Strategy evaluation and control by pharmaceutical manufacturers and distributors in Kenya

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Abstract

Strategy is a multidimensional concept that has found application in the business world. It is about winning. Many firms are embracing the utilization of strategic management principles designed at achieving long-term organizational objectives. Companies are investing a lot of resources in formulating and implementing strategies. However, it is acknowledged that even the best formulated and implemented strategies tend to become obsolete as a firm's external and internal environments change. In order to ensure that strategies provide desired results, it is essential that strategists invest in systematic review, evaluation and control of strategy execution. This study investigated the strategy evaluation and control practices of pharmaceutical manufacturers and distributors in Kenya. It also sought to determine the relationship between these practices and other firm characteristics. A cross-sectional survey design was used with a sample size of 60 pharmaceutical firms operating as manufacturers and distributors. The study used a structured questionnaire to collect data. Majority (83.4%) of respondents indicated strong appreciation of the importance of evaluating and controlling strategies Consistency was considered by the majority of respondents (47.7%) to be the most important factor among Rumelt's strategy evaluation criteria when deciding on strategies to be employed by their organizations. Most respondents (60.0%) indicated that they reviewed their strategies on a periodic basis i.e. quarterly, bi-annually or annually while 36.7% do so whenever need arises. However, few firms (33.3%) make budgetary allocations for strategy evaluation and control activities. Monitoring of financial performance was the most commonly used method of strategy evaluation and control. All firms that participated in the survey used some form of financial controls. The level of usage of techniques that incorporate non-financial measures was quite low and in sharp contrast to the use of financial measures. Management by Objectives (33.3%), audits (16.7%), balanced score card (3.3%) and benchmarking (3.3%). There was no indication of the use of contingency planning as a technique for controlling strategy implementation. Monitoring financial performance was utilized by all firms regardless of age, ownership, size and type. Using the Chi square test, relationships were identified to exist between company type and various factors considered by firms when reviewing the premises of strategy including changes in competitor's strengths and weaknesses, competitor's reaction to an organization's 'strategy, changes in competitor's strengths and weaknesses as well as competitors' satisfaction with their present market positions and profitability .