

**COMPETITIVE STRATEGIES APPLIED BY MISSION FOR
ESSENTIAL DRUGS AND SUPPLIES (MEDS)**

BY

RIUNGU JAMES MWENDA

D61/P/8138/02

**UNIVERSITY OF NAIROBI
KIBERA LIBRARY**

A RESEARCH PROJECT

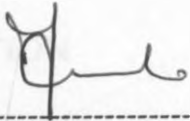
**SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE AWARD OF DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.**

SEPTEMBER 2007



DECLARATION

This management project is my original work and has not been presented for a degree in any other university.

Signed: -----

Date: 5-11-2007-----

Riungu James Mwenda

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

Signed: -----

Date: 5/11/2007-----

Prof. Evans. O .Aosa
School of Business,
University of Nairobi.

DEDICATION

This work is dedicated to all students of management and to Pauline Mugure Mwenda who provided me with consistent and selfless encouragement during the period of my MBA studies.

ACKNOWLEDGEMENT

My special regards and appreciation go to my supervisor Prof Evans .O.Aosa of the School of Business University of Nairobi without whose guidance and support, this work would not have been successfully accomplished.

Other members of both academic and non academic staff of School of Business university of Nairobi too deserve my commendation for their contribution in the realization of this research project. I thank you all for your support and guidance.

I am particularly indebted to my wife Pauline, my daughters Evelyn and Grace and my sons Mark and Caleb for their encouragement during the period of my studies.

Finally, I thank all those who in any contributed towards the realization of this Management Research Project.

TABLE OF CONTENTS

Declaration	ii
Dedication	iii
Acknowledgement	iv
Abstract	viii

1.0 Introduction

1.1 Background	1
1.1.1 Competitive Strategy	1
1.1.2 Medical Logistics Business	3
1.1.3 MEDS	6
1.2 Statement of the Problem	7
1.3 Research Objectives	8
1.4 Scope of the Study	9
1.5 Importance of the study	9

2.0 Literature Review

2.1 The Concept of Strategy	10
2.2 The External Environment and Strategy	11
2.3 Levels of Strategy	13
2.4 Significance of Strategy	14
2.5 Competitive Advantage	15
2.6 Porter's Generic Strategies	17
2.7 Competitive Strategies among Local Firms	2

3.0 Research Methodology

3.1 Research Design 23

3.2 Data Collection 23

3.3 Data Analysis 24

4.0 Findings and Discussion

4.1 Findings ----- 25

4.1.1 Overview -----25

4.1.2 MEDS Financing ----- 26

4.1.3 Key Successes and Achievements ----- 27

4.1.4 Challenges Facing MEDS ----- 28

4.2 Competitive Strategy Applied by MEDS ----- 29

4.3 Factors Influencing MEDS' Choice of Strategy ----- 31

5.0 Summary, Conclusions and Recommendations

5.1 Summary 33

5.1.1 Summary of Competitive Strategies Applied by MEDS 33

5.1.2 Summary of Factors Determining the Strategies Applied by MEDS
..... 33

5.2 Conclusions ----- 34

5.3 Recommendations ----- 36

5.4 Limitations of the Study ----- 37

5.5 Suggestions for Further Research ----- 37

References -----	38
Appendices -----	43

Abstract

The success and sustainability of any organization in a competitive environment is determined by its choice of strategy. This case study was an attempt to establish the competitive strategies applied by MEDS- a Medical Logistics Organization operating in Kenya. The study was also to establish the factors that have influenced the choice of strategy pursued by the organization.

Both primary and secondary data were collected. Primary data was collected from the senior managers using an interview guide. Secondary data was collected from the firm's records on file. The firm's general manager, the heads of Operations, Customer Services and Finance were interviewed. An in-depth study of firm's records on file was also carried out to ensure that accurate and reliable information was obtained for purposes of analysis.

The data collected was mainly qualitative in nature and was analysed using conceptual content analysis. This method is most suitable for analysis of qualitative data. Analysis of the collected data shows that MEDS has adopted a low cost focus strategy. The organisation serves a selected niche market comprising of mission (faith-based) health facilities and non-governmental organizations that provide humanitarian health services to the marginalised communities. The organization has a deep understanding of the chosen niche market segment and seems to satisfy its needs in a unique way. MEDS provides a complete health package of medicines, medical supplies and training to the chosen market segments.

The choice of low cost focus strategy appears to have been influenced by the fact that MEDS is a non-profit making faith-based organisation whose mission is to provide essential medicines and medical supplies to health facilities operating in resource limited settings. It is this unique and narrow niche market that has influenced the firm's choice of low cost focus strategy. Consequently, the firm enjoys a high degree of customer loyalty. This high degree of customer loyalty is to a large extent the determinant of MEDS competitiveness. It enables the firm to offer a tailor made health package to the customers in a way that the competitors cannot do.

The study had limitations since it focused on only one study unit. The findings therefore should be corroborated with a study of more than one unit in order to draw objective generalization about the competitive strategies applied by the medical logistics sub-sector of the health industry in Kenya.

CHAPTER 1: INTRODUCTION

1.1 Background

Pharmaceutical distributors in Kenya are today faced with intense competition. The competition is mainly due to an increase in the number of players in the sub sector, which has not been matched by an increase in demand for pharmaceuticals by the private market. This is as a result of improved distribution in the public sector, leaving the private distributors to compete for a limited market.

For the private firms to survive and grow, they are expected to develop appropriate competitive strategies. The strategies so developed are determined by the mission of the firm, its capabilities and the intensity of rivalry within the industry.

1.1.1 Competitive strategy

Strategy relates a firm to its environment. It is the link between a firm and its environment. There are three levels of strategy namely, corporate, business unit and operational. Strategy serves as a guide to the organization on what it is the organization is trying to do and achieve (Johnson and Scholes, 1999).

Competition in any given industry is based on three generic strategies namely, cost leadership, differentiation and focus strategy. Competitive strategies comprise both offensive and defensive action. In the face of competition, firms adopt various competitive strategies within the industry sectors (Porter, 1980).

According to Johnson and Scholes (1999), strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders. Strategy therefore helps to define the specific business of the firm in terms of products, market and geographical scope. Pearce and Robinson (2000), on the other hand, define strategy as a firm's game plan that enables the

firm to create competitive advantage. The firm needs to look at itself in terms of what the competitors are doing. Ansoff and Mc Donnell (1990) define strategy as a set of decision making rules for guidance of organizational behavior. Thus strategy is used as a yardstick to measure a firm's performance and to define its relationship with the external environment. Strategy also defines how a firm views itself within the industry and how it conducts its day to day business.

There is no single exhaustive definition of strategy. What emerges however is that strategy has to do with how a firm relates to its environment. This has to take into account the internal capabilities of the firm in relation to the external opportunities and threats. Whether at war or in business, strategy is all about winning against the enemy (competition). The success or failure of a strategy will depend on skillful formulation and effective implementation. All successful strategies have some common elements. They are based on simple consistent and long term objectives. They are also based on a profound understanding of the competitive environment and objective appraisal of available resources (Grant, 1998).

Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate. A competitive strategy therefore enables a firm to gain competitive advantage over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fail. A strategy is therefore a critical factor for success in any market and management needs to craft it carefully to ensure proper fit within the environment within which it is operating.

1.1.2 Medical Logistics Business

Medical logistics organizations (MLOs) provide the link between the manufacturers and the retailers of pharmaceuticals. MLOs were previously referred to as Drug Supply Organizations (DSOs), but have now acquired the name MLOs because they not only supply medicines but also provide other support services such as training. In general these organizations provide supplies and services to their clients. In Kenya, MLOs purchase the drugs from the local manufacturers as well as agents of multinational firms represented in the country and supply to end users who comprise the health care facilities and the retail chemists.

The pharmaceutical industry in Kenya is young and developing. The demand for pharmaceuticals is low due to low per capita income. The bulk of medicines to public health facilities are supplied by the government through appointed agents. The private market on the other hand is served by the private pharmaceutical distributors.

Broadly, the distributors can be classified into three categories namely public, mission (or NGOs) and private- for- profit. The public sector distribution is done by Kenya Medical Supplies Agency, (KEMSA), a parastatal owned by the government. KEMSA distributes medicines to public health facilities on behalf of the Ministry of Health. The medicines are distributed free of charge to the public health facilities.

Mission sector distribution is predominantly by Mission for Essential Drugs and Supplies (MEDS). MEDS distributes to the church health facilities and NGOs offering humanitarian health services. The medicines are distributed at cost plus a small mark up to cover MEDS operational costs.

The private distributors are many and spread across all the major towns in Kenya. They distribute to all health facilities including public, mission and private. They are able to offer competitive prices and personalized service due to their proximity to the health facilities. Competition among them is intense. They also compete with the other players such as public and mission distributors. However, they are small and fragmented.

The main players in the Kenyan market are Kenya Medical Supplies Agency (KEMSA) - a parastatal that supplies the government health facilities. KEMSA is the largest with an annual budget of KShs. 2.5 billion for medicines and medical supplies in 2006 (KEMSA Strategic plan 2005 - 2010). Mission for Essential Drugs and Supplies (MEDS) is the second major MLO with annual budget of KShs750 Million (2006). Other players include *Centrale Humanitaire Medico-Pharmaceutique* (CHMP), a French NGO based in Nairobi, *Uzuri*, and several small private distributors with annual budget of not more than Kshs.300 Million (Rousselle *et al*, 2006).

This sub-sector of the pharmaceutical industry has become very competitive. Firms must therefore adopt appropriate strategies to remain competitive. In the past, manufacturers used to give exclusive rights to a particular distributor to distribute their products to specific regions or zones. No other distributor would be allowed to operate in the designated zones. Today, no single distributor enjoys this exclusivity. Firms have allowed several distributors to operate in same regions or zones. This means intense competition for the distributors as they apply different strategies to attract customers. They have to compete for the limited customers (Mbui, 2004).

Worse still, there is no more zoning. Any distributor can sell to customers from any corner of the country. This complicates the operations of the players in this sub sector of the pharmaceutical industry (Mbui, 2004). Firms must therefore

adopt appropriate competitive strategies to remain in business. One such firm is Mission for Essential Drugs and Supplies (MEDS). In spite of the difficulties encountered by the players in this sub-sector, MEDS has managed to retain its niche market in the face of intense competition. Its niche is comprised of church health facilities; NGOs providing medical support to the poor and other community based healthcare projects (Banda *et al*, 2006).

In many countries, Non-Governmental Organizations (NGOs) play an important role in advocacy, financing and provision of healthcare, including pharmaceutical supply services. A faith-based organization such as MEDS is one such NGO. Although NGOs share of health services and essential medicines provision varies considerably between countries, in low income African countries, this can be up to 50% of curative services, (WHO, 1998). Kawasaki and Patten (2001) found that between 30% and 40% of health care services in developing countries was provided by faith-based healthcare facilities.

The proportion of the population served by 15 faith based MLOs in 10 countries in Africa in the year 2006, ranged from 25-60%, with an average of 43% (Banda *et al*, 2006). This indicates that public medicines supply systems do not cover the entire population and that faith-based supply organizations are a necessary complement to public systems. They concluded that the good performance by faith-based MLOs is due to their being managed as small businesses, their multiple procurement procedures, contracting out of services, competitive prices of quality medicines, and their highly motivated staff.

1.1.3 MEDS

Mission for Essential Drugs and Supplies (MEDS) is a Christian non-profit making organization based in Nairobi. It is a joint service of the Kenya Episcopal Conference (KEC) and the Christian Health Association of Kenya (CHAK). The organization was started in 1986 as an ecumenical partnership to improve accessibility to quality health care by church health facilities. It is now registered in Kenya as a Trust of KEC and CHAK. The operations of the firm are centralized in Nairobi's industrial area office.

MEDS mission is to promote accessibility to health for all through provision of essential drugs, medical supplies, training and other pharmaceutical services, guided by Christian, ethical and professional values. In pursuit of its mission, MEDS is guided by two broad objectives. These are to provide a reliable supply of good quality essential drugs and medical supplies at affordable prices and to improve the quality of patient care through provision of training services. MEDS provides training in all aspects of health and general management with specific emphasis on the essential drugs concept and rational use of drugs. The above services are targeted to mission health facilities and other humanitarian organizations that provide healthcare services to the marginalized communities.

In mid 1980's, the Kenya Government adopted the Essential Drugs Concept as a means of ensuring access to cost effective drugs by the majority of the country's population (Kenya National Drugs Policy, 1994). The World Health Organization (WHO) model essential drug list was used to develop the Kenya Essential Drug List (KEDL) based on the country's disease prevalence and patterns (KEDL, May 1993). The Government also strengthened its Central Medical Stores (CMS) to cater for drug requirements of public health facilities. Unfortunately with time, the Government through the structural adjustment programs reduced its budgetary allocation to fund health care and with this development, the

churches could no longer obtain all their medical supplies from CMS. This, coupled with the general poor economic conditions in Kenya, left the church health facilities struggling for survival. Also suffering were the poor Kenyans who depended on these facilities to get quality health care at affordable prices.

In 1986, the Churches through their respective health secretariats (CHAK and KEC) came together to address the problems facing their health facilities. It was observed that the facilities, which were providing health care services to a sizeable population especially among the poor, were suffering largely because they lacked collective bargaining power with the pharmaceutical suppliers. Subsequently, a joint procurement venture named MEDS was formed. The main objective of the venture was to source and avail good quality essential drugs to church health facilities at affordable prices. They were also mandated to provide training to workers in the facilities.

1.2 Statement of the Problem

Strategy relates a firm to its environment. It is the link between a firm and its environment. Strategy serves as a guide to the organization on what it is the organization is trying to do and to achieve. Competitive strategies comprise both offensive and defensive actions. In the face of competition, firms adopt various competitive strategies within the industry sector.

Past studies in Kenya have focused on the competitive strategies applied by the private-for-profit medical logistics organizations. This study will therefore focus on the strategies applied by a private not-for-profit organization, MEDS. MEDS is involved with distribution of medicines and training of health workers in faith based health facilities and non-governmental organizations that provide

humanitarian healthcare services to the marginalized people in Kenya and the neighboring countries affected by war.

Medical Logistics Organizations (MLOs) in Kenya are today faced with numerous challenges. The challenges include competitive pressures such as new sources of competition, very demanding customers, new technologies, and increased direct buying by large retailers, hospitals and Health Management organizations (HMOs). In the past, MLOs used to enjoy exclusive distribution rights in defined markets segments and territories. This exclusivity is not enjoyed any more. As a result, firms have to compete for the limited number of customers amongst many other competitors. In order to mitigate the above challenges, the various MLOs operating in Kenya are expected to develop appropriate competitive strategies in line with the external environment as well as the internal environment of the firm.

Mission for Essential Drugs and Supplies (MEDS), one of the MLOs in Kenya is facing such challenges. For it to grow and survive, it is expected to have competitive strategies. Does it have these strategies and which ones are they? And what factors influence the strategies pursued?

1.3 Research Objectives

1. To establish the competitive strategies applied by MEDS as a medical logistics organization in Kenya.
2. To establish the factors determining the choice of strategies pursued by MEDS.

1.4 Scope of the study

This research project was an in-depth study of the competitive strategies applied by MEDS, a medical logistics organization operating in Kenya. The study explored the strategies applied by the firm that have enabled it to remain competitive in the medical logistics sub-sector of the pharmaceutical industry. It also explored the factors influencing the choice of strategies pursued by the organization. The study focused only on MEDS as an organization and no other unit outside MEDS was considered.

1.5 Importance of the Study

The results of this study will add value to various groups. First, the result will benefit the pharmaceutical distributors by providing them with the appropriate competitive strategies applied in the sub-sector.

It will also be useful to other entrepreneurs who would like to engage in medical logistics business in Kenya.

Second, the research findings will be useful to policy makers in the health and pharmaceutical industry. It will form a basis for policy formulation by the government and other policy makers.

Thirdly, the outcome of this research will stimulate further study in the field of medical logistics. It will also add to the existing body of knowledge in strategic management.

CHAPTER 2: LITERATURE REVIEW

2.1 The Concept of Strategy

Organizations are open systems. They receive inputs from the environment, transform them into outputs and discharge them back into the environment. Thus organizations are environment dependent and environment serving. Strategy therefore relates a firm to its environment (Porter, 1980). It is the link between a firm and its environment.

Strategy can be formulated on three different levels, namely, corporate, business unit and operational level. While strategy may be about competing and surviving as a firm, one can argue that products and not organizations compete. Products are developed by the business units. The role of the organization then is to manage its business units and products so that each is competitive and so that each contributes to the organization's purposes (Porter, 1980).

Strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders (Johnson and Scholes, 1999). Strategy helps to define the specific business of the firm in terms of products, market and geographical scope. Strategy can also be considered as a firm's game plan that enables the firm to create competitive advantage (Pearce and Robinson, 2000). The firm needs to look at itself in terms of what the competitors are doing. This is critical because firms in the same industry tend to compete for the same customers. Ansoff and Mc Donnell (1990) define strategy as a set of decision making rules for guidance of organizational behavior. Thus strategy is used as a yardstick to measure firm's performance and to define its relationship with the external environment. Strategy needs to take into consideration both the immediate and remote environment.

There is no single exhaustive definition of strategy. What emerges however is that strategy is defined by how a firm relates to its environment. This has to take into account the internal capabilities of the firm which define the firm's competitive advantage. The success or failure of a firm's strategy will depend on skillful formulation and effective implementation. However, all successful strategies have some common elements. They are based on simple consistent and long term objectives. They are also based on a profound understanding of the competitive environment and objective appraisal of available resources (Grant, 1998).

2.2 The External Environment and Strategy

The essence of formulating competitive strategy is to relate an organization to its environment (Porter, 1980). All organizations are environment dependent and environment serving. They receive their inputs from the external environment and then process (transform) them internally into various output products (the process called throughput). The output products are sent back to the external environment for consumption. Thus an organization cannot operate in disregard of the external environment since that is where it gets feedback on the availability of raw materials as well as the product features most needed by its customers. This way the organization can modify both its input requirements and its products to meet the needs of the market.

The environment of a firm is never constant. Customers' tastes and preferences keep on changing. New players keep entering a given industry. Technology keeps evolving. Different business environments require different sets of strategies for a firm to succeed. Ansoff and McDonell (1990) note that the management system used by a firm is a determining component of the firms' responsiveness to environmental changes because it determines the way the management perceives environmental challenges, diagnoses their impact on the

firm, decides what to do, and implements decisions. As the turbulence levels change, management develops systematic approaches to handling the increasing unpredictability, novelty and complexity.

Management control of performance can only be adequate when change is slow. When change accelerates, but the future remains predictable by extrapolation of the past, management by extrapolation can be applied (Johnson and Scholes, 2002). Management by anticipation is applicable where discontinuities appear but change, while rapid, is still slow enough to permit timely anticipation and response. Where many challenges develop too rapidly to permit timely anticipation, management is through flexible/rapid response.

When formulating strategy, a firm has to put into account the external environment in relation to its internal capabilities. The aim is to create a competitive advantage for the firm. Competitive advantage is having an edge over rivals in attracting customers and defending against competitive forces (Johnson and Scholes, 2002). An organization will achieve competitive advantage through designing and implementing winning competitive strategies. Competitive strategies are those approaches and initiatives a firm takes to attract customers, withstand competitive pressures and strengthen its market position.

According to Kotler (1997), competitive strategy comprises both offensive and defensive actions. Offensive moves are those actions taken when an organization tries to exploit and strengthen its competitive position through attacks on a competitor's position. They include frontal assault which involves going head to head against a competitor in price, promotion, product features and distribution channels. Other offensive actions are attack on a competitor's weakness e.g. by placing products where competitors do not compete, and all-out attack, which entails hitting at competitors with similar products in the same market segment.

Others are maneuvering around competitors and Guerilla tactics such as small, intermittent, seemingly random attacks can wear down a competitor.

Defensive strategies on the other hand are meant to shield a firm's competitive advantage. An example is counter attack. Other defensive tactics include giving competitor's nothing to attack, e.g. by protecting products with patents and having exclusive contracts with suppliers. Other defensive tactics include making competitors believe that they will suffer if they attack, as well as lowering the incentive to attack e.g. lowering costs and hence the prices. These actions could be either short-lived tactical maneuvers or long-term activities. There can be as many competitive strategies as there are competitor's in a given industry. Kotler (1997) states that poor firms ignore their competitors; average firms copy their competitors; while winning firms lead the competitors.

2.3 Levels of Strategy

Johnson and Scholes (2002), identify three levels of strategy namely, corporate, business unit and operational. Corporate strategy is concerned with the overall purpose and scope of the organization to meet the expectations of the owners or major stakeholders and add value to the different parts of the enterprise. This level involves the top management of the firm, i.e. the chief executive officer and the board. Business unit strategy is about how to compete successfully in a particular market. It involves the person in charge of the business unit, e.g. the unit manager or the regional boss. Operational strategy is concerned with how the component parts of the organization in terms of resources, processes, people and their skills effectively deliver corporate and business-level strategic direction. This involves the day-to-day operations such as production, efficiency and effectiveness.

Thus whereas the corporate strategy is more concerned with the general direction to be taken by the whole firm and the business unit respectively,

operational strategy is more concerned with the steps necessary to reach the destination as per the direction taken. The decisions at the three levels need to be harmonized to facilitate efficient and successful realization of the overall objectives of the organization. The priorities of the firm are determined at the corporate level while the actual implementation is done at both the business unit and operational levels (Johnson and Scholes, 2002).

2.4 Significance of Strategy

Strategy provides an organization with a number of benefits. First, it provides better guidance to the entire organization on the crucial point of what it is an organization is trying to do and to achieve. It makes managers more alert to the winds of change, new opportunities and threatening developments. Strategy provides managers with a rationale to evaluate competing budget requests for investment capital and new staff. It also helps to unify the numerous strategy-related decisions by managers across the entire organization. Strategy creates a more proactive management posture, countering tendencies to be reactive and defensive. The above constitute the keys to better long-term performance of an organization.

Aggressive pursuit of a creative, opportunistic strategy can propel a firm into a leadership position, paving the way for its products and/or services to become the industry standard (Thompson and Strickland, 1996). It is the level of creativity in implementing the chosen strategy that determines the success of the organization rather than the strategy per se. An organization can have competitors that are acquainted with the same fundamental concepts and techniques and approaches it is following and are as free to pursue them. However, more often than not, the difference between their levels of success will lie in the relative thoroughness and self-discipline with which the organization develops and executes those strategies for the future (Thompson and Strickland,

1996). Thus, although information may be freely available in a given industry about the possibilities of success or failure, only those firms willing to formulate and implement winning strategies will survive and prosper. These firms will be the industry leaders.

2.5 Competitive Advantage

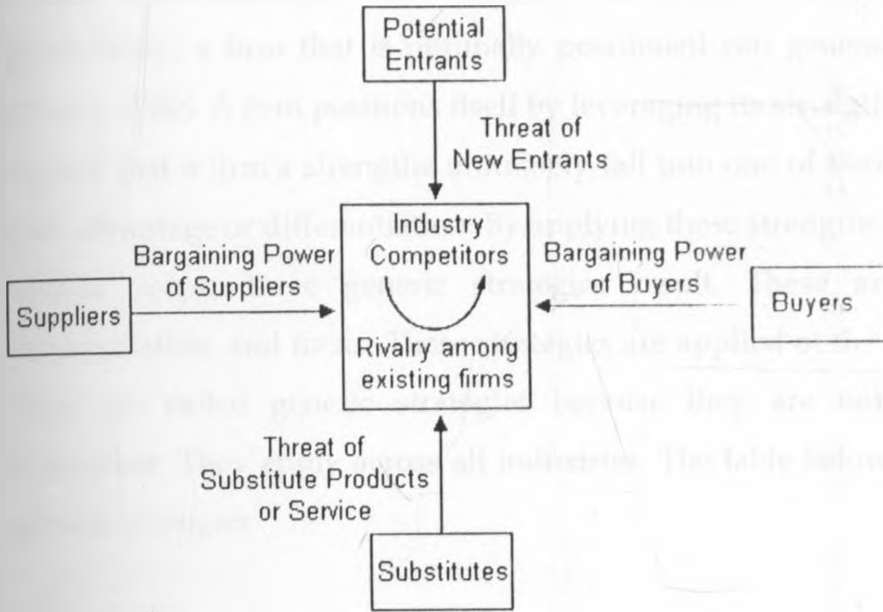
When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Porter, 1985). The goal of much of business strategy is to achieve a sustainable competitive advantage. An organization will gain competitive advantage over its competitors from an understanding of both markets and customers, and special competences that it possesses (Porter, 1985). A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus a competitive advantage enables a firm to create superior value for its customers and superior profits for itself.

Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation (Porter, 1985). A firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Mc Lauren (2004) argues that resources are the sources of a firm's capabilities, while capabilities are the source of a firm's competitive advantage.

Porter (1980) provides a framework that models an industry as being influenced by five forces (Figure 1). The strategic manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. The framework uses concepts developed in micro-economics to derive five forces that determine the attractiveness of a market. They consist of

those forces close to a firm that affect its ability to serve its customers and make a profit. A change in any of the forces requires a firm to reassess its marketplace.

Figure 1: Porter's Five Forces: A Model for Industry Analysis



Source: Porter, Michael. (1980), Competitive Strategy. Techniques for Analyzing Industries and Competitors. The Free Press. New York.

These forces include, bargaining power of suppliers, bargaining power of buyers, threat of substitute product and threat of new entrants. The above four forces combine with other variables to influence a fifth force, the level of competition in an industry. The intensity of rivalry among firms varies across industries. If 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 leading firm, or informal compliance with a generally understood code of conduct (Porter, 1980).

2.6 Porter's Generic Strategies

If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1980). A firm positions itself by leveraging its strengths. Porter (1980) has argued that a firm's strengths ultimately fall into one of two categories, namely cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result. These are cost leadership, differentiation, and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. They apply across all industries. The table below illustrates Porter's generic strategies.

Figure 2: Porter's Generic Strategies

Target scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (Low Cost)	Focus Strategy (Differentiation)

Source: Porter, Michael. (1980), Competitive Strategy. Techniques for Analyzing Industries and Competitors. The Free Press. New York.

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices. Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that

competitors may leap from the technology, nullifying the firm's accumulated cost reductions. Other competitors may imitate the technology leading to firm's loss of its competitiveness.

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (whether real or not). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. The risks to differentiation strategy include limitation due to production technology. The 'shelf life' of differentiation advantage is getting shorter and shorter. Customer tastes may also change and wipe out the competitive advantage.

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs. However, the risks involved in focus strategy include being at the mercies of powerful suppliers since such a firm will buy in smaller quantities. Small volume also means higher production cost leading to loss of economies of scale. Change in consumer taste or a technological change could cause such a firm's niche to

disappear. Cost leaders or big organizations may also gain interest in a particular niche, eroding the advantage of the focusing firm, (Porter, 1980).

2.7 Competitive Strategies among Local Firms

Nelson and Mwaura (1997) in a study of business strategies of medium-sized firms in Kenya found that respondents suffered a serious deficiency in marketing and customer- relation skills to handle competition at local and international levels. Some firms, especially those in the textile industry, were forced by competition to divest and invest in other product lines where competition was less severe. Other firms had to resort to more ingenious and subtle forms of competition such as quality and flexible services. Quality and flexibility have a personal touch, which is unique to each firm and cannot be replicated.

In the motor industry, Kombo (1997) found that due to economic reforms in the country, firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service.

In a study of strategic responses by firms facing changed competitive conditions, Njau (2000) found that competition led to changes in the company philosophies of East African Breweries Limited (EABL). The changes were aimed at serving the customer better and increase sales. The priority of the company's goals has changed significantly from growth and profitability to survival. Marketing, research and development policies have been strengthened significantly. It is worth noting that since the time of the above study, EABL's main challenger then, the Castle Breweries of South Africa, closed its operations in the Kenyan market. No other player in the beer industry has ever attempted a direct attack on EABL.

Mbayah (2001) states that prior to 1998, internet service providers (ISPs) in Kenya operated in a fairly uncompetitive environment. There were few firms and demand for their services was very high. A customer remained on an account with a given ISP no matter how bad the service and no matter the cost. By the year 2005, the number of players had increased by more than ten-fold. Top management of ISP firms had to think of new strategies for survival amidst the competition. Marketing and customer service became a priority. (In a case study of one Kenyan retail pharmaceutical firm, Mukuria (2002) concludes that the key strategic response to competition centers on customer care.) This last statement is a little out of place, tie it in with other pharmaceutical or related data.

Karemu (1993) in a study of strategic management in the retail sector found that there was intense competition among the supermarkets in Nairobi. The study found that service, location and varieties of merchandise were most mentioned as creating competitive advantage. In a study of real estate firm in Kenya, Karanja (2002) found that increase in the number of players has led to increased competition. The most popular type of competitive strategy was on the basis of focused differentiation. Firms tended to target certain levels of clients especially the middle and upper class who resided in certain targeted estates.

Ngatia (2000) in a comparative study of service providers and customers perception of service quality in the retailing industry summarizes several authors by saying that there is consensus that the retailing strategy to create a competitive advantage is through delivery of high quality service. In a study of competitive strategies applied by commercial banks, Gathoga (2001) concludes that banks have adopted various competitive strategies, which include delivery of quality service at competitive prices and at appropriate locations.

All these studies indicate that Kenyan firms are faced with increasing competition. The competition has led to adoption of various strategic responses

by local firms to survive the intense competition. Some of these strategies are common across the various industries while others are quite unique to each industry.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

This is a case study on a medical logistics organization, MEDS. The study seeks to gain insights into the organization's profile, competitive position and strategies for survival and growth. MEDS is the only faith based medical logistics organization in Kenya and occupies a unique position in the health sector by providing both products and services to complement the government. It is jointly owned by both the Catholic and Protestant churches and operates as a not-for-profit organization. Others players are government agencies, non-governmental organizations or private-for-profit enterprises. This makes the study unit unique in its basic characteristics and thus not easily comparable with the other players in the same industry.

A case study was thus chosen to allow for in-depth study of the firm that appears to occupy a unique position in the medical logistics sub sector of the health sector. Because of its emphasis on detail, a case study can provide valuable insights for problem solving, evaluation and strategy (Cooper, 1995). The other advantage of a case study is that it enables an in-depth study and understanding of the concerned unit (Mutuku, 2004).

3.2 Data Collection

In order to comprehensively study the competitive strategies applied by the organization, and to make valid conclusions, both secondary and primary data were collected. This is an important approach in a case study design as it requires that several sources of information be used for verification and comprehensiveness (Cooper and Schindler 2003). Secondary data was collected

from industry analysis reports and company data on file. Primary data was collected through an interview guide. Personal interviews with the General Manager and three senior managers of MEDS who represent the different departments were conducted. The three departments are Operations, Customer Services and Finance.

Data collection was done through personal interviews using an interview guide. An interview guide is preferred in a case study because it allows an in-depth exploration of the issues under investigation. It also allows the interviewer to follow a link and seek clarifications to obtain a clear understanding of the issues. Personal interview was selected as the most appropriate primary data collection method, taking into account the strategic approach of the study, as well as the complexity and the predominantly qualitative dimension of the phenomenon under investigation. This method is suitable for intensive investigations (Kothari, 1990).

3.3 Data Analysis

The data which was predominantly qualitative in nature was analyzed using conceptual content analysis. The contents of the detailed notes taken during the interview were analyzed to understand the competitive strategies used by the firm and the factors determining the choice of strategy. The information obtained from the interviews and other secondary sources was grouped in themes and categories (concepts) that define the strategies applied by the firm. This method has been used previously in similar studies by Mutuku (2004) and Karemu (1993).

CHAPTER 4: FINDINGS AND DISCUSSION

4.1 Findings

MEDS was established in 1986 to supply medicines and medical supplies to mission health facilities, and provide training to staff of the health facilities. "MEDS strategic focus is to maintain leadership in supplies of quality and cost effective products and services to mission health facilities and other humanitarian organizations as a niche target market", says Mr P. Manyuru the general manager, MEDS. This focus is in line with MEDS identity as a trust of the Christian Churches who are members of either Kenya Episcopal Conference (KEC) or Christian Health Association of Kenya (CHAK). MEDS is run by a board of trustees drawn from both the above constituents on an equal basis. Below the Board of trustees is a board of directors who are equally drawn from both constituents. The day-to-day operations of the organization are headed by a General Manager assisted by a team of 14 managers (MEDS, data on file).

MEDS is a "not-for-profit" organization and is thus exempted from income tax on income realized from trading activities. However, the organization pays customs duty, excise duty, pay-as-you-earn (PAYE) and value added tax (VAT).

The economic performance of the country directly affects the performance of MEDS since it serves clients operating in resource limited settings. These clients mainly comprise health facilities situated in rural and difficult to reach areas, and mainly serve the marginalized communities in Kenya. The services of MEDS are spread across the country and the neighboring countries such as Southern Sudan and Somalia. These war-torn and unstable countries are served by MEDS through NGO's based in Nairobi. By spreading its services across the country, MEDS makes it possible for the marginalized communities to access quality medicines at low prices. These services are highly rated by the society, especially

with regard to low cost and high ethical standards maintained by the organization (General Manager, MEDS).

MEDS Head of Finance and ICT pointed out that the organization is 100% computerized. The ICT infrastructure has enhanced the speed and efficiency of communication with customers, donors and other stake holders. ICT has also improved data and record keeping. Overall, it has increased the efficiency of operations and service delivery.

According to the head of Finance and ICT, MEDS' financial sustainability is as a result of prudent budgetary planning and good financial management. MEDS has two sets of operations namely main operations and training. Main operations are financed through a drug revolving fund and trade credit while training is financed through surplus from operations and funds from donors. The drug revolving fund was established in 1986 by donor partners who included World Health Organization (WHO), World Bank (WB) and Danish International Aid Agency (DANIDA). This constitutes the capital fund for the organization. The fund has grown over the years from kshs 200 million in 1986, through retained surplus to match the current level of operations (to kshs.750 million in 2006). The working capital is made up of trade credit from suppliers of products and services. "MEDS gets a 90 day credit from suppliers and extends a 30 day credit to its customers. The difference constitutes part of the working capital" says Head of Finance and ICT.

To ensure financial sustainability, MEDS has embraced good budgetary controls and management. The organization draws and operates within an annual budget. Zero budgeting ensures that expenses are always maintained at or below budget level. MEDS also ensures prudent financial management alongside intense fundraising programs to ensure financial sustainability.

The training component of MEDS services is financed through surplus from MEDS operations as well as through donor support. Most of the training programs are donor supported. A few, however, are financed partly by the organization and partly by the participants who pay a minimal fee of Ksh. 5,000 as registration fee for a 5-days residential training seminar. "Through partnership with United States International Aid (USAID), MEDS has been able to provide free training in the area of HIV/AIDS management to health workers in both mission and public hospitals" says Head of Customer Services and Training. Through such partnerships, MEDS has established itself as a very caring organization in support of capacity building in the country's health sector.

4.2 Discussion

Since its inception, MEDS has maintained a steady growth of a loyal and committed customer base. Customer base has grown from 150 in 1986 to 1400 in 2006 majority of them being the church health facilities that have been locked-in by membership and an annual surplus sharing scheme (MEDS data on file). The customers have a strong sense of belonging since the organization is faith-based. The number of non-governmental organizations that are customers has also increased steadily due to demand for their services in Southern Sudan and Somalia.

The range of products in the formulary has grown from 50 products (1986) to over 1500 products (2006). The number of products in the formulary is heavily informed by a formulary committee whose members are drawn from the University of Nairobi School of Pharmacy, medical practitioners from the church

health facilities, and pharmaceutical professionals within MEDS. "This committee ensures that the organization's inventory reflects the expressed needs of the customers" says Head of Operations. The formulary is based on the essential drugs concept as defined by the World Health Organization (WHO) and Kenya Essential Drugs List.

Being a faith-based organization, high ethical standards and professionalism has enabled MEDS to win and retain a pool of committed donors. These donors support various projects in the organization by providing funds and technical support. Observance of high ethical standards and professionalism has endeared the organization not only to donors but also the Government of Kenya. This has been demonstrated by the various joint programs and collaborative activities between MEDS and the Ministry of Health. Comprehensive social marketing and supply of quality products at low prices has won MEDS the loyalty of its clients. The organization extends technical support and pharmaceutical advisory services to the clients through field officers. The officers visit the facilities regularly to give support where it is needed. As they do so, they solicit for orders and collect payments that are due from the clients.

According to the General Manager, MEDS faces a number of challenges. First, the organization is located in an area with limited space, difficult to access and prone to floods whenever there is heavy rainfall. This has occasionally led to losses of stock as a result of floods. Due to space constraints logistical operations are compromised, leading to loss of efficiency. Second, delayed payment by debtors is straining the financing of its operations. Third, there is increasing donor fatigue and thus the challenge of raising enough funds to meet the operational budget. Fourth, the customers of MEDS are currently facing financial challenges due to poor patient load following improvements in public health services. Patients who were previously seeking services from mission hospitals

have migrated to the public hospitals where they receive free treatment. Consequently, the mission hospitals are not able to service their debts to MEDS when they fall due.

The organization is unable to counter the above challenges due to limited funds and low purchasing power of its customers. Being a not-for-profit organization, MEDS has no retained earnings that can be utilized to counter the above challenges and hence the organization has been forced to extend an appeal to non-conventional donors such as the government. There is also a move towards product diversification to meet the needs of non-conventional customers such as the International Non-Governmental Organizations whose needs vary from those of the traditional clients such as mission hospitals.

4.2.1 Competitive Strategy Applied by MEDS

According to the findings of this study, MEDS target market segment is narrow. The organization focuses on a narrow market segment comprised of mission health facilities and Non-Governmental Organizations that provide humanitarian health services in Kenya and neighboring countries such as Somalia and Sudan. MEDS' cost of providing products and services to her customers is low. The low cost prices are achieved through buying in bulk and hence enjoying the economies of scale. Since the organization operates on a zero budget, it is able to extend low prices to the customers. According to the Head of Operations, direct procurement from the manufacturers and service providers makes it possible to avoid the extra mark ups by middlemen in the health sector. Currently, only KEMSA and CHMP operate in a similar manner as MEDS. However, KEMSA is government funded and comparing its operations with that of MEDS would be misleading. CHMP on the other hand serves only the NGOs

market. All other players are for profit and their operations are geared towards realizing profits.

Quality assurance is a key marketing strategy for MEDS. This has enabled the organization to provide high quality products at below average industry prices. Quality is in-built at every stage of operations, thus assuring the customers of high quality products at low prices. MEDS serves a well selected and defined niche market comprised of not-for-profit healthcare providers whose needs are well understood and satisfied. The organization ensures that the identified needs of the niche market are satisfied in a manner that the competitors cannot easily do. Based on the above findings, it is apparent that MEDS has adopted a low cost focus strategy. This is illustrated in Figure 3, below.

Figure 3: Porter’s Generic Strategies showing MEDS Competitive Strategy

TARGET SCOPE	ADVANTAGE	
	Low cost	Product uniqueness
Broad (Industry wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (Low Cost) MEDS	Focus strategy (Differentiation)

Source: Porter, Michael. (1980), Competitive Strategy. Techniques for Analyzing Industries and Competitors. The Free Press. New York.

The organization has managed to achieve low cost by maintaining a lean workforce, supply of low cost generic products as opposed to the expensive

innovator products, and bulk packaging of products. Training services are usually conducted in training centers which are less costly than hotels. Some training seminars are conducted within health facilities, thus reducing the cost of travel and accommodation for the participants. To further reduce the cost of training services, MEDS uses independent trainers who are paid based on the number of hours of facilitation in a given training seminar. MEDS does not employ its own trainers.

MEDS entire low focus strategy is built around serving the niche market target very well, and each functional policy is developed with this in mind. The strategy rests on the premise that the organization is thus able to serve its narrow strategic target market more efficiently and effectively than the competitors, who are competing more broadly. As a result, the organization achieves lower costs in serving this target. The firm thus earns above average returns for its industry while maintaining below average industry costs. This results from the low cost position of the firm within its strategic target.

4.2.2 Factors Influencing MEDS Choice of Strategy

Focus strategy concentrates on a narrow segment. MEDS choice of this strategy has been influenced by several factors. First is the legal status. MEDS operates as a non-profit making organization and serves only non-profit making healthcare providers. This limits the size of its market segment. The non-profit making healthcare providers serve in resource limited settings. Consequently, MEDS strives to provide products and services at low cost so that the poor people may afford the cost of healthcare services.

Second, the product range offered is based on World Health Organization (WHO) essential drugs concept and Kenya Essential Drugs List. This further

limits the number of products that are offered to the selected niche market. Since most of the products on the essential drugs list are off-patent, MEDS ensures that a high quality assurance system is in place. This helps to overcome the notion of poor quality associated with off- patent (generic) medicines. The assurance of high quality, low priced products has enabled MEDS to maintain a loyal and committed customer base within its niche market. Third, the low prices are made possible by low mark-ups since the organization does not have a profit motive in its operations.

To lock-in its customers, MEDS provides a comprehensive health package of medicines and training services. To enjoy this package, customers must be registered members of the organization. This membership ensures that customers' loyalty is maintained. This is further enhanced by sharing of any realized surplus at the end of the financial year.

Finally, MEDS is a humanitarian faith based medical logistics organization. Thus its focus is to serve faith based health facilities as well as humanitarian organizations that share a common objective as MEDS. It is this narrow market focus that has influenced the organization's choice of competitive strategy. The above factors have influenced the choice of low cost focus strategy by MEDS. According to the Head of Customer Services and Training, the choice is based on the premise that the needs of the target market segment can be better serviced by focusing entirely on it.

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The objectives of the study were two. First to establish the competitive strategy applied by MEDS and second, to establish the factors influencing the choice of the strategy. The findings are summarized below.

5.1.1 Competitive Strategy Applied by MEDS

The findings of the study indicate that MEDS has adopted a low cost focus strategy. The strategy has been achieved by cost containment in areas such as human resources, supply of low cost quality generic products, buying in bulk and cost effective training services. The firm maintains a lean workforce employed on 3 year contract terms. Training services are always outsourced based on need basis.

MEDS serves a niche market comprised of faith-based health facilities and NGOs that provide humanitarian healthcare services to the marginalized communities in Kenya and the neighboring countries. It is this carefully selected niche market that MEDS has endeavored to understand and meet all its needs in a way that the competitors cannot match. Strict budgetary controls and prudent financial management have enabled MEDS to pursue the low cost focus strategy successfully.

5.1.2 Factors Influencing the Choice of Strategy

MEDS choice of this strategy has been influenced by several factors. First is the legal status as a non-profit making organization which restricts its services to non-profit making healthcare providers only. This limits the size of its market segment. Since majority of the clients operate in resource limited settings, MEDS strives to provide products and services at low cost so that the poor people may afford the cost of healthcare services. The products offered by MEDS are low cost

quality generics which are selected on the basis of essential drugs concept. The low prices are made possible by low mark-ups since the organization does not have a profit motive in its operations.

To lock-in its customers, MEDS provides a comprehensive health package of medicines and training services. To enjoy this package, customers must be registered members of the organization. This membership ensures that customers' loyalty is maintained. This is further enhanced by sharing of any realized surplus at the end of the financial year.

Finally, MEDS is a humanitarian faith based medical logistics organization whose focus is to serve faith based health facilities as well as humanitarian organizations that share a common objective as MEDS. This niche market focus has influenced the organization's choice of low cost focus strategy.

5.2 Conclusion

The aim of the study was to establish the competitive strategy applied by MEDS and the factors that have influenced the choice of this strategy. The study shows that the organization has adopted a low cost focus Strategy. The choice of the strategy has been influenced by the fundamental mission of the organization which is to promote accessibility to health through provision of low cost quality essential drugs, medical supplies, training and other pharmaceutical services guided by Christian ethical and professional values. Further, the competitive environment and the target market have influenced the choice of strategy. MEDS choice of focus strategy has been influenced largely by the fact that the organization operates as non-profit making organization to serve a niche market segment comprised of mission health facilities and humanitarian organizations operating in resource limited settings.

A firm using a focus strategy often enjoys a high degree of customer loyalty. The entrenched loyalty discourages other firms from competing directly (Porter, 1980). It is this high degree of customer loyalty that is responsible for the competitiveness of MEDS in the medical logistics sub-sector of the health industry. However, because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. MEDS has focused on provision of quality essential medicines carefully selected by a team of professionals who comprise the formulary committee.

In spite of the noted successes associated with the firm's competitive strategy, MEDS faces some risks inherent in a focus strategy. The risks include imitation by the competitors and changes in the composition of target segments. For example, the government could take over the management and supplies to selected mission health facilities, which would result in loss of business from the target market. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its products in order to compete directly with MEDS. Finally, other focusers may be able to carve out sub-segments that they can serve better. This has been observed with CHMP, which has carved out business from some of the big volume NGOs and mission hospitals business resulting in loss of business for MEDS from the affected market sub-segments.

5.3 Recommendations

Due to narrow market focus, firms pursuing a focus strategy tend to have lower volumes and hence less bargaining power with suppliers. This calls for adoption of appropriate approaches to mitigate such shortcoming. Such approaches include but are not limited to vertical integration, branding, intensive social and relationship marketing, as well as joint ventures with other players who possess complimentary competences.

Upstream vertical integration will facilitate acquisition of product at low cost prices. This involves firm's acquisition of its suppliers of products and services. The firm should consider venturing into manufacturing directly or through contracts with established manufacturers. This approach will mitigate and limit the power of suppliers and allow the firm to acquire products at lower cost.

To ensure loyalty to its products, the organization should consider establishing identity brands so as to counter imitation by other organizations offering similar products and services. The branding can be achieved through unique packaging and labeling. Loyalty to the firm should be enhanced through intensive social marketing. This approach will be essential to boost customer loyalty and also help to check customer bargaining power since the relationship between the firm and the customers will be built on mutual trust. To counter the effects of other focusers intent on carving out sub-segment of its niche market, the organization should also consider appropriate barriers such as very low prices and long term supply contracts to keep away new entrants into the selected niche market.

The organization should also explore joint ventures with other well established medical logistics firms in order to build synergy and benefit from the core competences of the competitors. Such firms include Kenya Medical Supplies Agency (KEMSA), CHMP and other international supply chain management firms.

5.4 Limitations of the Study

The main limitation of the study was the study design. A case study design limits the units of study to one. Thus there was no room for comparison of the findings of one unit with those of other similar units. The number of respondents was also limited to only four which meant that there was no opportunity to compare divergent opinion or responses. The respondents interviewed were all drawn from the top management of the organization and hence diversity of opinion was limited.

This study focused on a single organization whose operations are not for profit. It is expected that the competitive strategies applied by a profit oriented organization would be different from those of a non-profit making one. Consequently, accurate generalizations that apply to most medical logistics organizations could not be drawn based on the findings of the single unit studied.

5.5 Suggestions for Further Research

Further research is encouraged in competitive strategies applied by a commercial (Private-for-Profit) medical logistics firms. A similar study of private- for- profit firms should also be carried out to compare the competitive strategies and factors influencing the choice of their strategies. A survey of the main medical logistics firms is recommended in order to draw valid conclusions about competitive strategies applied by the players in this sub-sector of the health industry.

REFERENCES

- Ansoff, H.I and Mc Donnel, E.J. (1990), Implanting Strategic Management. 2nd Edition. Prentice Hall, Cambridge, United Kingdom,
- Banda M; Ombaka E; Logez S; and Everand M. (2006) Multi-country Study of Medicine Supply and Distribution Activities of Faith- Based Organizations in Sub- Saharan African Countries, .WHO/PSM/PAR/2006.2).
- Cooper, D.R (1995), Business Research Methods, 5th Edition. Boston Irwin
- Cooper, D.R and Emory, C.W (1995), Business Research Methods. 5th Edition. Boston Irwin
- Cooper, D.R and Schindler S.P (2003), Business Research Methods, 8th Edition. Mc Graw Hill Irwin
- Coulter, M, (2002). Strategic Management in Action. Prentice Hall, New Jersey
- Gakombe, K (2002). Analysis of the Industry Forces and the Strategic Choices adopted by Private Hospitals in Nairobi. An Unpublished MBA Project, School of Business, University of Nairobi.
- Gathoga,W (2001). Competitive Strategies Applied by Commercial Bank. An Unpublished MBA Project, School of Business University of Nairobi.
- Government of Kenya, (1994). Pharmacy and Poisons Act (Cap 244), Laws of Kenya. Government printers
- Grant, R (1998). Contemporary Strategy Analysis: Concepts, Techniques and Applications, 3rd Edition; Blackwell Publishers, Oxford, UK.
- Johnson G and Scholes, K. (1999). Exploring corporate Strategy, Fifth Edition. Fifth Edition. Prentice Hall,
- Johnson G and Scholes, K. (2002). Exploring corporate Strategy, Sixth Edition. Prentice Hall,

- Karemu, C (1993) 'An Investigation in the State of Strategic Management in the Retailing Industry: A Case Study of supermarkets in Nairobi' An Unpublished MBA Research Project, School of Business, University of Nairobi, Kenya.
- Kawasaki, E and Patten J. (2002) 'Drug Supply of Mission Organizations. Identifying Factors Affecting Expansion and Efficiency: Case Studies from Uganda and Kenya,' Report prepared for WHO/EDM (Unpublished)
- Kipkore, P.C (2004) "Evaluation of Public Utility Projects: The Case of Eldoret International Airport" An Unpublished MBA project, School of Business, University of Nairobi.
- Kombo, H, (1997) Strategic Responses by Firms Facing Changed Environmental Conditions: A Case Study of Motor Vehicle Franchise Holders in Kenya. An Unpublished MBA Project, School of Business, University of Nairobi.
- Kothari, C.R (1990) Research Methodology; Methods and Techniques; 2nd Edition, New Age International (P) limited publishers.
- Kotler, P. (1997) Marketing Management; Analysis, Planning, Implementation and Control; Prentice Hall, New Jersey
- Kenya Medical Supplies Agency (2005), KEMSA Strategic Plan 2005- 2010; KEMSA Management data (Unpublished).
- Mbayah,W (2001), Strategic Practices Within Commercial Internet Service Providers in Kenya. An Unpublished MBA Project, School of Business University of Nairobi.
- Mbui,G (2004); Determinants of Distribution Intensity among Firms in the Kenyan Pharmaceutical Industry; An Unpublished MBA Project, School of Business University of Nairobi.
- Mc Lauren, S.T. (2004). "Using Competitive Strategy Patterns to Determine Ideal Supply Chain Management Information Systems Capabilities" International Journal of Internet and Enterprise Management, Vol. 2, No.1 pp.1-18.
- Mukuria, J (2002). Responses of Small Kenyan Pharmaceutical Firms to Changes in the Environment; A Case of Salama Pharmaceuticals. An Unpublished MBA Project, School of Business, University of Nairobi.

- Mutuku N.S (2004). "An Assessment of Strategic Change Management Process; A Case Study of the Kenya Judiciary". An Unpublished MBA Project, School of Business University of Nairobi.
- Nelson, R and Mwaura, M. (1997). Profiles and Strategies of Owner- Managers of Medium Sized Firms in Kenya. In Mukuria, 2002 "Competitive Responses of Small Pharmaceutical Firms to Changes in the Environment; The Case of Salama Pharmaceuticals" An Unpublished MBA Project, School of Business University of Nairobi.
- Ngatia, E. (2000). A Comparative Study of Service Providers and Customer Perception of Services in the Retailing Industry; A Case of Supermarkets in Nairobi. An Unpublished MBA Project, School of Business University of Nairobi.
- Njau, G. (2000). Strategic Responses by Firms Facing Changed Competitive Conditions; The Case of East Africa Breweries. An Unpublished MBA Project, School of Business, University of Nairobi.
- Pierce,J& Robinson,R. (2000). Strategic Management: Formulation, Implementation and Control; Seventh Edition, McGraw Hill.
- Porter, Michael. (1979). "How Competitive Forces Shape Strategy", Harvard Business Review, Vol.57 No.2, pp. 137-145.
- Porter, Michael. (1985). Competitive Advantage; Creating and Sustaining Superior Performance, The Free Press. New York
- Porter, Michael. (1980). Competitive Strategy. Techniques for Analyzing Industries and Competitors. The Free Press. New York:
- Republic of Kenya, (May 1994). Ministry of Health; Kenya Essential Drugs List; Second Edition, Government printers.
- Republic of Kenya, (July 1994). Ministry of Health; Kenya National Drug Policy, Published by Government printers.
- Rousselle,H M, Scheffer,A and Kumire, N C (2006); Evaluation of Kenya Medical Supplies Agency (KEMSA). An Unpublished Report by USAID/DFID
- Ronoh, K.W (2001). Direct Marketing: The Case of Pharmaceutical Industry in Nairobi, An Unpublished M.B.A project, School of Business, University of Nairobi.

Schweitzer, S (1997). Pharmaceutical Economics & Policy: Oxford University Press

Thompson, A & Strickland, J (1996). Strategic Management; Concepts and Cases; Irwin, INC. New York

World Health Organization (1998). Health Reform and Drug Financing: Selected Topics (WHO/DAP/98.3). Geneva: World Health Organization.

Appendices

Appendix 1: List of Persons Interviewed .

Name	Position in MEDS
1. Paschal Manyuru	General Manager, MEDS
2. Jane Masiga	Head of Operations
3. Jonathan Kiliko	Head of Customer Services and Training
4. Jacob Onyango	Head of Finance and ICT

Appendix 2: Interview Guide

About the respondent

Name

Gender

Position in the organization

Duration of service in the organization

GENERAL MANAGER

1. How do you describe MEDS business strategically?
2. . How is MEDS business affected by the socio-political situation in Kenya?
3. How is MEDS affected by the financing of the health sector in Kenya?
4. What is MEDS social impact on the society?
5. How are MEDS services rated by the society?
6. What key achievements and successes has MEDS realized since its inception?
7. What does MEDS do to ensure success in business?
8. What challenges or setbacks has MEDS encountered?
9. What things are planned or may happen in the future and which threaten MEDS performance.
10. What events or changes are planned or may happen in the future which MEDS could take advantage of to improve its performance?
11. What makes MEDS business unique?

HEAD OF FINANCE AND ICT

1. How does MEDS finance its operations?
2. What taxes does MEDS pay?
3. How has ICT impacted on MEDS operations and management?
4. How does MEDS ensure financial sustainability?

HEAD OF CUSTOMER SERVICES AND MARKETING

1. How does MEDS select its customers/clients?
2. Does any one client wield too much power to influence MEDS pricing policy? If yes, state how MEDS deals with such a client.
3. How is MEDS addressing the rivalry within the Medical Logistics sub-sector?
4. How does MEDS retain the loyalty of its clients?
5. How does MEDS maintain its sales amidst competition?
6. What are the unique attributes of MEDS products and services which make them different from those provided by the competitors?

HEAD OF OPERATIONS

1. How does MEDS determine the products range it stocks and sells to her customers?
2. How does MEDS choose her suppliers?
3. What volume of products does MEDS purchase relative to other players in the industry?
4. What does MEDS do to ensure competitive cost prices from suppliers?
5. What makes MEDS operations unique?

APPENDIX 3



UNIVERSITY OF NAIROBI FACULTY OF COMMERCE MBA PROGRAM - LOWER KABETE CAMPUS

Telephone: 4184160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P. O. Box 30197
Nairobi, Kenya

DATE..... 15th June 2007

TO WHOM IT MAY CONCERN

The bearer of this letter JAMES MWENDA RIUNGU

Registration No: D61/P/8138/02

is a Master of Business Administration (MBA) student of the University of Nairobi.

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 if you assist him/her by allowing him/her to collect data in your organization for the research.

The project is entitled COMPETITIVE STRATEGIES
..... APPLIED BY MEBS

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.

J.T. KARIUKI
CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

45

UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY