APPLICATION OF BUSINESS LEVEL STRATEGY BY GLAXOSMITHKLINE IN RESPONDING TO COMPETITION IN KENYA

BY

IMBAI SYLVIA JANIRA

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DECLARATION

I certify that this proposal is my original work and has not been presented previously for a degree in University of Nairobi or any other university for examination purpose.
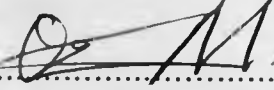
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Date...14\.11\.\2011...............

Sylvia Imbai.

This proposal has been submitted for examination with my approval as a University supervisor.

Signature
....Date...14/11/2011.....................

E.O Mududa

Lecturer

School of Business

University of Nairobi

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DEDICATION

Dedicated to my mother and father for their undying love.

ABSTRACT

The objective of this study was to determine the responses by GlaxoSmithKline to competition on the basis of its business level strategy by assessing the response in Kenya. The study adopted a case study method focusing on managers in various business units involved in the development and implementation of GlaxoSmithKline's business level strategy in the face of competition. An interview guide was used to collect data from the sample.

GlaxoSmithKline's' application of business level strategy was to remain competitive and meet customers' needs to enable people do more feel better and live longer. The researcher established that: the main forces in the external environment of GSK were legal and socio-cultural factors. The main source of competition was the violation of intellectual property with the major competitive response being advertising while expansion into regional markets was cited as being a major growth strategy employed by GSK.

Legal challenges were cited as the major challenges faced in the implementation of the business level externally while the lack of adequate resources was mentioned as the main internal challenge. The change management issue that stood out during the implementation of the business level strategy was the fear of losing positions. The main response in managing change was training of employees to enable them effectively implement the business level strategy. Organizational structure handicaps were smoothened out through consultations as a way of aligning the organizational structure to the business level strategy.

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ABBREVIATIONS

EPZ   Export Processing Zone

GSK   GlaxoSmithKline

KEMSA   Kenya Medical Supply Agency

OTC   Over-The-Counter

AD   Antibiotics and Dermatology

AHP   Anesthesia, Hospitals and Pharmacy

AR   Antibiotics and Respiratory

HR   Human Resources

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

According to Andres (1971) to meet and exceed customer satisfaction, an organization needs to follow an overall organizational strategy. A successful strategy adds value for the targeted customers over the long run by consistently meeting their needs better than the competition does. Strategy is the way in which a company orients itself towards the market in which it operates and towards the other companies in the marketplace against which it competes. It is a plan an organization formulates to gain a sustainable advantage over the competition.

Holland & Batiz (2004) assert that the pharmaceutical industry develops, produces, and markets drugs licensed for use as medications. Pharmaceutical companies can deal in generic and/or brand medications. They are subject to a variety of laws and regulations regarding the patenting, testing and marketing of drugs. The beginning of contemporary pharmaceutical industry can be traced to the late 19th century, when dyestuffs were found to have antiseptic properties. Roche, Ciba-Geigy, and Sandoz all begun as family dyestuff companies based near the Rhine in Basel, Switzerland, which moved into synthetic pharmaceuticals and eventually became key manufacturers. Penicillin was a major discovery for the sector and during the 1940s and 1950s Research and Development (R&D) became key in the industry. The industry grew rapidly in the 1960s, gaining from revolutionary inventions that had permanent patent protection. Regulatory controls on clinical development and marketing were light and healthcare spending boomed as economies prospered.

Two landmark occurrences were recorded in the 1970s. Firstly, stringent regulatory controls on clinical trials were introduced which led to a rise in development costs. Secondly, enactment of legislation to set a fixed period on patent protection (typically 20 years from initial filing as a research discovery) led to the appearance of "generic" medicines. Generics have exactly the same active ingredients as the original brand, and

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stakeholders. This type of strategy is critical and has the owners playing a major role in its formulation. It provides the guidelines for major decisions that are made in the organization.

Business Level Strategy on the other hand focuses on the competitive strategy of the organization and how an organization competes successfully in a particular market. It involves decisions on: the choice of products, meeting needs of customers, gaining advantage over competitors and exploiting or creating new opportunities. Operational level Strategy – deals with how the various components of an organization are integrated to fulfill the corporate and business-unit level strategic direction. Operational strategy focuses on resources, processes and people in a given organizational setting (Howe, 1986).

Bryson (1988) asserts that the most important strength of any business should be directed towards meeting the needs of the targeted clients to enable it obtain returns that are above the average. This is achievable through Business-level strategies. Business level strategies provide a breakdown of activities that will   provide value to customers and gain a competitive advantage by maximizing core competencies in specific products or services. Business-level strategy focuses on an organization's position in an industry, relative to competitors. Customers are the basis for a company's business-level strategies. They address the target group, the needs to be served and how to go about meeting these needs.

1.1.2 Typical responses by organization to competition

Porter (1979) affirms that organizations are faced with making decisions in obtaining competitive advantage: to compete on price or cost; or the range of the market. These issues form basis for the four generic competitive strategies that include; Overall Price (Cost) Leadership that involves appealing to a mass market by providing products at knock down prices. This implies that the organization strives to provide products at the lowest prices possible. Activation of this strategy needs consistent and revolutionary methods of cutting down costs while leaving all the positive attributes of the product

intact that have attracted consumers to a product. It also needs an organization to gain an edge over the competition using techniques that are hard to imitate. This strategy is usually appealing due to: the industry having similar products, consumers react whenever prices change, and differentiation attainment is usually an uphill task, common user needs and buyers have a significant role in the market.

Differentiation that involves attracting the masses by offering features such as superior technology, quality, prestige, special features, service, convenience that make customers willing to pay premium prices. To gain advantage with this type of strategy qualities should be hard or too costly for rivals to imitate. Sustainable differentiation usually comes from advantages in core competencies, unique company resources or capabilities, and superior management of value chain activities. Some conditions that tend to favor differentiation strategies are: multiple ways to differentiate the product that consumers believe has substantial value, buyers having different needs for the product, product innovations and technological change are rapid and competition emphasizes the latest product features, and where fewer competitors are following a similar differentiation strategy; Price (Cost) focus which is a market niche strategy, concentrating on a narrow customer segment and competing with lowest prices, which requires having lower cost structure than competitors. For this strategy to succeed, the business must be new with modest resources, the organization lacks the resources to tap into a wider part of the market; the product is used for multiple purposes; consumer segments vary widely; industry leaders do not view niching as part of their strategy; and rivals are not targeting the identified niche; Differentiation focus which is niche strategy, concentrating on a narrow customer segment and competing through differentiating features; Best-Cost Provider Strategy where the organization attempts to provide customers the best cost combination, by integrating key good-or-better product characteristics at a lower cost than competitors. This strategy is a mixture or hybrid of low-price and differentiation, and targets a segment of value-conscious buyers that is usually larger than a market niche, but smaller than a broad market. Successful implementation of this strategy requires the company to have the resources, skills, capabilities to incorporate up-scale features at lower cost than competitors. This strategy could be attractive in markets that

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have both variety in buyer needs that make differentiation common and where large numbers of buyers are sensitive to both price and value (Porter, 1979).

1.1.3 Pharmaceutical Industry

EPZ (2005) asserts that the pharmaceutical industry in Kenya comprises of manufacturers, distributors and retailers, who are proactively involved in the growth and advancement of the health sector in the country in partnership with the government of Kenya. The pharmaceutical sector is made up of 30 licensed entities that include local manufacturing companies and large Multi National Corporations (MNCs), subsidiaries or joint ventures. They are mostly located in the capital city, Nairobi. These companies have a total workforce of 2,000 with the lion's share of employees being involved in the actual production process. The industry compounds and packages medicines, repacking formulated drugs and processing bulk drugs into doses using predominantly imported active ingredients and excipients. Majority of their products comprise of non-sterile, over the-counter (OTC) products. The number of organizations in the industry continues to grow sparred by government incentives that aim at developing a local pharmaceutical sector.

The Kenya Medical Suppliers Agency (KEMSA), a division of the Ministry of Health, undertakes the distribution of pharmaceutical products in Kenya. It distributes drugs to state owned medical facilities as well as private facilities. KEMSA has been an autonomous body since 1st July 2003. Its objective is to avail critical drugs and equipment to public medical facilities but not limited to state owned centers. Pharmaceuticals in Kenya are distributed through pharmacies, chemists, health facilities and shops. There are about 700 registered wholesale and 1,300 retail dealers in the country. The drugs on sale in Kenya are sold according to the outlet categorization, which can be described as free-sales/ OTC, pharmacy technologist dispensable, or pharmacist dispensable/prescription only (EPZ, 2005).

1.1.4 GlaxoSmithKline

GlaxoSmithKline is a UK based second largest pharmaceutical & healthcare company in the world Headquartered in the UK and having listing on both New York stock exchange

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and London stock exchange. GSK is one of the industry leaders, with an estimated seven per cent of the world's pharmaceutical market. GSK is the only pharmaceutical company researching both medicines and vaccines for the World Health Organization's three priority diseases HIV/AIDS, tuberculosis and malaria (GSK, 2008).

According to GSK's Corporate Review 2001, Glaxo, originated in New Zealand, where it was founded in 1873 by Joseph Nathan. In 1995, Glaxo took over Wellcome for £9bn, in what was then the biggest merger in UK corporate history. Wellcome Foundation established in 1936 had been financing medical research by the time of the merger and appeared lucrative enough. The merger created Glaxo Wellcome a formidable pharmaceutical company (GSK, 2008).

In January 2000, GlaxoWellcome and SmithKline Beecham announced their $76bn proposed merger and shareholders approved by 99 per cent majority of shareholders, which was expected to give the combined company a global market share of 7.3 per cent and an R&D budget of $4bn. Theoretically, it was a horizontal merger which created a global pharmaceutical giant, GlaxoSmithKline. According to GSK's annual report of 2008, the company employs over 100,000 people, has more than 80 manufacturing sites in 37 countries, and makes almost four billion packs of medicines and healthcare products each year. GSK spends £8 million (US$14 million) on research and development each day (GSK, 2001).

GSK is devoted to discovering and developing new and innovative medicines, vaccines and health care products for people around the world. Every day, GSK strives to improve the quality of human life by enabling people to do more, feel better and live longer.

GlaxoSmithKline (2010) asserts that the organization is listed company incorporated on 6th December 1999 under provisions of the laws of England. Its stock is publicly traded on the London and the New York bourses. GlaxoSmithKline (GSK), its subsidiary and associated companies form a massive international healthcare group engaged in the creation, discovery, development, manufacture and marketing of pharmaceutical and consumer health-related products. GlaxoSmithKline (GSK) has its main office in London and its US

headquarters in Research Triangle Park, North Carolina. The organization has a presence in 120 countries including Kenya which serves as a regional hub for the East and Central African region. The products of the organization are dispensed in over 150 territories globally.

The key strategic priorities of the organization are: to grow a diversified global business; deliver products of value; and simplification of the operating model to improve efficiency and minimize the overall costs to the organization. GSK's pharmaceutical products are directed to nine main therapeutic areas including dermatologicals following the acquisition of Stiefel Laboratories in July 2009 (GSK, 2010).

1.2 Research problem

Strategy focuses on the long term goals of an entity. It also aims at giving an organization the edge over the competition in any market. A strategy attempts to match the resources of an organization with the core activities of that organization. Strategy could require major changes in resources as organizations expand (Johnson and Whittington, 2008). Gerry & Leevan (2002) contend that business level strategy deals with how an organization can compete with rivals successfully in a given market to deliver returns for the shareholders and meet its main objectives. Business level strategy attempts to position an organization in the market in a manner that allows it to remain on top of its game as far as competition is concerned.

Business level strategy is all about devising and developing a plan of action to utilize the resources at the disposal of an organization as well as critical strengths and unique attributes to gain an edge over the competition. Business level strategy is a determinant of the long term success and sustainability of the products of any organization hence the need for any organization to pay keen attention to this level of strategy (Gerry & Leevan, 2002).

In the local market, GlaxoSmithKline faces formidable local and international rivals in the supply of pharmaceuticals. Apart from that, the organization operates in an environment where legislation is weak and government oversight almost non-existent

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spurring a counterfeit industry that makes the ground tilted towards players adopting unfair practices. The huge importation of generic drugs is also a major threat to the business. In Kenya like other developing African countries, governments keenly consider costs and seek value for money by importing generic drugs that are affordable and within the reach of most citizens.

Research by Lofgren (2002) concludes that the critical quality of generic drugs is that they cost less than their original brand. Public and private third-party payers therefore have taken them up through measures such as generic prescribing. Reference pricing schemes, that take advantage of the price competition brought about by the entry of generics, have been introduced in many developing nations especially in Africa. The uptake of generics through reference-based pricing is based on the principle that a drug's benefits should be compared systematically to alternative drug treatments.

GSK thus faces a cocktail of challenges in the Kenyan market in its attempt to be the market leader and deliver value for the shareholders. The business level strategy seeks to address these challenges and ensure that the organizational goals are met. This paper studied the business level strategy of GSK and how it has positioned the organization in the local pharmaceutical industry. The study was guided by such questions as:

    i.   What are the effects of the business level strategy to GlaxoSmithKline?

    ii.   What are the challenges faced in implementing the business level strategy?

1.3 Research Objective

The objective of this study was to determine the responses by GlaxoSmithKline to competition on the basis of its business level strategy.

1.4 Value of the study

The study will be useful to the management of the GlaxoSmithKline Kenya office as it analyzes the business level strategy adopted, its weaknesses and challenges. The information obtained can be of great use to the management in fine-tuning its strategy, the control process and developing systems that will further reinforce the strategy.

The study is significant to the general public because the researcher hopes that this study can increase general knowledge to enable them understand business level strategy through the analysis done of the data collected at GlaxoSmithKline. The findings of the study also can help other researchers who want to carry out research on business level strategy in the various industries of the Kenyan economy. The study can form the basis for further research by scholars in business level strategy.

CHAPTER TWO: LITREATURE REVIEW

2.1 Introduction

Various authors and researchers around the world have conducted research and written articles on business level strategy. This chapter will review the available literature in the area of strategic management and business level strategy as well as the theories linked to the business level strategy.

2.2 Strategic Management

Strategic management provides overall direction to the organization. Drucker (1986) states that strategic management is a systems approach to pointing out and implementing the needed transformation and gauging the performance of an organization as it moves towards attaining its ultimate objectives. Strategic management is a system that joins strategic planning and decision making to the day to day affairs of operations management (Gluck, Kaufman, and Walleck, 1982). Goodstein et al (1992) assert that the process of strategic management involves the leadership of an organization envisioning its future and formulate the necessary policies to achieve the future goals. Haines (1995) observes that strategic managers identify long-range targets, scan their environments, evaluate their organization's structures and resources, match these to the challenges they face. They also identify stakeholders and build alliances, prioritize and plan actions, and make adjustments to fulfill performance visions of the company.

2.2.1 Levels of strategy

Porter (1979) argues that strategy can be formulated on three business levels. These are: Corporate Level Strategy which focuses on broad decisions about an organization's scope and direction. This level considers the changes that need to be instituted to meet the expansion goal and strategy for achieving. It also looks at the lines of business and how these lines of business fit together. The three functions under corporate strategy are- growth strategy that defines the growth objective, ranging from retrenchment through stability to varying degrees of growth and how to achieve them; portfolio strategy that

looks at existing portfolio of lines of business; parenting strategy that deals with how to allocate resources and manage capabilities and activities across the portfolio;

Competitive Strategy on the other hand concentrates on how to compete successfully in each of the lines of business the company has chosen to engage in. The objective is how to build and improve the company's competitive position for each of its lines of business. A company has competitive advantage whenever it can attract customers and defend against competitive forces better than its rivals. Companies want to develop competitive advantages that have some sustainability Fruitful competitive strategies entails building uniquely strong or distinctive competencies in one or several areas critical to success and using them to maintain a competitive edge over rivals. Examples of distinctive competencies are superior technology or product features, better manufacturing technology and skills, superior sales and distribution capabilities, and better customer service and convenience;

Functional level strategies are strategies that are used in short-term activities which each functional area within a company undertakes in order to implement the broader, longer-term corporate level and business level strategies. Each functional area has a number of strategy choices that interact with and must be consistent with the overall company strategies. Key functional areas include: marketing, finance, production, operations, research and development, and human resources management.

2.2.2 Strategic planning

Strategic planning is the core of the work of an organisation. Without a strategic framework you don't know where you are going or why you are going there. Bryson (1988) contends that strategic planning identifies the goals of the organization and analyzes the external and internal environments as the basis for developing a strategy, implementing it and having controls that compare the actual to the projected and taking remedial measures where deviations are detected. The process involves; determining a mission and objectives, environmental scan, strategy formulation, strategy implementation and control.

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The mission statement defines the organization's vision, values and aims of the company and targets that guide the pursuit of future opportunities. Guided by the business vision, the management can outline measurable financial and strategic objectives. Financial objectives involve measures such as sales targets and earnings growth. Strategic objectives relate to the firm's business position, and may include measures such as market share and reputation (Howe, 1986).

Environment scan entails: internal analysis of the firm, assessment of the organization's industry and external macro-environment (PEST analysis). The internal assessments points out the strengths and weaknesses and the external assessment identifies opportunities and threats. The components' of this assessment form a SWOT analysis. Industrial assessment involves an assessment of the specific industry in which the organization operates in (Andres, 1971).

When formulating a strategy the organization utilizes the information from the environmental scan to link its areas of strength to opportunities and tackles weaknesses and external threats after which the identified strategy is actualized through programs, budgets, and procedures. Implementation involves maximization of the organization's resources and motivation of the staff to achieve objectives. The implementation of the strategy must be monitored and changes made where deviations are noted.

2.3 Theoretical framework

2.3.1 Porters five forces theory

Porter (1979) provided a framework that models an industry as being influenced by five forces. He argues that industries are influenced by the following five forces: Rivalry-in the traditional economic model, competition among rival firms drives profits to zero. But in real life, competition is not perfect and firms are not unsophisticated passive price takers. Organizations strive for a competitive advantage over their rivals. The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences. Where rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of a leading firm, or informal compliance with a generally understood code of

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conduct. Explicit collusion generally is illegal and not an option; in low-rivalry industries competitive moves must be constrained informally.

Porter (1979) observes that a maverick firm seeking a competitive advantage can displace the otherwise disciplined market. When a rival acts in a way that elicits a counter-response by other firms, rivalry intensifies. The intensity of rivalry commonly is referred to as being cutthroat, intense, moderate, or weak, based on the firms' aggressiveness in attempting to gain an advantage. In pursuing an advantage over its rivals, a firm can choose from several competitive moves: changing prices - raising or lowering prices to gain a temporary advantage; improving product differentiation - improving features, implementing innovations in the manufacturing process and in the product itself; creatively using channels of distribution - using vertical integration or using a distribution channel that is novel to the industry; exploiting relationships with suppliers.

Threat of substitutes refers to substitute products in other industries. A threat of substitutes exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products - as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices. Buyer Power refers to the impact that customers have on a producing industry. Where buyer power is strong, the relationship to the producing industry is near to a monophony - a market in which there are many suppliers and one buyer. Under such market conditions, the buyer sets the price. The other force by Porter is the supplier Power, which refers to the raw materials required by a producing industry e.g. labor. This requirement leads to buyer-supplier relationships between the industry and the firms that provide it the raw materials used to create products. Suppliers, if powerful, can exert an influence on the producing industry, such as selling raw materials at a high price to capture some of the industry's profits (Porter, 1979).

The fifth force by Porter is barriers to entry. Under this force, Porter observed that it is not only incumbent rivals that pose a threat to firms in an industry; the possibility that new firms may enter the industry also affects competition. In theory, any firm should be

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able to enter and exit a market, and if free entry and exit exists, then profits always should be nominal. In reality, however, industries possess characteristics that protect the high profit levels of firms in the market and inhibit additional rivals from entering the market. These are barriers to entry (Porter, 1979).

2.3.2 Game Theory

The game theory assesses strategic interactions in which the outcome of one's choices depends upon the choices of others. For a situation to be considered a game, there must be at least two rational players who take into account one another's actions when formulating their own strategies. If one does not consider the actions of other players, then the problem becomes one of standard decision analysis, and one is likely to arrive at a strategy that is not optimal. Game theory assumes that one has opponents who are adjusting their strategies according to what they believe everybody else is doing. The exact level of sophistication of the opponents should be part of one's strategy. If the opponent makes his/her decisions randomly, then one's strategy might be very different than it would be if the opponent is considering other's moves. To analyze such a game, one puts oneself in the other player's shoes, recognizing that the opponent, being clever, is doing the same. When this consideration of the other player's moves continues indefinitely, the result is an infinite regress. Game theory provides the tools to analyze such problems (Howe, 1986).

Game theory can be used to analyze a wide range of strategic interaction environments including oligopolies, sports, and politics. Many product failures can be attributed to the failure to consider adequately the responses of competitors. Game theory forces one to consider the range of a rival's responses. Elements of a Game are: players, actions, information, strategies, outcomes, payoffs and equilibrium. When evaluating a situation in which game theory is applicable, the following framework is useful: Define the problem; identify the critical factors; build a model, such as a bi-matrix game or an extensive form game; develop intuition by using the model; formulate a strategy. A sound strategy could be used as a set of instructions for someone who knows nothing about the problem. It specifies the best action for each possible observation. The best

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strategy may be formulated by first evaluating the complete set of strategies. The complete set of strategies is a list of all possible actions for each possible observation (Drucker, 1986).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The main focus of this chapter was to describe the methods which were **used to collect** data, research instruments for data collection, data collection procedures and data analysis techniques.

3.2 Research Design

Research design provides a framework for planning and conducting a study. This study adopted a case study method. A case study is a research methodology based on in-depth investigation of a single individual, group or event. Case studies provide a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher gains a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research. Case studies therefore lend themselves to both generating and testing hypotheses (Mugenda & Mugenda, 1999).

3.3 Data Collection

The study focused on managers in various business units involved in the development and implementation of GlaxoSmithKline's business level strategy in the face of competition. The role of the managers is usually to; coordinate and integrate unit activities so that they conform to organizational strategies (achieving synergy) by navigating the markets in which they compete in such a way that they have a competitive advantage relative to the other businesses in their industry.

The managers targeted were to be from the following business units: Augmentin, Antibiotics and Dermatology (AD), Anesthesia, Hospitals and Pharmacy (AHP), Suprapen, Proximexa, Clavulin, and Vaccines. The researcher adopted a stratified random sampling approach that categorized the managers of GlaxoSmithKline into various business units.

This study used an interview guide to collect data. The interview guide was used to collect data from the sample. The instruments were developed and organized on the basis of the research questions to ensure relevance to the research problem.

The researcher sought authorization to conduct the research from the management of GlaxoSmithKline. The researcher distributed the questionnaires personally to the respondents and agreed on the dates for collection. The questionnaires were self administered but observation was noted down.

3.4 Data Analysis

Data obtained from the field in raw form is difficult to interpret. Mugenda and Mugenda (1999) assert that raw data must be cleaned, coded, key- punched into a computer and analyzed. It is from the results that researchers make sense of the data. After cleaning, editing and coding, all the collected data was analyzed using both qualitative and quantitative approaches. The study generated both qualitative and quantitative data. It was analyzed using descriptive techniques of data analysis such as Frequencies, percentages, averages and means obtained were to be used to arrive at objective conclusions. Data was presented using tables and graphs.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter deals with the presentation of results relating to the study variables. It analyses the application of business level strategy in responding to competition in accordance with the research objectives.

The chapter is divided into four major parts. namely: characteristics, the effects of business level strategy on GSK and the challenges in the implementation of the business level strategy at GSK.

Data has been presented using frequency tables. bar charts and graphs from the results obtained from seven line managers. The test runs used include: graphical trends, and spearman's rank correlation.

4.2 Response Rate

The researcher managed to interview five business unit managers out of the seven which reflects a response rate 71.41% as illustrated in Table 1.

Table 1: Business Lines

Unit	Informants
Augmentin	Unit Manager
Antibiotics and Dermatology (AD)	Unit Manager
Anesthesia, Hospitals and Pharmacy	Unit Manager
Suprapen	Unit Manager
Proximexa	Unit Manager

The researcher was thus able to get managers who have the sufficient and adequate experience to provide information that would achieve the objectives of the study with regard to business level strategy.

4.3 Demographics

All the informants were line managers for the business units targeted. In Figure 1 Six of the ten informants interviewed which works out to 60% had been at GSK for between 6-9 years, while three out of ten informants had been at the company for over nine years.

Figure 1: Years of Experience

■ 1-5 years   ■ 6-9 years   ■ Over 9 nine years
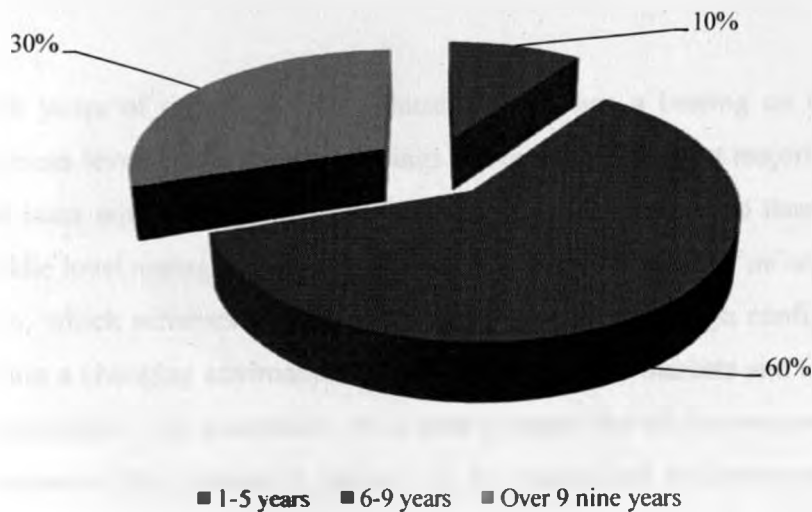
Figure 2 on the education level illustrates that two thirds of the informants or 66% held a bachelors degree an indication that they had the necessary academic qualifications.

Figure 2: Educational Level
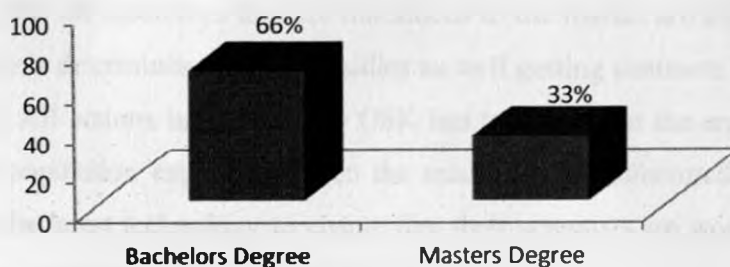
Both years of experience and education level has a bearing on the understanding of business level strategy. From findings above we can see that majority of the respondents had been with the organization for between 6 to 9 years and these would typically be middle level managers who provide the direction and scope of an organization over long-term, which achieves advantage for the organization through configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholders' expectations. The possession of at least a degree for all the respondents means that the experience they possess is backed up by educational achievement would help put the strategic thinking on a intellectual level.

4.4 Effects of Business Level Strategy

4.4.1 Main External Forces

GSK like all other organization is environment dependant and thus not exempt from effects from macro environment that consists of Political, Economic, Social, Technological, Ecological and Legal factors (PESTEL). For GSK rating legal forces as being the most influential factor, this is would be because of legal and regulatory that the company has to operate under. This is because of the sensitive nature of the pharmaceutical sector that has to comply with regulations from the Pharmaceutical and

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Poisons Board, the ministry of health, Kenya Medical Association, Kenya Bureau of Standards among others.

The social cultural environment plays an important part, because of the use of herbal medicines that are still relied by most Kenyans, and the economic environment in ensuring that all medicines that are introduced to the market are affordable. The political environment determines mainly subsidies as well getting contracts to supply government hospitals. All actions undertaken by GSK has to comply to the environment and ensure minimal population especially given the medicines manufactured locally. GSK has to also use the latest technology to ensure that their scientists are working hard to discover new ways of treating and preventing diseases.

GSK has a business level strategy that is employed to remain competitive.78% of informants cited legal forces as some of the main environmental forces that GSK faced in its operations. Only 42% of the informants cited technological forces as some of the external forces influencing its operation.

4.4.2 Relevance of Business Level Strategy
A successful business strategy boils down to managing change and continuously ensuring relevance to the various stakeholders. Customers would be the main focus for any strategic implementation. This would entail exploiting different segments of the market or taking advantage over competitors through cost leadership, and product diversification.

4.4.3: Business lines

The informants mentioned that GSK had seven business lines all targeting different diseases and markets as per Table 3 below:

All these products have been brought about through GSK continuous investment in research and development as well as strategic acquisitions and alliances of many pharmaceutical companies. This is in line with their global strategy to have a diversified global business, deliver more products of value and simplifying the operating model.

Table 2: Business Lines

Unit	Nature of Market
Augmentin	Hospitals and Pharmacies
Antibiotics and Dermatology (AD)	Bacterial infections and skin diseases
Anesthesia, Hospitals and Pharmacy	Hospitals and Pharmacies
Suprapen	Hospitals and Pharmacies
Proximexa	Hospitals and Pharmacies

4.4.4 Main source of competition

GSK's policy has been to try to obtain patents on commercially important, protectable inventions discovered or developed through our R&D activities. Patent protection for new active ingredients is available in major markets and patents can also be obtained for new drug formulations, manufacturing processes, medical uses and devices for administering products. However the presence of a patent does not prevent counterfeits from flooding the market and consumers are not in a position to differentiate valid genuine products.

Though GSK's business is science-based and technology-intensive, the challenge is always to keep pace with technology before competitors have. The life of a patent in Kenya is 20 years, that is 10 years from filing date and renewal for further periods of 10 years. However the long development time for pharmaceutical products may result in a substantial amount of this patent life being used up before launch and thus expiry of the patent. GSK main source of competition was violation of intellectual. Technological advances and presence of counterfeit were also a source of completion for.

4.4.5 Competitive Tendencies

A company's strategy–related decisions and actions that reflect a company's awareness of how, when, and where it should compete, against whom it should compete and for what purpose it should compete. For GSK advertising plays an important role given that the adverts plays important guide of informing customers of new products in the market. Price cuts would ensure that its product is affordable to all. Lobbying comes in handy when getting contracts from the government which forms the bulk of where Kenyans access their Medicare. Differentiation would help distinguish GSK's products like Panadol from other paracetamals manufactured by other companies.

On the competitive tendencies within business line advertising was cited as the most common competitive tendency while differentiation and price cuts were also an influential tendency on competition.

4.4.6 Technological Response

For a pharmaceutical company, research and development is critical to produce leading pipeline of products that deliver value for healthcare providers, and customers. For GSK their strategy is focusing on disease areas where the company believes the prospects for successful registration and launch of differentiated medicines are greater. Pharmaceutical software would ensure integration of their diverse products in a format that can ensure managers can get reports on specific products and the organization as a whole and thus make informed decisions. Website advertising for GSK mainly ensures that customers can get information on their various products.

4.4.7 Growth Strategy

For GSK, regional expansion to neighboring countries is a priority given that's its presence in East Africa is only limited to Kenya. GSK first on its ability is ability to attract, develop and retain top talent. On cost control and expanding distributors, this is in line with focusing on the best science and the research and development and streamlining its processes.

Expansion into regional markets was the major growth strategy at GSK. Recruitment of qualified personnel and expansion of distributorship was also a key growth strategy cited

4.4.8 Role of advertising

Pharmaceutical firms are characterized by the importance of new technologies and special skills, and tend to differentiate their products through intense advertising which sustains and reinforces their oligopolistic nature of this industry. This is aimed at creating customer loyalty and mainly expansions to new markets.

4.4.9 The Role of Human Resources Department

Formal HR strategies are important to ensure that everyone is aware of them and therefore easy implementation of these strategies. For GSK, recruiting, retaining and developing its employees are critical to enhancing and sustaining the company's performance and reputation and this is achieved through the three levels as per the table above. Training is key especially on its research and development of new products is key to GSK's products. On recruitment, proactive talent acquisition initiatives underpin GSK's ability to attract specialist and leadership talent externally. The performance and development planning process means employees have business-aligned objectives and behavioural goals. GSK reward systems are geared to promote high performance and help to attract and retain the best people. Performance-based pay, bonuses and share-based equity plans align employee interests with business targets.

Seven of the nine informants which works out to 77% felt that the role of the human resources department was to train staff and to equip them with the necessary competencies to enable them face the competition and implement the business level strategy as shown in Table 5, however a significant number of respondents 66% thought that recruitment of qualified staff would give GSK a competitive advantage over its competitors and positively influence the implementation of business level strategy.

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4.4.10 Effects of Business Level Strategy

Regional performance for GSK is driven by the successful capacity expansion to meet government orders and a strong retail performance. Innovation of its products and lower cost are also major reasons underlying its diversification.

In managing innovation and creativity, six of the nine informants which works out to 66% said that a budget had been set aside specifically to support innovation and creativity; fifty five percent of informants or 5 out of nine cited the promotion of individuals who showed high levels of creativity; and forty four percent mentioned that bonuses given to individuals who had excelled in creativity were part of the innovation and creativity management strategy.

On the effects of the business level strategy in responding to competition, sixty six percent cited the exploiting of new opportunities such as venturing into regional markets.

4.5 Challenges in Implementing Business Level Strategy

The major challenges facing strategy implementation arises where it may be the wrong strategy i.e. the formulation process was wrong hence not implementable under the prevailing circumstances or it is not clearly communicated and understood. For GSK as found out, these challenges arises because of communication, given the changing legal and regulatory environment, the economy of the East African region and high interest rates for its financing activities. Herbal medicines pose a challenge mainly because of education of customers as well as the volatile political climate in the region.

4.5.1 Internal Challenges

Strategy implementation requires resources which comprises both material and human that an organisation has at its disposal for implementing the strategy. They include financial, physical human and technical. Strategy is presumed to be realistic if the required resources are available and its allocation represents management commitment to the plan of action. For GSK the financial constraint comprises of a the main component, while skills, and resistance and organizational structure.

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4.5.2 Changes Issue

Change in organization's structure facilitates strategy implementation in an organization. For GSK look to facilitate organizational change use a variety of means to communicate their organization's values and beliefs. They may often and openly discuss such values and beliefs in meetings, internal publications, magazine articles, videotapes, media coverage, etc. Training is also an effective way organizational beliefs can be absorbed and assimilated.

4.5.3 Change Management Tackling

A leader's ability to powerfully articulate a compelling and viable vision is critical for initiating organizational change by enhancing followers' openness toward change, collective efficacy to radically transform the status quo, and trust in the leader's vision. The effectiveness of a leader's visionary behavior may be viewed, in part, as the magnitude of organizational changes that are facilitated in the organization. For GSK change management challenges were tackled through training of staff and appointments of change agents in the organization.

4.5.4 Tackling Organizational Structure Challenges

The most suitable organizational structure is one that is capable of supporting the strategy and the relevant systems needed by the organisation to track and monitor the progress. The cornerstone of strategy implementation is building an organisation capable of carrying out the strategy successfully. Challenges that come with the organizational structure were tackled through consultations across departments as cited by eight out of ten informants or 80 %. Matrix structure for implementation of new business level strategy was cited as an influential way of tackling organization structure challenges. Constant communication and training of business line heads were also noted by six of the ten informants or 60%.

4.5.5 Communication Challenges

Today's information age requires that communication is speedily transmitted internally, up and down as well as disseminating information from outside the organization. Despite the information overload that organizations experience today, it has been noted that continuous communication enhances strategy implementation for GSK Informants noted that communication was a challenge during the implementation stage due to the cultural and social diversity at GSK.

4.5.6 Overcoming Challenges in Implementation

When organization leadership encourages free and fast information flow, there develops a culture of co-operation and commitment as people understand where the organization is going. When corporate culture is aligned to strategy, people tend to rally behind the strategy leading to minimal resistance. Desired culture must flow from the top, and if need be new employees can be brought in from outside to change and align culture to the desires strategy. It is therefore important that corporate culture is influenced towards strategy for effective implementation. As for GSK the applicable ways to overcome strategy implementations are the training of employees at all level on the business level strategy was the main method applied in tackling the challenges faced in the implementation process agreed to by70% of the informants.

4.5.7 Strategic Management System

Strategy implementation includes building up systems in the organization capable of carrying out strategy successfully, allocating ample resources to strategy critical activities, establishing strategy supportive policies, instituting best practices and programs for continuous improvement, installing support systems ,tying reward structure to achievement of results, creating a strategy supportive corporate culture and exerting strategic leadership.

Four out of five or 80 % informants indicated that their business units maintained a policy manual on implementation of the business level strategy. Seventy percent of

informants said that the policy manual was critical in providing their business units greater consistency, both in internal and external workings. Fifty percent of informants said that the policy manual helped boost staff morale as guidelines are available on how to accomplish tasks. While five out of ten or 50% said that the policies and procedures in the policy manual were critical in the circumventing of certain legal requirements.

Eight in ten informants agreed that GSK has the strategic competitive capacity to implement business level strategy. The same informants also noted that GSK had a highly experienced and motivated workforce; sixty percent of informants said that GSK had low costs; while fifty percent mentioned the differentiation of company products was a strategy used to counter competition.

The entire informants agreed to have a strategic management system in place; however, eighty percent of informants said that the strategic management system had played a role in creating a critical mass for change. Seventy percent needed the speedy implementation of the business level strategy while only 25% of the informants were of the opinion that there needs executive team that serves as a model of cross-functional or horizontal teamwork in place.

4.5.8 Implementation of Strategy with Existing Organizational Structure

New strategy can fit into the current organizational if there is, fit between strategy and allocation of budgets, fit between strategy and organization systems of rewards and incentives, fit between strategy and internal policies, practices & procedures and fit between strategy and internal organization atmosphere

Eighty percent which works out of eight of the 10 informants agreed that the existing organizational structure of GSK was appropriate enough to support the implementation of the business level strategic initiatives.

Seven of the ten informants or Seventy percent of the informants said that their business units had a monitoring and evaluation strategy.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the finding as analyzed and interpreted in chapter four. The summary presents the findings in accordance with the objectives of the researcher which were: the effects of business level strategy and the challenges faced in implementing the business level strategy.

5.2 Summary

The objective of the study was to determine the responses by GlaxoSmithKline to competition on the basis of its business level strategy by assessing the response.

The findings indicate that all the informants were managers who had an experience mainly between 6 to 9years. These informants also found out these respondents each had at least a degree to complement their experience. This therefore means that the response obtained was from individuals who had been in their respective fields for a long time.

GSK main external challenges to implementation of strategy were legal and regulatory environment, technological forces, socio-cultural environment and economic environment. Relevance of business level strategy showed that the company policies on implementation of the business level strategy are updated on average half yearly. GSK has various products, brought about through GSK continuous investment in research and development as well as strategic acquisitions and alliances of many pharmaceutical companies. This is in line with their global strategy to have a diversified global business, deliver more products of value and simplifying the operating model.

GSK's policy has been to try to obtain patents on commercially important, protectable inventions discovered or developed through our R&D activities. Patent protection for new active ingredients is available in major markets and patents can also be obtained for new drug formulations, manufacturing processes, medical uses and devices for

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administering products. However the presence of a patent does not prevent counterfeits from flooding the market and consumers are not in a position to differentiate valid genuine products. On the competitive tendencies within business the company mainly used advertising and product differentiation.

On growth strategy for GSK, regional expansion to neighboring countries is a priority given that's its presence in East Africa is only limited to Kenya. This is achieved through advertising in influencing GSK's expansion and capture of new markets. Formal HR strategies are important to ensure that everyone is aware of them and therefore easy implementation of new strategies at GSK.

Regional performance for GSK is driven by the successful capacity expansion to meet government orders and a strong retail performance. Innovation of its products and lower cost are also major reasons underlying its diversification. The major challenges facing strategy implementation at GSK the challenges arises because of communication, given the changing legal and regulatory environment, the economy of the East African region and high interest rates for its financing activities. Herbal medicines pose a challenge mainly because of education of customers as well as the volatile political climate in the region.

5.3 Conclusion

GlaxoSmithKline's' mission is to improve the quality of human life by enabling people to do more feel better and live longer. Its business level strategy is therefore in place to not only ensure that GSK remains competitive in the market, but also meet the needs of the customers through availing products of value when needed, exploit new opportunities through expansion and product diversification such as tenders, brands and branded generics to improve efficiency. GSK invests heavily in research and development and acquisition of state of the art software in responding to technological advancement. The growth strategies employed at GSK include expansion into regional markets that has resulted in access of GSK medications by everyone across the social class which means

that everyone is now able to access quality medicine at affordable costs as a result of the price cuts.

Human resources department has also played an important role in the application of business level strategy in responding to competition by ensuring that the organization attracts and retains qualified staff through the recruitment policy. The Human resources department is also charged with the responsibility of ensuring staff are equip with the necessary competencies to enable them face the competition and implementation of the business level strategy by availing continuous development programmes in place through training.

Legal challenges were cited as the major challenges faced in the implementation of the business level externally while the lack of adequate resources was mentioned as the main internal challenge. The change management issue that stood out during the implementation of the business level strategy was the fear of losing positions. The main response in managing change was training of employees to enable them effectively implement the business level strategy. Organizational structure handicaps were smoothened out through consultations as a way of aligning the organizational structure to the business level strategy.

5.4 Limitations of the study

Every study inevitably encounters certain levels of limitations due to a variety of factors. Resource availability both in time and finances constrained researcher in having more participants from interviewing. Informants who were mainly senior managers are usually very busy hence the tendency not to give in-depth attention to the unstructured parts of the questionnaire.

Interviewing managers at this level in organization on strategy implementation is like asking them for a self evaluation, expected responses therefore are likely to be more positive than the true situation. Views from junior employees would have injected the necessary balance on the challenges and how the firms were responding to them.

5.5 Recommendations for further research

The researcher recommends that further study can be done in the following: Future surveys pharmaceutical companies can incorporate interviewing other junior staff in these firms to give a more balanced view and perception of employees on how the key elements in strategy implementation are being managed. These employees are really the foot soldiers in these firms and may have better solutions to implementation challenges as they know where the problems lie and if enabled know how to fix them.

Future studies should consider covering a number of pharmaceutical companies so that a comparison can be made. These studies should find out the success factors in strategy implementation. This can then be used by other firms that are carrying out strategy implementation to ensure they come out successful.

Further research may be extended to specific challenges to the pharmaceutical industry; these are on the legal challenges, intellectual property violations and expiry of patents that face the pharmaceutical industry in Kenya.

5.6 Recommendations for policy and practice

Business level strategy implementation is by means of programs, budgets, and procedures. This involves organization of the firm's resources and motivation of the staff to achieve objectives. However implementation of strategy faces various challenges and one of them is the way in which the strategy is implemented. In most cases different people from those who formulated the strategy do the implementation. For this reason, care must be taken to communicate the strategy and the reasoning behind it. Otherwise, the implementation might not succeed if the strategy is misunderstood or if the affected parties resist its implementation because they do not understand why the particular strategy was selected.

At the implementation of strategy implementation it involves identification of the key tasks to be performed. allocation of these tasks to individuals, providing for co-ordination of separated tasks, the design and installation of an appropriate management information

system, the drawing up of a specific programme of action including a time schedule down to the system of comparing actual performance with those standards, and the design of a system of incentives, controls and penalties appropriate to the individual concerned and the tasks to be performed.

Communication of the business strategy at all levels is very important. Effective communication ensures that the strategy is put into effect in all areas of the organization. Whereas crafting strategy is largely an entrepreneurial activity, implementing strategy is primarily an internal administrative activity. Whereas strategy formulation entails heavy doses of visions, analysis, and entrepreneurial judgment, successful strategy implementation depends upon the skills of working through others, organizing, motivating, culture-building and creating strong fits between strategies and how organization does things. Ingrained behaviour does not change just because a new strategy has been announced, hence the need to exercise exceptional leadership. Implementing strategy poses the tougher, more time-consuming management challenge. Practitioners are emphatic in saying that it is a whole lot easier to develop a sound strategic plan than it is to "make it happen"

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APPENDIX 1: A LETTER OF INTRODUCTION

Sylvia Imbai

C/o University of Nairobi

School of Business

P.O Box 30197

NAIROBI

07 July 2011

Dear Sir/Madam,

I am a post graduate student in the faculty of Commerce University of Nairobi. I am conducting a Project Research on application of Business Level Strategy by GlaxoSmithKline in responding to competition in Kenya.

In order to undertake the research, you have been selected to form part of the study. This is therefore to request your assistance in answering selected questions in the question guide. The information you give will be treated with strict confidentiality and is needed purely for academic purposes. A copy of the final report will be made available to you on request.

Your assistance and Co-operation will be highly appreciated.

Yours Sincerely

....

Sylvia Imbai   Mr.   E.O. Mududa

Student   Supervisor

APPENDIX II: INTERVIEW SCHEDULE

Part I: General Demographics

1. Your name...

2. Position in the company..

3. Business unit..

4. Number of years with the company..

5. Your Level of Education..

Part II: Main Questions

1. What are the main forces in the external environment of GSK?

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    ....

2. Does the company have Business Level Strategies?

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3. How often are the company policies on implementation updated? ....

   How relevant are the Business Level Strategies to current activities of the company?

   ....

   ....

   Are such strategies specific to each business line?

4. What are your business lines?

   ....

   ....

5. How many are they?

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6. What is the nature of each business line's market

   ....

   ....

7. What causes Competition to your business line

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8. What are the competitive tendencies within each line of your business

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9. What technological responses are employed in responding to competition?

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10. What growth strategies do you use to respond to competitions?

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11. What role does advertising play in the response to competition?

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12. What is the role of your human resources in the competitive response?

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13. How do you manage innovation and creativity in responding to competition?

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14. Describe the effects of the business level strategy in responding to competition.

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15. What are the external challenges faced in the implementation of the business level strategy

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16. Highlight any internal challenges that you face in the implementation of business level strategy.

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17. What are the resource planning and challenges that you face in the implementation stage of the business level strategy?

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18. What are the change management issues that arise during the implementation stage of the business level strategy?

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19. How do you tackle the challenges that come with the organizational structure during the implementation stage?

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20. What challenge does communication pose during the implementation stage?

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21. How do you overcome the challenges faced in the implementation of the business level strategy?

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22. Does your business unit maintain a policy manual on how to implement Business Level Strategies?

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Please elaborate...

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23. Does the company have the strategic competitive capacity to implement the Business Level Strategies formulated? ....

Please elaborate. ....

....

....

24. Does the company have a strategic management system?
Please elaborate...

....

How does it assist the influence of the application of Business level Strategy in responding to Competition?

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25. How appropriate is the current organization structure to support the implementation of your Business Level Strategic initiatives?

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26. Does your Business Unit have a monitoring and evaluation system? How are the projects designed so as to deliver results in line with the Business Level Strategy?

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Thank you.