance from the project inception to its completion.

I would also like to acknowledge my dearest mother Colleta Libeya Lihanda who has always been my pillar of strength and my source of inspiration throughout my life and constantly encouraged me throughout my studies.

I also thank my father Caleb Lihanda and siblings Kathleen, Christabel and Winston, for their moral support and constant encouragement.

I acknowledge all members of Thika Level 5 hospital Pharmacy department for their understanding and moral support.

To all those who assisted me in one way or another, thank you very much.

ABBREVIATIONS AND ACRONYMS

KEMSA:	Kenya Medical Supplies Authority
MEDS:	Mission of Essential Drug Supplies
UNIDO:	United Nations Industrial Development Organization
MNC:	Multinational Corporations

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
ABBREVIATIONS AND ACRONYMS	v
LIST OF TABLES	ix
LIST OF FIGURES	x
ABSTRACT	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Background.....	1
1.1.1 Concept of strategy	2
1.1.2 Strategy and Competition in Organizations	4
1.1.3 Kenya’s pharmaceutical industry	7
1.2 Research problem.....	9
1.3 Research objective	11
1.4 Value of the study	11
CHAPTER TWO: LITERATURE REVIEW	13
2.1 Introduction	13
2.2 Theoretical Foundation.....	13
2.2.1 The Dynamic Capability Theory.....	13
2.2.2 The Resource Based View Theory	14
2.3 Strategy in organizations	15
2.4 Strategy and Competitive advantage in organizations.....	16
2.4.1 Porter’s Generic Competitive Strategies	17
2.4.2 Grand Strategies.....	19
2.5 Empirical Studies and Research gap.....	22
CHAPTER THREE: RESEARCH METHODOLOGY	24
3.1 Introduction	24
3.2 Research Design.....	24
3.3 Population of the Study	25
3.4 Data Collection.....	25

3.5 Data analysis.....	26
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION.....	27
4.1 Introduction	27
4.2 Company Profiles.....	27
4.3 Strategies adopted by multinational pharmaceutical firms to cope with competition	31
4.3.1 Overall Cost leadership strategy.....	31
4.3.2 Differentiation strategy.....	32
4.3.3 Focus strategy.....	33
4.3.4 Grand strategies.....	36
4.3.5 Other strategies	38
4.4 Discussion.....	39
4.4.1 Comparison with theory.....	39
4.4.2 Comparison with other studies.....	43
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	42
5.1 Introduction	42
5.2 Summary of findings.....	42
5.3 Conclusion	43
5.4 Implications of the study	44
5.5 Limitations of the study	44
5.6 Suggestions for further research.....	45
REFERENCES.....	46
APPENDICES	48
Appendix I: Introductory Letter.....	48
Appendix II: List of Multinational Pharmaceutical Corporations in Kenya.....	49
Appendix III: Questionnaire	50

LIST OF TABLES

Table 4.1:	Duration served by respondent in the company	28
Table 4.2:	Duration company has been in operation.....	29
Table 4.3:	Percentage of Foreign ownership of the companies.....	29
Table 4.4:	Company size based on number of employees.....	30
Table 4.5:	Approaches to cost leadership strategy adopted by companies	32
Table 4.6:	Approaches to differentiation strategy adopted by companies.....	33
Table 4.7:	Narrow market segments focused by companies.....	35
Table 4.8:	Extent to which companies implement grand strategies	36
Table 4.9:	Strategies adopted by pharmaceutical MNCs for competition in Kenya	38

LIST OF FIGURES

Figure 4.1:	Chief Business Strategists in the company.....	30
Figure 4.2:	Companies that implement focus strategy	34
Figure 4.3:	Type of focus strategy practiced by companies.....	34

ABSTRACT

The concept of strategy encompasses the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder's expectations. For an organization to not only survive but be successful in the industry it operates, it has to develop and implement strategies for coping with competition, which in essence is the heart of strategic management. Multinational pharmaceutical corporations face dynamic global business environments unfamiliar in political, environmental, social, technological, economical and legal aspects. Kenya's pharmaceutical industry consists of more than fifty licensed manufacturing units that include local manufacturing companies, large multinational corporations, subsidiaries and joint ventures. It is a highly dynamic industry where the major successful strategy employed in coping with competition has been investing in a few drug molecules, promoting them heavily and turning them into blockbusters. Increased competition among multinational pharmaceutical corporations and local companies necessitate the development of strategies that would allow these firms achieve and sustain competitive advantage. The objective of this study was to determine the strategies adopted by multinational pharmaceutical firms to cope with competition in Kenya. To establish these strategies, a cross-sectional survey design was adopted. Data was collected using a structured questionnaire and was administered to marketing managers of all the twenty two multinational pharmaceutical corporations operating in Kenya. Data was analyzed using descriptive statistics. The key findings were that pharmaceutical MNCs in Kenya have adopted a number of strategies including cost minimization measures, offering low price products, differentiation, cost focus strategies, differentiation focus strategies, concentric growth, innovation acquisitions and mergers, product development and market development. The study found out that the most popular strategy adopted was differentiation of pharmaceutical products. The use of high quality professionals and brand image were the main approaches used to achieve differentiation strategy. Cost minimization measures, innovation, and product development were also quite popular. The implications of the study are that local pharmaceutical firms are able to understand strategies that MNCs adopt to remain competitive and it makes a contribution to the existing body of knowledge regarding the concept of strategy in the pharmaceutical industry context. The main recommendation to multinational pharmaceutical firms is that they should ensure they have in the board of directors, a member who is originally from the host country. This will ensure that they are adept in understanding the local business environment and develop appropriate competitive strategies. One limitation of this study were that it did not fully investigate the reasons why the various pharmaceutical MNCs in the study were different in the extent to which they adopted certain strategies. The second limitation was that the study did not investigate extent to which various strategies impacted on performance. Further research should be done to investigate why pharmaceutical firms in the study were different in the extent to which they adopted the various strategies. An in-depth study is further recommended to determine the extent to which the various strategies impact on performance.

CHAPTER ONE

INTRODUCTION

1.1 Background

The concept of strategy refers to the direction and scope of an organization over the long term (Johnson, Scholes & Whittington, 2008). It achieves competitive advantage through matching a firm's capability to its turbulent environment. For an organization to not only survive but also be successful, it has to develop and implement strategies that would aid a positive market position. Strategy is concerned with the basis on which a business unit might achieve competitive advantage in its market (Johnson, Scholes & Whittington, 2008). Competitive advantage in industries is achieved through providing customers with what they want, or need, better or more effectively than competitors (Porter, 1998).

The two main theories that underpin this study are the dynamic capabilities theory and the resource based view theory. The dynamic theory states that in highly dynamic conditions competitive advantage requires the building of dynamic capabilities (Teece, Pisano and Sheun, 1997). Johnson et al (2008) define dynamic capabilities as an organization's ability to renew and recreate its strategic capabilities to meet the needs of a changing environment. The resource based theory states that the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities (Wernerfelt, 1984).

The motivation behind carrying out this study stems from an inherent need to demystify the reasons behind the dominance of Multinational pharmaceutical corporations in the Kenyan market space. Kenya only achieves trade deficits in the pharmaceutical industry while foreign firms flourish in the market. This study should go some way in explaining why this happens.

The context of this study shall be the Kenya pharmaceutical industry. The pharmaceutical industry is majorly involved in the development, production and marketing of drugs for use as medications. The pharmaceutical industry in Kenya consists of manufacturers, distributors, wholesalers and retailers.

It consists of more than 35 manufacturing pharmaceutical firms that include local companies, large multinational corporations, subsidiaries and joint ventures. The trend observed in the industry to gain competitive advantage has been quite dynamic. There is a shift from sole focus on drug innovation as a competitive strategy to production of low priced generic drugs so as attain large sales volumes.

1.1.1 Concept of strategy

Strategy is a multidimensional concept whose definition depends largely on the aspect or characteristic that has caught one's eye the most. Johnson et al (2008) define strategy as the direction and scope of an organization over the long-term, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholders' expectations.

Thompson, Strickland & Gamble (2007) explain that the crafting of a strategy represents managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving the company's financial and market performance. From the above definitions, it is clear that the concept of strategy is anchored on fundamental characteristics that include; concern with the long-term direction of the organization, scope of an organization's activities, matching of the resources and activities of an organization to the environment in which it operates and achievement of competitive advantage.

The concept of strategy at multinational pharmaceuticals corporations is applied at three main levels in an organization; corporate level, business level and operational level. The corporate level strategy is concerned with the overall purpose and scope of the organization and how value will be added to the various parts of the organization. This involve what type of products/service to engage in, which geographical area to cover and how the firm's resources and competencies shall be allocated across the organization. Corporate level strategy is typically crafted by the top level pharmaceutical managers of the organization.

Johnson et al (2008) explain that business level strategy is sometimes referred to as competitive strategy. At the multinational pharmaceutical corporation level, it is concerned with ways in which the various strategic business units in the pharmaceutical organization compete within their respective markets.

It is concerned with issues such as pricing strategy, innovation and differentiation. Business level strategies are typically crafted by middle level managers.

Operational strategies also referred to as functional strategies are applied at the operational unit level. These strategies are concerned with how the various functional units in the pharmaceutical organization implement effectively the corporate level and business level strategies in terms of resources, processes and people. Operational strategies are typically crafted by the various functional unit heads in the pharmaceutical organization.

1.1.2 Strategy and Competition in Organizations

Competition refers to rivalry among business organizations, as for given customers or markets. The intensity of competition in an industry is neither a matter of coincidence nor bad luck but rather based on the underlying economic structure. Porter (1998) explains that the state of competition in an industry depends on five basic competitive forces which include threat of new entry, bargaining power of buyers, bargaining power of sellers, threat of substitutes and rivalry among competitors.

Strategies that take either offensive or defensive actions to create a defensible position in an industry are the bases on which firms cope with competition (Porter, 1998). These actions will enable them to yield a superior return on investment for the firm. Competitive advantage is achieved by providing customers with what they want, or need, better or more effectively than competitors (Johnson et al, 2008).

In industries, the higher the level of competition, the higher the need for strategic managers to come up with strategies that will afford them a competitive edge in the market. Competition is inevitable and therefore only organizations that are adept in matching their capabilities to their external environment will be able to survive and succeed.

The essence of formulating a competitive strategy is relating a company to its environment (Porter, 1998). The business environment is the combination of internal and external factors that influence the nature and level of a company's operations. Internal environment includes all those factors which are present within the business itself while external environment refers to those factors existing outside the business. Johnson et al (2008) state that the environment is what gives organizations their means of survival.

As Johnson et al (2008) explain, the external environment can be considered in three levels; Macro-environment, the Industry/Sector environment and the Operating environment. Strategic managers need frameworks that will allow them to analyze changing and complex environments. This analysis provides a solid base on which an appropriate strategy is crafted and implemented to attain competitive advantage.

The PESTEL framework gives a general overview on the various environmental factors that may influence success or failure of a given organizational strategy. It helps identify how future trends in the political, economic, social, technological, environmental and

legal environments might impinge on organizations (Johnson et al, 2008). Key driver analysis and scenario building are also important in Macro-environment analysis.

Porter (1998) states that competition in an industry depends on five basic competitive forces; bargaining power of suppliers, bargaining power of buyers, threat of new entry, threat of substitutes and extent of rivalry between competitors in the industry. This Five Forces Framework is vital in analysis of the environment at the industry level and provides the basis for development and implementation of strategy.

The operating environment is best analyzed through strategic groups and market segments. Strategic groups refer to a set of organizations that have similar strategies, similar strategic characteristics or are operating on similar competitive bases. A market segment is a group of customers who have similar needs that are different from customer needs in other parts of the market (Johnson et al, 2008).

The key strategic messages from the business environment and strategic capability of a firm can be done in the form of analysis of strengths, weaknesses, opportunities and threats (Johnson et al, 2008). Strategic managers come up with strategies that take advantage of the opportunities and deal with the threats based on the organization's strategic capability. Organizations that are able to effectively and efficiently match their strategic capabilities to their environment are the ones that attain the highest level of competitive advantage.

1.1.3 Kenya's pharmaceutical industry

The overall trend in the pharmaceutical industry has been quite dynamic over the years. A major and successful strategy employed for a long time has been investing on a few drug molecules, promoting them heavily and turning them into blockbusters. Currently, research and development is plummeting and PWC (2015) believe that five major trends are reshaping the market place.

Health policy makers and players are strongly influencing what doctors can prescribe, boundaries between different forms of healthcare are blurring, regulators are becoming more cautious about approving truly innovative medicines, demand for medicines is growing more rapidly in emerging markets than industrialized markets and governments are now focusing more on prevention than treatment. These trends are bound to introduce opportunities and threats in the pharmaceutical industry. Consequently, firms need to strategize accordingly to gain competitive advantage.

EPZ (2005) observe that Kenya is currently the largest producer of pharmaceutical products in the Common Market for Eastern and Southern Africa (COMESA) region. The major operations taking place in the sector include manufacturing, compounding, repacking of formulated drugs, and the processing of bulk drugs into appropriate doses.

Demand for medicines can be analyzed through disease incidence, effective drug procurement and through drug export reports. Disease incidence involves examining disease prevalence in the population and deriving the requirement for essential medicines.

Effective procurement involves analysis of the two major procurers of medicines in the country who are the Kenya Medical Supplies Agency (KEMSA) and the Mission for Essential Medicines Supplies (UNIDO, 2010).

Kenya's pharmaceutical sector consists of more than 50 licensed manufacturing units that include local manufacturing companies, large Multi National Corporations(MNCs), subsidiaries and joint ventures. These firms collectively employ over 2000 people, about 65% of whom work in direct production. Kenya is currently the largest producer of pharmaceutical products in the Common Market for Eastern and Southern Africa (COMESA) region, supplying about 50% of the regions' market. Out of the region's estimate of 50 recognized pharmaceutical manufacturers; approximately 30 are based in Kenya.

The level of competition in the Kenyan pharmaceutical industry is exhibited by the steady increase in the number of drugs registered in the country. United Nations Industrial Development Organization, UNIDO (2010) approximated that 9,000 pharmaceutical products had been registered in 2005, in 2010, this quantity rose to 13,000 and 15000 in 2015. This consistent introduction of pharmaceutical products into the market depicts the importance of Kenya as a strategic market for pharmaceutical firms.

1.2 Research problem

The level of competition in an industry can be determined through structural analysis of the industry using the Five Forces Framework (Porter, 1998). To cope with competition firms need to formulate and implement effective strategies. Strategy can be defined as the game plan management has for positioning the company in its market arena, competing successfully, pleasing customers and achieving good business performance (Thompson et al, 2007). When an organization is able to achieve returns that exceed the average of its industry, it is said to possess a competitive advantage over its rivals (Porter, 1998).

The pharmaceutical industry in Kenya consists of manufacturers, distributors, wholesalers and retailers. There are more than 50 licensed local manufacturing companies and large Multinational Corporations, subsidiaries and joint ventures. Most of these firms are located within Nairobi and its environs. The industry compounds and packages medicines repackage formulated drugs and process bulk drugs into doses. The pharmaceutical industry in Kenya is governed by The Pharmacy and Poisons Act (Cap 244) and the Pharmacy and Poisons Board is the chief Medicines Regulatory body.

Wernefelt (1987) argued that competitive strategy under uncertainty involves a trade-off between acting early and waiting, and another trade-off between focus and flexibility. Acquaaah (2008) observed that firms implementing a combination of competitive strategies experienced substantial incremental performance benefits over those implementing only the cost-leadership strategy. Other studies include Rosli (2012) and

Bierly (2014) who all did extensive studies on competitive strategies, the latter in the pharmaceutical industry context.

Ndubai (2003) studied competitive strategies in the retail sector of the pharmaceutical industry in Nairobi. He found out that a strategic location, an extensive product line and aggressive advertising were some of the strategies that were dominant. Sirengo (2013) did a study on the globalization strategy and performance of pharmaceutical industry in Kenya. She found out that Kenyan pharmaceutical firms were unable to attain high performance in the foreign markets due to lack of strong globalization strategies.

Even with all these studies done, there has been minimal focus on MNCs in general and Multinational Pharmaceutical Corporations in specific. Ogutu (2012) did a study on strategies adopted by MNCs to cope with competition in Kenya but did not focus on specific sectors. Therefore, a knowledge gap exists. This study endeavors to carry out an in-depth study on the strategies adopted by MNCs in the pharmaceutical sector to try and fill this gap. The increased level of competition in the Kenyan Pharmaceutical Industry has increased the need of strategy in attaining competitive advantage.

Ogutu (2012) noted that Multinational Corporations were able to sustain success in the face of increased competition yet local firms struggled to remain competitive. What strategies are adopted by Multinational Pharmaceutical Corporations to cope with competition in Kenya?

1.3 Research objective

The objective of this study was to determine the strategies adopted by multinational pharmaceutical companies to cope with competition in Kenya.

1.4 Value of the study

This study is of great value to various stakeholders. These include the industry players (manufacturers, wholesalers, retailers and the consumers) from both the local and international setting, researchers interested in carrying out studies in the pharmaceutical industry context and beyond, and the policy makers of the industry.

A comprehensive study of the strategies adopted by Multinational firms in Kenya helped demystify why there has always been a trade deficit in pharmaceutical products. Multinational firms were able to better understand the Kenyan pharmaceutical industry and suitability of their strategies in remaining competitive. Local firms also understood these strategies thus enabling them to effectively compete with Multinational pharmaceutical firms in the country. This study also enabled firms identify and take advantage of strategic gaps in the industry.

Kenya's Ministry of Health and by extension the Pharmacy and Poisons Board is involved in the development and implementation of the National Drug Policy. Through this study, these institutions were enabled to come up with policies that enhance fair competition and somewhat level-up the playing field in the industry's competitive environment. The end result being that poor quality and substandard pharmaceutical products are weeded out of the market.

This study was of value to academicians since it contributed to the existing body of knowledge and enhanced an in-depth understanding of business theories including the competitive environment. This research was able to serve as an impetus for further studies on strategies for a better understanding of the pharmaceutical business environment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter seeks to systematically identify and analyze documents and materials written containing information related to the concept of strategy, the business environment, strategic management, competitive strategies adopted by organizations. This review provides a platform for identification of the research gap that exists between what other researchers have done on the subject.

2.2 Theoretical Foundation

This study is anchored on two main theories; the dynamic capability theory and the resource based view theory.

2.2.1 The Dynamic Capability Theory

Dynamic capability is the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano and Sheun, 1997). A firm's capabilities are its inherent strengths and weaknesses that shall be employed in taking advantage of opportunities and dealing with threats presented by the external environment.

This theory helps to understand how firms effectively and efficiently restructure their capabilities as need arises. It defines the organizational structure and management systems needed for the firm to take advantage of opportunities and deal with threats. This theory emphasizes the importance of intangible assets in the success of organizations. These assets include technological know-how, intellectual property, business process know-how, customers, organizational culture and values (Teece et al, 1997).

2.2.2 The Resource Based View Theory

Pearce and Robinson (2000) define the Resource Based View as a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization.

This view has been utilized in management literature to demystify the relationship between a firm's capabilities and its performance in the competitive environment (Barney, 1986). Proponents of this theory have argued that it is those unique capabilities at a firm's disposal that enable it attain and sustain competitive advantage. This theory puts a greater emphasis on the internal factors which are under the firm's control rather than the external factors which are mostly uncontrollable factors in the success of a firm.

The Resource Based View theory is built on the premise that firms achieve competitive advantage based on the unique resources, skills and capabilities they control or develop. These unique capabilities and resources then become the basis of unique sustainable competitive advantage that allows them to craft successful competitive strategies (Pearce and Robinson, 2000). A firm's resources and capabilities provide it with the base on

which it formulates and implements its strategies. Furthermore, its competitive position is defined by its unique relationships and resources.

2.3 Strategy in organizations

In today's business setting, the importance of strategy to organizational success cannot be emphasized enough. Strategy provides direction and scope to an organization over the long term. This achieves advantage in a changing environment through configuration of a firm's resources and competencies with the aim of fulfilling stakeholder expectations (Johnson et al, 2008).

It has been noted that strategy is very useful to organizations during turbulent times (Ansoff and McDonnel, 1990). Organizations need to strategize and re-strategize if they are to remain successful in a rapidly changing external environment. This can be done through constantly re-examining and changing their product/market scope (Aosa, 2011).

In the formulation and implementation of strategy in an organization, managers have to keenly consider and understand the concept of strategic positioning. Johnson et al (2008) explain that the strategic position is concerned with identifying the impact on strategy of the external environment, an organization's strategic capability and the expectations and influence of stakeholders.

Different firms formulate different strategies majorly due to varying strategic capabilities. Strategic choices involve the options for strategy in terms of both the directions in which strategy might move and the methods by which strategy might be pursued. There is no

one size fits all when it comes to strategy, firms need to craft strategies based on their unique capabilities related to their respective external environment.

2.4 Strategy and Competitive advantage in organizations

In the world today, individuals and organizations alike have to face the fact that we live and exist in a competitive world. For a company to not only survive but also prosper, it needs to formulate and implement strategies that will give them a competitive edge in the industry they operate. It should be noted however, the essence of formulating a competitive strategy is relating a company to its environment (Porter, 1998).

Strategy involves relating a firm's capabilities to the environment's opportunities and weaknesses. Competitive strategy can be defined as the distinctive approach which a firm uses or intends to use to succeed in a market (Ansoff and McDonnel, 1990). Porter (1998) defines competitive strategy as the art of relating a company to the economic environment within which it exists.

Several strategies or models have been proposed by scholars that firms can adopt to cope with the competitive environment. The major ones include the generic competitive strategies model (Porter, 1998), Market-facing generic strategies (Faulkner and Bowman, 1995), grand strategies (Pearce & Robinson, 1997) and resource based competitive strategies model. The models that shall be focused on are the generic competitive strategies and the grand strategies.

2.4.1 Porter's Generic Competitive Strategies

Before a firm crafts its strategies to compete in the market, Porter (1998) advocates that a firm has to analyze its industry as a whole. This analysis provides a basis of predicting the industry's future evolution and enables the firm understand the competitors and its own position. This analysis then translates into a competitive strategy for a given business.

The widely used framework for structural analysis of a given industry is referred to as the Porter's Five Forces Framework. These forces include threat of new entry, bargaining power of suppliers, bargaining power of buyers, threat of substitutes and intensity of rivalry among existing competitors. Three generic competitive strategies have been proposed in dealing with the five forces of competition. These are overall cost leadership, differentiation and focus.

The theme running in the overall cost strategy is that an organization should achieve low costs relative to its competitors in the industry. For a firm to successfully implement this strategy, certain policies have to be in place that would aid the achievement of being a cost leader. Such policies would include tight cost and overhead controls, pursuit of cost reductions, construction of efficient scale facilities and minimization of cost from the various functional units (Porter, 1998).

Porter (1998) states that, for the overall cost strategy to be effective, a high market share is a requirement. To achieve this, a large investment in state of the art equipment, aggressive pricing and start up losses may be necessitated. A high market share allows

for economies in purchasing which leads to a further decrease in costs. A low cost position allows for high margins which can be re-invested in the form of modern machines and equipment. Reinvestment aids sustainability of the low cost position.

A familiar organization that uses the cost leadership strategy to perfection is Walmart in the United States. This firm is fondly characterized with slogans such as “Always low Prices” and “Save money Live better” to emphasize its commitment in its low cost position. Walmart is able to achieve this fit with its very high market share, the broadest customer base in the USA.

The theme running in the differentiation strategy is that the firm should create a product that is considered unique industry wide (Porter, 1998). This strategy does not need a high market share to be successful, but rather an inherent perception of exclusivity. Unlike the cost leader strategy, companies that have differentiated their products usually incur inherently higher costs inhibiting the acquisition of a high market share.

Porter (1998) suggested various approaches firms can use in differentiation strategy; design/ brand image (Mercedes in automobiles), Technology (Apple in electronic accessories), Features (Samsung in mobile phones), Customer service (British Airways in air industry), Dealer network (Safaricom in Telecommunications and mobile money industry).

The mainstay of focus strategy is that a firm strives to serve a particular target more efficiently and effectively than competitors who operate broadly. The firm shall focus on a particular buyer group, geographical market or a given product line segment. The result

is that the firm shall have a narrower market segment to contend with but this will enable it employ the cost leadership strategy, differentiation strategy or both.

A differentiation focus strategy is one where a firm is able to cater to the needs of the select narrow market better than its competitors who serve the market as a whole. A cost focus strategy is one where a firm is able to incur lower costs in its narrow target compared to their counterparts who incur costs involving the whole market (Porter, 1998).

2.4.2 Grand Strategies

Pearce and Robinson (1991) define grand strategies as comprehensive general approaches that guide a firm's major actions. They are the basis on which firms achieve their long term objectives. This sub section discusses 9 principal grand strategies that are in common practice within firms. They include concentrated growth, market development, product development, innovation, horizontal integration, vertical integration, joint venture, concentric diversification and conglomerate diversification. These strategies may be implemented independently, or more commonly, in combination to achieve competitive advantage.

The concentrated growth strategy involves focusing a firm's resources on the profitable growth of a single product, in a single market, with a single dominant technology. Efficient implementation of this strategy results in growth that results from increased productivity, better coverage of the firm's product-market segment and more efficient use of its technology (Pearce & Robinson, 1991). Increased productivity and more efficient use of technology accord the firm competitive advantage over its rivals.

The market development strategy involves marketing and selling of a firm's products in new markets through cosmetic modifications of existing products, adding channels of distribution or by changing the content of advertising or promotion. Through this strategy, a firm gains competitive edge because it is able to identify new uses for its existing products and new demographically, psychographically or geographically defined markets (Pearce & Robinson, 1991).

The product development strategy involves the substantial modification of a firm's existing products or the creation of new but related products that can be marketed to existing customers through established distribution channels. This is achieved through favorable reputation or brand name that the firm has. This strategy extends an existing product's life cycle and thereby sustaining market share while competitor products exit the market (Pearce & Robinson, 1991).

Wikipedia (2015) defines innovation as the application of better solutions that meet new requirements, articulated needs, or existing market needs accomplished through more effective products, processes, services, technologies or ideas. The theme running in the innovation strategy creation of a new product life cycle and thereby make similar existing products obsolete. Innovation enables a firm to introduce new products in the market that have little or no substitutes. This gains the firm a competitive advantage over its rivals who may not have the necessary technological skills to manufacture the product.

Horizontal integration strategy is based on growth through acquisition of one or more similar firms in the same level of the production-marketing chain. This acquisition

enables a firm eliminate competition and access new markets. Ultimately, the acquiring firm is able to greatly expand its operations, resulting in a greater market share, improving economies of scale and increasing efficiency of capital use (Pearce & Robinson, 1991).

Vertical integration is where a firm acquires firms that are its supplier (backward integration) of inputs or a customer for its outputs (forward integration). Backward integration increases control in the production-marketing process through increase of dependability of supply and quality of raw materials. Forward integration increases predictability of demand for a firm's output (Pearce & Robinson, 1991). This integration helps firms become more effective and efficient than competitors in carrying out their operations thus gaining a competitive edge over its rivals.

A joint venture refers to a business agreement where two or more firms develop, for a finite time, a new organization through contribution of equity. It helps attain competitive advantage since firms are able to achieve increased capabilities through joint resources. These firms exercise control over the enterprise and consequently share the profits. It has become natural for foreign firms to join domestic firms through this strategy (Pearce & Robinson, 1991).

Concentric diversification strategy involves acquisition of businesses that are related to the firm in terms of technology, markets or products. For this strategy to be successful, the acquired businesses have to be highly compatible with the firm's existing businesses. The firm acquires businesses that are similar but not identical with its own resulting in

synergy. Synergy promotes efficiency and effectiveness of business operations which aids better performance in the industry (Pearce & Robinson, 1991).

Pearce & Robinson (1991) describe conglomerate diversification strategy as the acquisition of a business because it represents the most promising investment opportunity available to the firm. Contrary to the concentric diversification which seeks commonality in markets, products or technology, conglomerate diversification is based principally on profit synergy. This allows firms to achieve higher profits than competitors.

2.5 Empirical Studies and Research gap

Several scholars have done extensive studies on competitive strategies adopted in various industries including the service, energy and manufacturing industries. Wernefelt (1987) argued that competitive strategy under uncertainty involves a trade-off between acting early and waiting, and another trade-off between focus and flexibility. Acquah (2008) observed that firms experienced a combination of competitive strategies experienced substantial incremental performance benefits over those implementing only the cost-leadership strategy.

Rosli (2012) did a study on competitive strategies of Malaysian small and medium enterprises. He found out that these firms placed high emphasis on firm management, marketing and human resource and moderate emphasis on innovation strategy. Bierly (2014) observed that pharmaceutical firms in the U.S. that were in the 'innovator' and 'Explorer' groups tend to be more profitable than firms in the 'Exploiter' and 'Loner' groups.

Studies have been done on competitive strategies in various industries in Kenya (Murage, 2001; Karanja, 2002; Gakombe 2002; Theuri, 2002; Kamathi, 2003; Obado, 2005 and Cherutich, 2007).Ndubai(2003) studied competitive strategies in the retail sector of the pharmaceutical industry in Nairobi. He found out that a strategic location, an extensive product line and aggressive advertising were some of the strategies that were dominant.

Sirengo (2013) did a study on the globalization strategy and performance of pharmaceutical industry in Kenya. She found out that Kenyan pharmaceutical firms were unable to attain high performance in the foreign markets due to lack of strong globalization strategies.

Even with all these studies done, there has been minimal focus on MNCs in general and Multinational Pharmaceutical Corporations in specific. Ogutu (2012) did a study on strategies adopted by MNCs to cope with competition in Kenya but did not focus on specific sectors. Therefore, a knowledge gap exists. This study endeavors to carry out an in-depth study on the strategies adopted by MNCs in the pharmaceutical sector to try and fill this gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter involves a description of the research methodology that is employed in conducting this research. It shall discuss in detail the research design, the target population, sampling design, data collection method and instruments used and the data collection techniques employed. Justification for use of the different designs employed shall be made.

3.2 Research Design

A cross-sectional survey design was adopted in this study. Relevant data was collected and analyzed at once so as to represent a snapshot at one point in time. A cross-sectional survey was ideal for this study because the objective was to measure the same variables across all the respondents.

It was descriptive since it aimed at describing what strategies are put in place by multinational pharmaceutical firms in Kenya. This data was effectively analyzed, patterns extracted and comparison made for the purpose of clarity and drawing of a conclusion. In terms of topical scope statistical study was favored as opposed to a case study so as to give a general view of the population's characteristics.

3.3 Population of the Study

The study population was all the registered manufacturing multinational pharmaceutical corporations operating within Kenya. All of these firms operate within Nairobi and its environs. According to the Pharmacy Poisons Board, there are 50 pharmaceutical companies operating in Kenya 22 of which are Multinational Corporations.

All of these 22 firms had licenses to carry out their operations within Kenya. A census of all these Multinational corporations was carried out. A list of the multinational firms is provided in appendix I.

3.4 Data Collection

A self-administered structured questionnaire was used to collect primary data from the target respondents. This data was used to establish the various strategies adopted by multinational pharmaceutical firms to cope with competition in Kenya. The study respondents shall be marketing managers or equivalents of the same. Drop and pick was the method of administration so as to allow the specific respondents to fill the questionnaires at their own time and convenience.

Self administered questionnaires were appropriate for this study since they decrease the level of bias that could potentially be brewed from interviewer's presence. A structured one is also ideal since this will aid ease of analysis of the data.

3.5 Data analysis

The data collected was analyzed using descriptive statistics. These included percentages, frequency distribution, mean scores and standard deviation. These parameters adequately describe the data collected and generalizations drawn from it.

Data collected was adequately analyzed. It was edited to detect errors and omissions, coded to categorize responses and the content analyzed. This analyzed data was then presented in the form of tables and pie charts for easy understanding.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This study was carried out to establish the strategies adopted by multinational pharmaceutical corporations to cope with competition in Kenya. The data that follows was collected from marketing managers and equivalents of the same from these corporations with operations in Kenya.

A total of 22 questionnaires were distributed to pharmaceutical firms through main offices in Nairobi. Out of the 22 questionnaires, 17 were returned to the researcher. This represents a response rate of 72%. According to Babbie (2002), this percentage is considered sufficient to proceed to analysis. The 28% who did not return the questionnaires cited busy schedules as the main reason for not filling them.

4.2 Company Profiles

This data sought to provide direct information regarding the suitability of the various companies and their respondents in their involvement in the survey and to gain insight that would provide linkage to strategies adopted by these companies.

It can be deduced from Table 4.1 that tangible feedback could be expected in that 70.7% of the respondents had worked for their respective companies for periods exceeding 5 years. Only 5.9% of the respondent population had worked for less than a year.

Table 4.1 Duration served by respondent in the company

Duration Worked	Frequency	Percent
1-5 years	4	23.5
11-15 years	3	17.6
6-10 years	6	35.3
Less than 1 year	1	5.9
Over 15 years	3	17.6
Total	17	100.0

Source: Fieldwork, 2015

It is observed from Table 4.2 below that 82.4% of the multinational pharmaceutical companies in Kenya have been operating in the country for a period exceeding 15 years. This is an indicator that these firms have been in the country for sufficient period of time to enable them anticipate and if possible influence the external business environment in the country.

Table 4.2 Duration company has been in operation

Duration company has been in operation	Frequency	Percent
1-5 years	2	11.8
6-10 years	1	5.9
Over 15years	14	82.4
Total	17	100.0

Source: Fieldwork, 2015

Table 4.3 above shows the dominance of foreign players in the Kenyan pharmaceutical arena. All of the companies surveyed had foreign ownership while 82% of the population reported foreign ownership nearing 100%.

Table 4.3 Percentage of Foreign ownership of the companies

Percentage of foreign ownership	Frequency	Percent
0-20%	1	5.9
41-60%	2	11.8
81-100%	14	82.4
Total	17	100.0

Source: Fieldwork, 2015

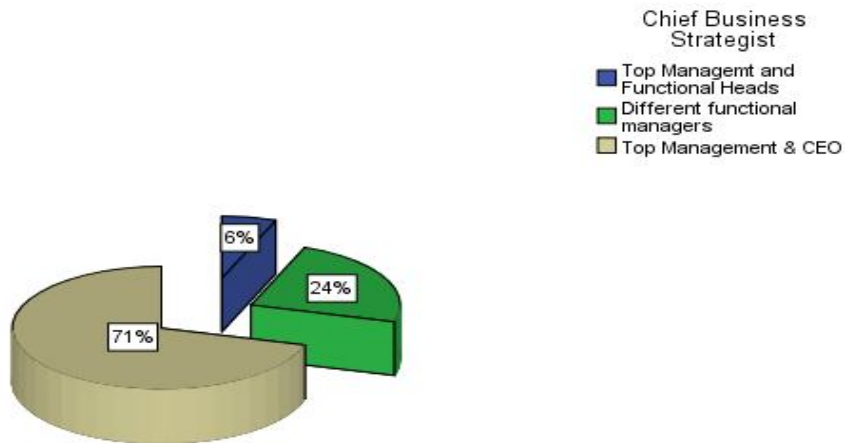
Table 4.4 Company size based on number of employees

Number of employees	Frequency	Percent
Above 450	10	58.8
Below 149	3	17.6
Between 300-449	4	23.5
Total	17	100.0

Source: Fieldwork, 2015

It can be noted from Table 4.4 above that 82% of multinational pharmaceutical firms in Kenya have more than 300 employees in their ranks. This implies that these companies' big size warrants a large workforce through the sheer size of their workload. Only 17% of the population had less than 149 employees.

Figure 4.1 Chief Business Strategists in the company



Source: Fieldwork

From Figure 4.1 above, it is observed that in 71% of the multinational pharmaceutical companies, the main men concerned with the development of business strategies are the

Top Management including the CEO. In 24% of the companies the chief business strategies were the different functional managers while companies that included the top management, CEO and the different functional heads were only 6% of the population.

From the data collected from the structured questionnaires it was found out that all the multinational pharmaceutical companies in the study had vision statements and mission statements implying that they were involved in strategic management practices.

4.3 Strategies adopted by multinational pharmaceutical firms to cope with competition

The key objective of the study was to establish the strategies adopted by multinational pharmaceutical corporations to cope with competition in Kenya. The data collection in this regard was done using a 5-point rating scale, where 1=not at all used and 5=used to a very great extent. Analysis of the data was majorly done through use of mean scores. The higher the mean score the greater the use of the strategy.

4.3.1 Overall Cost leadership strategy

All companies in the study were involved in the use of overall cost leadership as a strategy to cope with competition in Kenya. As observed in Table 4.5 the most popular functional operations aimed at achieving overall cost leadership were avoiding marginal cost accounts and vigorous pursuit of cost reductions, with mean scores of 3.35 and 3.00 respectively. The least was the offering of low price products with a mean score of only 2.12.

Table 4.5 Approaches to cost leadership strategy adopted by companies

Strategy adopted	N	Minimum	Maximum	Mean	Std. Deviation
Vigorous pursuit of cost reductions	17	2	5	3.00	1.000
Tight cost and overhead control	17	1	5	2.53	.943
Avoiding marginal cost accounts	17	1	5	3.35	1.115
Cost minimizations	17	1	5	2.76	1.091
Offering low price products	17	1	4	2.12	.928
Valid N	17				

Source: Fieldwork, 2015

In the Table 4.5 above, a 5-point rating scale was used, where 1=not at all used, 2= used to a low extent, 3=used to a moderate extent, 4=used to a great extent and 5=used to a very great extent.

4.3.2 Differentiation strategy

In analysis of the data it was determined that all multinational companies used differentiation as a strategy of coping with competition in Kenya. In essence the differentiating strategy was the most popular of all the overall strategies adopted. The most popular approach being the use of high quality professionals with a mean score of 5 and the least popular being the use of technology scoring 4.18.

Table 4.6: Approaches to differentiation strategy adopted by companies

	N	Minimum	Maximum	Mean	Std. Deviation
Design/brand image	17	4	5	4.76	.437
Technology	17	2	5	4.18	1.286
Product features	17	2	5	4.65	.862
High quality customer service	17	3	5	4.71	.686
High Quality distribution channels	17	3	5	4.59	.618
High quality professionals	17	5	5	5.00	.000
	17				

Source: Fieldwork, 2015

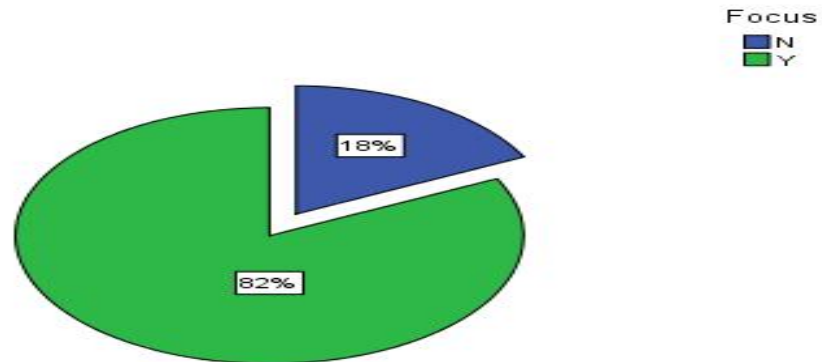
In the Table 4.6 above a 5-point rating scale was used, where 1=not at all used, 2= used to a low extent, 3=used to a moderate extent, 4=used to a great extent and 5=used to a very great extent.

All the firms in the study reported to be using the differentiation strategy although to a varying extent as depicted by the figures in Table 4.6

4.3.3 Focus strategy

In this study it was determined that most multinational pharmaceutical firms focused on a particular buyer group, segment of the product line or geographic market to achieve

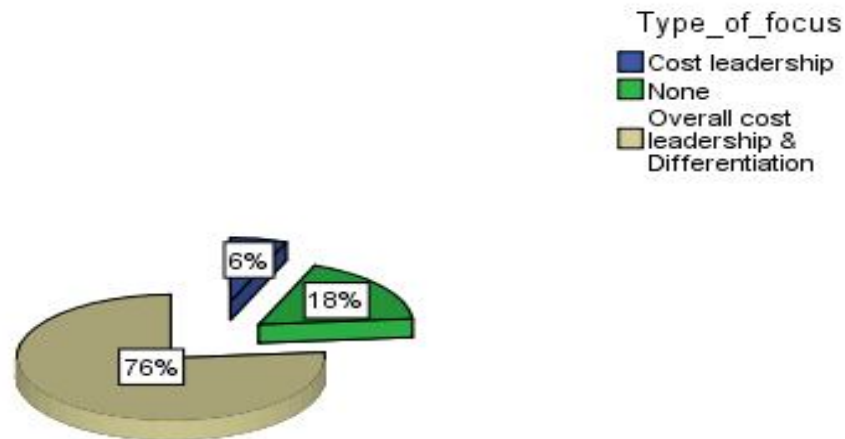
competitive advantage. As a result, these firms achieved either differentiation from better meeting the needs of the particular target, or lower costs in serving this target, or both.



Source: Fieldwork, 2015

Figure 4.2 Companies that implement focus strategy

Figure 4.2 above showed that focus strategy was quite popular in the population, in that 82% of the respondents reported to use this strategy to cope with competition in Kenya. Only 18% stated that they focus on the wider market target rather than a particular narrow market segment.



Source: Fieldwork, 2015

Figure 4.3 Type of focus strategy practiced by companies

Figure 4.3 shows the type of focus strategy employed by the various multinational pharmaceutical firms. This data shows that 76% of the population implemented both cost focus strategy and differentiation focus strategy. 6% reported to be using cost focus strategy while 17% reported not to be using any of the focus strategies.

Table 4.7 Narrow market segments focused by companies

Market Segment	N	Minimum extent	Maximum extent	Mean	Std. Deviation
Buyer group	15	2	5	4.27	1.223
Segment of product line	15	2	5	3.53	1.125
Geographical market	15	1	5	2.93	1.100
Valid N	15				

Source: Fieldwork, 2015

In the above Table 4.7 above, a 5-point rating scale was used, where 1=not at all used, 2=used to a low extent, 3=used to a moderate extent, 4=used to a great extent and 5=used to a very great extent.

4.3.4 Grand strategies

This sub-section describes the different grand strategies adopted by multinational pharmaceutical companies in coping with competition in Kenya. The data is presented in tabular formats for ease of interpretation.

Data provided in this subsection include extent to which companies implement grand strategies. Also provided is a summary of all the strategies adopted by multinational pharmaceutical companies to cope with competition in Kenya and the respective extent.

Table 4.8 Extent to which companies implement grand strategies

Grand Strategy	N	Minimum	Maximum	Mean	Std. Deviation
Concentric growth	17	1	4	2.35	1.115
Market development	17	1	5	3.41	1.543
Product development	17	2	5	3.59	1.121
Innovation	17	1	5	3.71	1.611
Horizontal integration	17	1	5	2.65	1.656
Vertical integration	17	1	5	2.24	1.200
	17				

Source: Fieldwork, 2015

In the above Table 4.8 above, a 5-point rating scale was used, where 1=not at all used, 2=used to a low extent, 3=used to a moderate extent, 4=used to a great extent and 5=used to a very great extent.

As Table 4.8 shows, the most popular grand strategies adopted by Multinational Pharmaceutical companies in Kenya are innovation and product development, with mean scores of 3.71 and 3.59 respectively. This is consistent with other studies (PWC, 1999) that found out that the pharmaceutical industry is popular with the blockbuster model of innovation. This involves pharmaceutical firms investing on the discovery of a few drug molecules, promoting them heavily and turning them into blockbusters.

Product development was also popular because of the vast off-label use of drugs that have become rampant. A classical example is the use of aspirin as a prophylaxis measure in management of heart attack. Initially, aspirin was used mainly used in management of pain disorders but introduction of this new use increased its market.

The least popular grand strategies were concentric growth and vertical integration, with mean scores of 2.35 and 2.24 respectively. These firms did not deem focusing the firm's resources on the profitable growth of a single product as a sustainable source of competitive advantage. These Pharmaceutical MNCs also were skeptical in engaging in acquisition of firms below or above their level of the production-marketing chain. These firms focused more on their core competencies so as to be more effective and efficient in their operations.

Table 4.9 Strategies adopted by pharmaceutical MNCs for competition in Kenya

Strategy adopted	N	Minimum	Maximum	Mean	Std. Deviation
Aggressive construction of efficient scale facilities	17	1	5	4.06	1.435
Vigorous pursuit of cost reductions	17	2	5	3.00	1.000
Tight cost and overhead control	17	1	5	2.53	.943
Avoiding marginal cost accounts	17	1	5	3.35	1.115
Cost minimizations	17	1	5	2.76	1.091
Offering low price products	17	1	4	2.12	.928
Design/brand image	17	4	5	4.76	.437
Technology	17	2	5	4.18	1.286
Product features	17	2	5	4.65	.862
High quality customer service	17	3	5	4.71	.686
High Quality distribution channels	17	3	5	4.59	.618
High quality professionals	17	5	5	5.00	.000
Concentric growth	17	1	4	2.35	1.115
Market development	17	1	5	3.41	1.543
Product development	17	2	5	3.59	1.121
Innovation	17	1	5	3.71	1.611
Horizontal integration	17	1	5	2.65	1.656
Vertical integration	17	1	5	2.24	1.200
Valid N	17				

Source: Fieldwork, 2015

In the Table 4.9 above, a 5-point rating scale was used, where 1=not at all used, 2= used to a low extent, 3=used to a moderate extent, 4=used to a great extent and 5=used to a very great extent.

4.3.5 Other strategies

Companies also reported the use of other approaches in their bid to attain and sustain competitive advantage. These included,; establishment of an interactive ERP system that allows suppliers to view product movement, strategic location of the region's headquarter and aggressive marketing activities.

4.4 Discussion

This section delves into discussing the key findings of the study. It endeavors to compare the findings of the study with the various theoretical foundations of the study. It also endeavors to compare the findings with other studies carried out in the same line.

4.4.1 Comparison with theory

This study is consistent with the dynamic capability theory which was one of the theories anchoring this study. The multinational pharmaceutical firms expressed dynamic capability in that they were able to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece et al, 1997). Pharmaceutical firms were able to restructure their capabilities as need arose. They were able to offer low price products to cope with the generic pharmaceutical companies. They also engaged in innovator products to cope with the brand medicines markets. The pharmaceutical MNCs actively engaged in intangible assets in a bid to achieve success. These assets included technological know-how, intellectual property and business process know-how.

This study is also consistent with the resource based view theory where the pharmaceutical MNCs in the study possessed unique capabilities that enabled them attain and sustain competitive advantage. These pharmaceutical firms were able to achieve competitive advantage based on the unique resources, skills and capabilities they control. Multinational pharmaceutical firms have a relatively higher abundance of human and financial resources compared to their local counterparts. As is observed from the

findings, they are able to employ differentiation strategy approaches through a highly skilled personnel and use of innovation to cope with competition.

4.4.2 Comparison with other studies

The study established that all multinational pharmaceutical firms were foreign owned although at varying extents. All these corporations did engage in strategic management and had mission and vision statements. This is consistent with findings of Aosa (2011) discovered that foreign companies engaged more extensively in aspects of strategic management than local companies.

Rosli (2012) observed that Malaysian firms placed low to moderate emphasis on innovation strategy in coping with competition. This is in contrast to what was observed in this study where there was high emphasis on innovation as a strategy to cope with competition.

This study is also consistent with findings depicted by Ndubai (2003) who found out that innovation and aggressive advertising were dominant strategies adopted in the pharmaceutical industry. The finding on use of strategic alliances, joint ventures, mergers and acquisitions by multinationals to cope with competition in Kenya is consistent with the argument by Mintzberg and Quinn (1992) that as organizations grow large, they diversify and then divisionalize.

The findings are also consistent with those depicted by Ogutu (2012) that MNCs favored a myriad of strategies in coping with competition in Kenya. He found out that the most

popular strategies employed included innovation, better quality products, differentiation and cost cutting measures.

Multinational firms are seen to favor innovation and product developments grand strategies to cope with competition in Kenya. Multinational pharmaceutical firms are majorly involved innovation because they have the requisite resources in the forms of financial and managerial. These firms have access to resources throughout the international corporate network.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of findings, recommendations and conclusion. The study sought to achieve one objective: to determine strategies adopted by multinational pharmaceutical companies to cope with competition in Kenya. Based on this objective and variables drawn from the literature review, a questionnaire was developed and used as the data collection tool.

Collected data was analyzed using frequencies, percentages, mean scores and standard deviation. The research objective was taken into consideration in the discussions. The chapter concludes by suggesting recommendations for adoption, limitations of the study and suggestions for further research.

5.2 Summary of findings

The study found that 82% of the Multinational pharmaceutical corporations are foreign owned, while only 18% are both locally and foreign owned, suggesting that majority of these corporations are owned by non-citizens. Foreign MNCs sometimes have to pursue strategies directed by the headquarters so this plays a major role in determining strategies that these firms adopt.

The key objective of the study was to determine the strategies adopted by multinational pharmaceutical firms to cope with competition in Kenya. It was noted that Pharmaceutical MNCs in Kenya have adopted a number of strategies including cost minimization measures, provision of high quality customer service, brand images, state of the art technology, high quality professionals, concentric growth, market development, product development, innovation, mergers and acquisitions to cope with competitive challenges.

It was noted that the strategy rampantly adopted by these firms was differentiation strategy. Pharmaceutical MNCs strived to differentiate their product and service offering, creating something that is perceived industry wide as being unique. The grand strategies that were popular among these firms included innovation and product development. These firms prefer to come up with innovator drugs that allow them to sell these drugs at premium prices as they become patented.

It was also established that since most drugs have an array of off the label use, these companies are able to develop these products and marketing them for off the label use helping to expand their markets.

5.3 Conclusion

The main conclusion that can be drawn from this study is that majority of multinational pharmaceutical companies in Kenya are foreign owned and from different countries of origin. The strategies adopted by these firms do not differ since most of them are completely foreign owned and depend on their experience with the Kenya's business

environment in development and implementation of strategies to cope with competition in Kenya.

5.4 Implications of the study

From the study findings, it is vital for pharmaceutical MNCs to develop a policy of having local representations in their boards in the foreign countries that they operate. This will have a positive effect in that the board will be informed of the root market needs to be addressed as a way of adapting the firm to the host country business environment.

Local pharmaceutical companies are now able to understand the strategies adopted by multinational pharmaceutical companies to cope with competition in Kenya. They are now able to understand why multinational pharmaceutical companies never always achieve sustainable competitive advantage even in the face of turbulent Kenyan business environment. With these strategies they will be able to understand how to more effectively compete with MNCs.

This study contributes to the existing body of knowledge with regard to the concept of strategy in the pharmaceutical industry context. It has provided a better understanding on how firms develop and implement strategies to allow them achieve and sustain competitive advantage.

5.5 Limitations of the study

There were two major limitations encountered in carrying out this study. Firstly, it was observed from the study that different MNCs adopted strategies to cope with competition in different extents. The first limitation therefore was that the study did not fully

investigate the reasons why the various pharmaceutical MNCs in the study were different in the extent to which they adopted certain strategies.

In organizational practice, different strategies and their implementation determine the success or failure of particular organizations. This was not considered in this study. In this regard therefore, the second limitation was that the study did not delve into investigating the extent to which various strategies impacted on pharmaceutical MNCs performance.

5.6 Suggestions for further research

It is strongly recommended that further research in this line of study could make an in-depth investigation reasons why pharmaceutical multinational corporations in the study were different in the extent to which they adopted certain strategies of coping with competition.

Further research should also be carried out to determine the role of headquarters in adoption of strategies in a given host country. Further research is also recommended in the area of performance. An in-depth study should be carried out to determine the extent to which various strategies impacted on the performance of the pharmaceutical multinational corporations in the country.

REFERENCES

- Acquaah, M. & Yasai-Ardekani, M. (2008). "Does the implementation of a combination competitive strategy yield incremental performance benefits? A new perspective from a transition economy in Sub-Saharan Africa." *Journal of Business Research*, 61, pp.346-354
- Aosa, E.(2011)."Strategic Management within Kenya firms." *Africa Management Review*, Vol. 1 No 1, pp 25-36.
- Babbie, E. R. (2002). *The practice of social research*. California: Wadsworth Publishing company.
- Barrie, J. (1984). "Strategic Planning Under Fire." *Sloan Management Review*, 25(4), Summer, pp. 57-62.
- Bierly, P. & Chakrabarti, A. (2014). "Generic knowledge strategies in the U.S. pharmaceutical Industry". *Strategic Management Journal*, Vol. 17, No.2 pp.123-135
- Chandler, A. (1962). *Strategy and Structure: Chapters in the History of American Industrial Enterprise*. Cambridge, Massachusetts, MIT Press.
- Cherutich, K. S. (2007). *Competitive strategies of Health Management Organizations*. Unpublished MBA Research project, School of Business, University of Nairobi.
- Drucker, P. (1954). *The Practice of Management*. Harper and Row, New York.
- Export Processing Zones Authority. (2005). *Kenya's Pharmaceutical Industry 2005*. Retrieved on 29/07/2015 from www.epzakenya.com/UserFiles/File/Pharmaceutical.pdf.
- Faulkner, D. & Bowman, C. (1995). *The Essence of competitive strategy*. Prentice Hall, London.
- Gakombe, K.K. (2002). *Analysis of the Industry Forces and Strategic Choices Adopted by Private Hospitals in Nairobi*. Unpublished MBA Research, School of Business, University of Nairobi.
- Johnson, G., Scholes, K & Whittington, R. (2008). *Exploring Corporate Strategy (eighth edition)*. London, England: Pearson Education Limited.
- Karanja, P. (2002) *Competitive Strategies of Real Estate Firms; The Perspective of Porter's Model*. Unpublished MBA project, School of Business, University of Nairobi.
- Ndubai, N. (2003). *Competitive strategies Applied by Retail sector of the Pharmaceutical Industry in Nairobi*. Unpublished MBA project, School of Business, University of Nairobi.

- Obado, O. (2005). *Competitive Strategies Employed by the Sugar Manufacturing Firms in Kenya*. Unpublished MBA project, School of Business, University of Nairobi.
- Ogutu, M. & Mbula, C. (2012). "Strategies Adopted By Multinational Corporations to Cope With Competition in Kenya." *DBA, Africa Management Review* Vol. 2, No 3, pp 69-82.
- Pearce, J. A., & Robinson, R. B. (1991). *Strategic Management – Strategic Formulation, Implementation and Control*. Irwin, Boston.
- Pearce, J. A., & Robinson, R. B. (2000). *Strategic Management – Strategic Formulation, Implementation and Control*. Irwin, Boston.
- Pharmaceutical Sector Profile of Kenya. Global UNIDO Project (2010). "Strengthening the Local production of essential generic drugs in the least developed and developing Countries." Retrieved on 29/07/2015 from http://www.unido.org/fileadmin/user_media/Services/PSD/BEP/Kenya
- Porter, M.E. (1998). *Competitive advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Porter, M. E. (1987). "The State of Strategic Thinking." *The Economist*, 23 May 1987, pp.21-28.
- Rosli, M. M. (2012). "Competitive Strategy of Malaysian Small and Medium Enterprises." *American International Journal of Contemporary Research*, Vol. 2, No. 1, pp. 93-106.
- Sirengo, L. (2013). *Globalization strategy and Performance of Pharmaceutical Industry in Kenya*. Unpublished MBA project, School of Business, University of Nairobi.
- Steiner, G.A.: "Formal Strategic Planning in the United States Today." *Long Range Planning*, 16(3), June 1983, pp.12-17
- Teece, D. J., Pisano, G. & Sheun, A. (1997). "Dynamic Capabilities and Strategic Management", *Strategic Management Journal*, 18, 590-33.
- Theuri, B. (2003). *Competitive Strategies Adopted by Branded Fast Food Chains in Nairobi*. Unpublished MBA Project, School of Business, University of Nairobi.
- Thompson Jr, A. A., Strickland III, A. J. & Gamble, J.E. (2007). *Crafting and Executing Strategy: The Quest of Competitive Advantage (Fifteenth Edition)*. New York, USA: McGraw-Hill/Irwin.
- Wernerfelt, B. (1984). "A resource-based view of the firm." *Strategic Management Journal*, vol. 5, no. 2, pp. 171-180

APPENDICES

Appendix I: Introductory Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE... 9TH SEPT 2015

TO WHOM IT MAY CONCERN

The bearer of this letter... DR. BEVIN LIHAUDA LIKUYAJOI


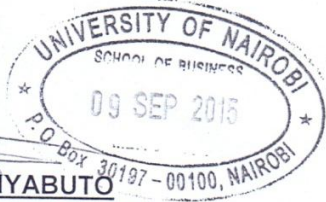
Registration No... DL/67849/2013

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: List of Multinational Pharmaceutical Corporations in Kenya

- 1. Adcock Ingram**
- 2. Astrazeneca**
- 3. Aurobindo**
- 4. Bayer Pharmaceutical**
- 5. Eli lily**
- 6. Europa**
- 7. Glaxo SmithKline**
- 8. Glenmark**
- 9. Harleys ltd**
- 10. Highchem ltd**
- 11. Johnson & Johnson**
- 12. Kulal**
- 13. LaborexPharma**
- 14. Mac Naughton**
- 15. Medisel**
- 16. Medox**
- 17. Novartis**
- 18. Pan pharmaceuticals**
- 19. PSI Kenya**
- 20. Roche**
- 21. SanofiAvensis**
- 22. Sun pharmaceuticals**

Source:

www.epzakenya.com/UserFiles/.../Pharmaceutical%20Sector%20profile

Appendix III: Questionnaire

This questionnaire seeks to collect data about the strategies adopted by multinational pharmaceutical corporations to cope with competition in Kenya.

PART I: COMPANY PROFILE

Q1. What is the name of your company?.....

Q2. What is your position in the company?.....

Q3. How long have you worked for your firm?

- a) Less than 1 year ()
- b) 1-5 years ()
- c) 6-10 years ()
- d) 11-15 years ()
- e) Over 15 years ()

Q4. How long has your company been in operation?

- a) Less than 1 year ()
- b) 1-5 years ()
- c) 6-10 years ()
- d) 11-15 years ()
- e) Over 15 years ()

Q5. Please indicate the percentage of foreign ownership of your firm:

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

Q6. What is the size of your company according to number of employees?

- a) Below 149 ()
- b) Between 150-299 ()

- c) Between 300-449 ()
- d) Above 450 ()

PART II: GENERIC COMPETITIVE STRATEGIES

Q7. Does your firm have a written?

a) Vision statement Yes () No ()

b) Mission statement Yes () No()

Q8. If yes (above) who is involved in development of business strategy? Kindly tick as appropriate

a) The CEO ()

b) The different functional managers ()

c) Others (specify).....

Section A: Overall cost leadership

Q9. Do your customers ask for price discounts? Yes () No ()

Q10. Do you normally give the price discounts? Yes () No ()

Q11. To what extent do you use the following as a means of obtaining and sustaining competitive advantage? Kindly tick as appropriate

Strategy adopted	Very high extent	High extent	Moderate extent	Low extent	Not at all
	5	4	3	2	1
Aggressive construction of efficient scale facilities					
Vigorous pursuit of cost					

reductions					
Tight cost and overhead control					
Avoiding marginal cost accounts					
Cost minimizations in areas e.g. R&D, sales force, advertising etc.					
Offering low price products					

Section B: Differentiation

Q11. Do you strive to create products that could be considered unique industry wide?

Yes () No ()

Q12. If yes (above), to what extent do you use the following approaches to distinguish your products from others in the industry? Tick as appropriate.

Strategy adopted	Very high extent	High extent	Moderate extent	Low extent	Not at all
	5	4	3	2	1
Design/Brand image					
Technology					
Product features e.g. packaging, color matching etc.					

Provision of high quality customer service					
High quality distribution channels					
High quality professionals					

Section C: Focus

Q13. Do you focus the above (Q11 & Q12) chosen approaches to a chosen particular buyer group, segment of the product line, or geographic market?

Yes () No ()

Q14. If yes, which approaches do you apply to your chosen particular segment?

a) Q11 ()

b) Q12 ()

c) Both ()

Q15. To what extent do you focus the above approaches on the following chosen particular segment? Tick as appropriate.

Target segment	Very high extent	High extent	Moderate extent	Low extent	Not at all
	5	4	3	2	1
Buyer group					
Segment of Product line					
Geographical market					

PART III: GRAND STRATEGIES

Q17. To what extent do you use the following approaches to gain competitive advantage? Tick as appropriate.

Grand Strategy	Very High extent	High extent	Moderate extent	Low extent	Not at all
	5	4	3	2	1
Focusing the firm's resources on the profitable growth of a single product, in a single market with a single dominant technology (concentric growth)					
Marketing and selling your firm's products in new markets through cosmetic modifications of existing products or adding channels of distribution (market development)					
Substantial modification of your firm's existing products or new related products that can be marketed to					

existing customers (product development)					
Innovation					
Acquisition of firms in the same level of the production-marketing chain as your firm (horizontal integration)					
Acquisition of firms below or above your level of the production marketing chain (vertical integration)					

Q18. What other approaches do you use to gain competitive advantage?

- 1)
- 2)
- 3)