STRATEGIES APPLIED BY MULTINATIONAL PHARMACEUTICAL CORPORATIONs IN KENYA TO ATTAIN SUSTAINABLE COMPETITIVE ADVANTAGE

BY

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Declaration

This research is my original work and has not been presented for award of any degree in any university.

Signed…………………… Date……………………………

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This research has been submitted for examination with my approval as the University Supervisor.

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Dedication

This research work is dedicated to my dad Mr. Francis Omwansa who has invested and believed in me over the years and has taught me very valuable lessons in life including the determination to achieve whatever goals I set my eyes on in this life. To my very dear and good friend Mr. Caxton Kinuthia who relentlessly pushed and encouraged me through the whole MBA process. The study is also dedicated to my lovely and dear niece Diana Kemuma who through my determination is inspired to achieve the best in life and to my sisters and brother, who constantly challenge me to be the best, I am grateful for your support.
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Special thanks to my supervisor, Dr Zack Awino, PhD, for his commitment, constructive advice, professional guidance and availability during this research. The knowledge imparted was valuable not just for this project but also for the future. Thank you for being the guide in this academic journey.

In a special way, I thank all the respondents of the questionnaires for their willingness to provide me with the data required and taking their time to explain where need arose, specifically Mr. Michael Oduor for linking me with the various respondents in the pharmaceutical industry.

My appreciation also goes to my friends, Peter Mungai for stepping in for me to assist while out of the country, Leah Njogu and Claire Atakos for the constant encouragement and support towards a successful completion of this project. God bless you all.
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Abbreviations and Acronyms

GSK        GlaxoSmithKline
MNC        Multinational Corporation
Pharma     Pharmaceutical
PPB        Pharmacy and Poisons Board
Abstract

Driven by cost conscious customers, increasing competition, stringent regulatory requirements and technological changes and innovations, pharmaceutical MNCs in Kenya are constantly searching for new ways to gain and sustain competitive advantage. The need to have strategies in an organization is increasingly being considered as very fundamental to attaining competitive advantage within the context of strategic management. However, the existing literature on strategies applied by organizations to attain competitive advantage focuses on other industries other than the pharmaceutical industry in Kenya, especially on MNCs. This study, therefore, explores and discusses the role of various strategies applied by these MNCs to attain a sustainable competitive advantage. It reports the results of a study designed to complement the research literature by highlighting the distinctive strategies used by pharmaceutical MNCs to address increased environmental turbulence and to compete with new and existing competitors. The study was conducted in Nairobi in August 2012 as a census survey of all pharmaceutical MNCs in Kenya and data was collected through the use of questionnaires, which were distributed to the 9 respondents by the researcher. The objective of the study was to determine the strategies employed by Pharmaceutical MNCs in Kenya to attain sustainable competitive advantage. It was aimed at gaining knowledge on the various strategies currently in place in these MNCs that enable them to attain sustainable competitive advantage. Results show that all the MNCs in the pharmaceutical industry have strategies in place to counter competition. The extent to which these strategies are implemented and are effective is what varies from one company to another. Most of the identified strategies revolve around the companies’ customers, products and their people.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The 21st century business landscape has seen firms competing in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies. Globalization has led to every industrialized country today to providing a base for a considerable number of multinationals, which collectively are becoming the dominant forms of organizations responsible for the international exchange of goods and services. Environmental changes such as increased innovations, competition, globalization, regulation and de-regulation and consumer behavior have affected many organizations, in that, organizations have been forced to enhance their business processes in order to survive in an environment which has become increasingly competitive (Ansoff, 1987).

These challenges have made achieving a competitive advantage a major preoccupation of executive and top management of companies in the 21st century in their competitive and high growth markets. The sources and importance of competitive advantage and distinctive competences as determinants of a firm’s success and growth have also been a major concern for scholars and practitioners for the last two decades (Henderson, 1983, Porter, 1985, Coyne, 1986, Prahalad & Hamel, 1990, Barney, 1991, Grant, 1991 and Peteraf, 1993). Practitioners and academicians have centered their studies on firm specific characteristics that are unique, add value to the ultimate consumer and are transferable to many different industrial settings (Coplin, 2002).
In order to remain successful, organizations must develop strategies that will help them determine the direction to take in the long run in the environments in which they operate. MNCs in the Pharma Industry in Kenya have to contend with such changes in their environments hence have put various strategies in place to enable them remain competitive, thus the researcher’s quest to understand these strategies. Little empirical research exists that systematically identifies the specific strategies underlying the competitive advantage enjoyed by these MNCs in outperforming their competitors.

Though a great amount of literature related to competitive advantage has been published over the last several decades, the current study is based on the premise that very little literature exists on the sources of competitive advantages accruing to Multinational Pharmaceutical Corporations in Kenya. This paper therefore seeks to address this shortcoming in the extant literature as the nuances of MNCs in the Pharma Industry in Kenya may not be as evident when researchers examine similar issues in the context of MNCs in other industries.

1.1.1 Concept of Strategy

Strategy as defined by Scholes & Whittington, 2005, is the direction and scope of an organization over the long term which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations. Strategy, then, provides direction to a company, seeking to maximize positive outcomes and minimize negative outcomes, as a company moves through a complex and rapidly changing environment into the future.
Strategy provides a coherent blueprint to bridge the gap between the realities of today and a desired future. It is the disciplined calculation of overarching objectives, concepts, and resources within acceptable bounds of risk to create more favorable future outcomes than might otherwise exist if left to chance or the hands of others. It is the consideration of the relation of how to apply resources to achieve desired results in a specific strategic environment over time. Strategists therefore thoroughly examine the environment and develop a strategy that identifies objectives, concepts, and resources required to accomplish the goals established by a company. Good strategy is founded in a proper understanding and analysis of the strategic environment and company’s interests and policy, and an understanding of the theory and role of strategy.

1.1.2 Sustainable competitive advantage
Thompson & Strickland (1989) noted that for any business strategy, to be capable of sustained success, it must be grounded in competitive advantage. The means by which some businesses achieve and sustain a competitive advantage over other firms is therefore the central research focus of strategic management. For nearly two decades, the dominant research paradigm has been Porter’s (1980) competitive forces model which argues that the intensity of competition determines the profit potential for individual firms. Porter contends that a firm seeks a position in an attractive market that they can defend against both existing and potential competitors. Although the identification and development of the requisite capabilities are important, management’s primary focus is on achieving a defensible low-cost or differentiation position, and on keeping rivals off balance through strategic investments, pricing strategies, and competitive signaling.
The idea of a sustainable competitive advantage surfaced in 1984, when Day suggested types of strategies that may help to sustain competitive advantage. The actual term sustainable competitive advantage emerged in 1985, when Porter discussed the basic types of competitive strategies that a firm can possess in order to achieve a long-run sustainable competitive advantage. An organization that is able to develop a sustainable competitive advantage becomes successful in its industry as it is able to distinguish and set itself apart from the rest. There are various ways of developing a sustainable competitive advantage. The most known theory in developing a sustainable competitive advantage is Porter’s five forces framework/model. Many organizations have used this model to develop a sustainable competitive advantage for themselves as the framework is used to identify the sources of competition in an industry.

According to Barney (1991) a firm is said to have a sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. Thus sustained competitive advantage exists only after efforts to replicate that advantage have failed. It is for this reason that organizations are focusing on methods and strategies that are difficult to imitate.

1.1.3 Multinational Corporations

Multinational entities have played a major role in international trade for several centuries. Multinational corporations engage in very useful and morally defensible activities in Third World countries for which they frequently have received little credit.
Significant among these activities are their extensions of opportunities for earning higher incomes as well as the consumption of improved quality goods and services to people in poorer regions of the world. Compared to local firms, multinational corporations provide developing countries with critical financial infrastructure and enormous resources for economic and social development. These institutions are able to overcome challenges that are faced by local firms such as lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty market information which diminish their ability to contribute effectively to sustainable development.

The key players in the pharmaceutical industry in Kenya are MNCs like Pfizer, GSK, Boots Pharmaceuticals, Bayer, Sanofi Aventis, Novartis, Astra Zeneca, Eli Lilly and Roche competing with local establishments like Dawa Pharmaceutical Ltd and Cosmos Pharmaceuticals among others.

1.1.4 The Pharmaceutical Industry in Kenya

The pharmaceutical industry in Kenya consists of three segments namely, manufacturers, distributors and retailers who actively support the Ministry of Health and other key players in developing the health sector in Kenya. Companies in the three segments are either large multinational corporations (MNCs), subsidiaries, joint ventures or locally owned corporations. The MNCs manufacture their products locally or import directly from designated manufacturing sites and supply the drugs directly to distributors who in turn supply the retail outlets, hospitals, government and non-governmental institutions.
In other instances, the companies allow distributors to directly import the products from their manufacturing sites outside Kenya by issuing them with importation and distribution rights, who equally distribute to the retail outlets. The Kenya Medical Supplies Agency (KEMSA), a division of the Ministry of Health largely carries out the distribution function mainly to government public health facilities.

There are however other private companies both foreign and local that carry out the distribution function too, mostly to private institutions. Retailers in this sector include pharmacies, chemists, health facilities and shops who distribute the drugs as per their outlet categorization. Other Institutions and collaborating agencies in this sector include the Pharmaceutical Society of Kenya (PSK), Kenya Medical Association (KMA), Kenya Association of Manufacturers (KAM), Ministry of Health (MoH) who regulate the industry through the Pharmacy and Poisons Board, as provided by The Pharmacy and Poisons Act of the Laws of Kenya.

Other institutions include the Kenya Bureau of Standards (KEBS) who carry out quality checks and registration of the products, and the National Health Insurance Fund (NHIF), the single largest financier of health services. Research institutions undertaking or supporting medical research in Kenya include Kenya Medical Research Institute (KEMRI), Kenya Industrial Research and Development Institute (KIRDI), African Medical Research Foundation (AMREF) and academic institutions among others.
1.2 Research Problem

Organizations that remain successful are those that develop strategies of attaining a competitive advantage over its competitors in the same industry and the competitive advantage attained remains sustainable in the long run. They develop strategies that match their activities to the environment and put into consideration the concept of environmental dependence. The concept of sustainable competitive advantage therefore is what puts organizations ahead in their industries.

Multinational Pharmaceutical Corporations have over the years invested heavily in production and selling of quality products, they have spent valuable time and money to come up with differentiated products but continue to experience numerous challenges in trying to recoup their investments by remaining profitable in the Market. Despite all these challenges these MNCs have managed to withstand the test of times and are still operating profitably in Kenya.

There exists literature on previous researches on strategies employed in attaining sustainable competitive advantage in other sectors but not the pharmaceutical industry in Kenya. Musyoka (2011), focused on competitive strategies adopted by Kenol Kobil Ltd in developing sustainable competitive advantage while Hussein (2011) looked at the competitive strategies employed by Mumias Sugar Company to develop competitive advantage. Oori (2010) addressed the strategies employed by commercial banks in Kenya to build competitive advantage while Wamalwa (2009) researched on the strategies for developing competitive advantage at Glaxosmithkline Kenya Ltd.
Mwangi (2007) focused on the strategies used by major oil companies to create competitive advantage for their stations in Nairobi. Opiyo (2006) researched on the responses of pharmaceutical importers to the challenge of illegal trade in pharmaceuticals. None of the past research has been able to address the strategies applied by Multinational Pharmaceutical Corporations in Kenya to attain sustainable competitive advantage. The researcher seeks to understand how some of these MNCs have in many years distinguished themselves to remain reputable and successful ahead of their competitors, thereby being rated as market leaders locally vis-à-vis their international rating thereby answering the question; what strategies have Multinational Pharmaceutical Corporations in Kenya employed in order to attain sustainable competitive advantage?

1.3 Research Objective

To determine the strategies employed by Multinational Pharmaceutical Corporations in Kenya to attain sustainable competitive advantage.

1.4 Value of the Study

The study will be important to company executives and top management teams of the various MNCs in the Pharma industry, being the chief architects and the drivers of their company’s grand strategies, as it will provide information on the various strategies being applied by other MNCs in the same industry to align their capabilities to the environment and attain sustainable competitive advantage.
Hence, top executives will be able to identify the best practices in the industry and identify those that may apply to their own companies to give them a competitive edge. Local pharmaceutical companies will also benefit from this study as they are able to attain useful information about their greatest competitors and the various strategies they have in place to remain competitive. They may use this information to improve their own practices to enable compete at the same level with the MNCs.

The study will also be of importance to investors, collaborating agencies and the public in general in better understanding the various means being used by the MNCs to remain competitive. Investors and other collaborating agencies are able to make informed decisions on which companies to partner with or invest in to ensure a sustained relationship and value for their money. The Government, policy makers and other regulatory bodies will attain more information on the players in the pharmaceutical industry, most importantly, the MNCs to aid in informed future decision making, better policy formulation as well as more information to include in their data bank for investors.

Lastly, the study will be of importance to other researchers as it will provide a clearer insight on the various efforts in place by multinational pharmaceutical corporations in Kenya in trying to remain competitive in the ever changing environment as well as propulsion for further research. The study will bridge the research gap that has existed and avail secondary data for future primary research.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, literature that exists on strategies and competitive advantage will be identified in order to gain more insight on the topic of study and what others have said on the same topic. It will entail looking at the two concepts; strategy and competitive advantage, early contributions to these concepts, the sources of and generic strategies to attaining sustainable competitive advantage and an examination of the relationship of these concepts to other strategic concepts.

2.1.1. Concept of strategy and competitive advantage

Scholes & Whittington, 2005 define strategy as the direction and scope of an organization over the long run which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations. Strategy relates a firm to its environment and serves as a guide to the organization on what the organization is trying to do and achieve. Thompson and Strickland, 1996 state that strategy provides an organization with a number of benefits as it provides an organization with better guidance, makes managers more alert to the winds of change, new opportunities and threatening developments.

Sustainable competitive advantage on the other hand can be defined as the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy. Porter (1980) defines competitive advantage as having low costs, differentiation advantage, or a successful focus strategy.
In addition, Porter argues that competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceeds the firm’s cost of creating it. Barney (2002) states that a firm experiences competitive advantage when its actions in an industry or market create economic value and when few competing firms engage in similar actions. Barney goes on to tie competitive advantage to performance, arguing that a firm obtains above-normal performance when it generates greater-than-expected value from the resources it employs. The positive difference between expected value and actual value is known as an economic profit.

Besanko, Dranove, & Shanley (2000) state that when a firm earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market, the firm has a competitive advantage in that market. They also carefully define economic profit as the difference between the profits obtained by investing resources in a particular activity, and the profits that could have been obtained by investing the same resources in the most lucrative alternative activity.

Saloner, Shepard & Podolny (2001) state that most forms of competitive advantage mean either that a firm can produce some service or product that its customers value than those produced by competitors or that it can produce its service or product at a lower cost than its competitors. They also state that in order to prosper, the firm must also be able to capture the value it creates. In order to create and capture value the firm must have a sustainable competitive advantage.
2.2 Early Contributions to the concept of Sustainable competitive advantage

Early literature on the subject of competition serves as a precursor to the development of the sustainable competitive advantage construct. Alderson (1937) hinted at a basic tenet of sustainable competitive advantage, that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Later, Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. He stated that differential advantage might be achieved through lowering prices, selective advertising appeals, and/or product improvements and innovations.

While these concepts lay the core foundation for firms in moving toward a sustainable competitive advantage, we now know that given the intense nature of competition today, firms must be more innovative and entrepreneurial in their strategy planning than just lowering prices or improving existing products. In following decades, authors such as Hamel & Prahalad (1989) and Dickson (1992) discussed the need for firms to be willing to learn how to create new advantages that will keep them one step ahead of competitors. Alderson was considered to be "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors.

Over a decade later, authors such as Hall (1980) and Henderson (1983) solidified the need for firms to possess a unique advantage in relation to competitors if it is to survive and continue to exist. These arguments form the basis for achieving a sustainable competitive advantage.
The idea of a sustainable competitive advantage surfaced in 1984, when Day suggested types of strategies that may help to sustain the competitive advantage. The actual term sustainable competitive advantage emerged in 1985, when Porter discussed the basic types of competitive strategies that a firm can possess in order to achieve a long-run sustainable competitive advantage.

2.3 Sources of sustainable competitive advantage

Following Coyne’s discussion of the types of capability gaps that a firm could possess over competitors, the literature turned to an exploration of the potential sources of a sustainable competitive advantage. Recognizing the importance of an effective strategy to firms, Day & Wensley (1988) focused on the elements involved in competitive advantage. Specifically, they identified two categorical sources of competitive advantage; superior skills, which are the distinctive capabilities of personnel that set them apart from the personnel of competing firms and superior resources, which are the more tangible requirements for advantage that enable a firm to exercise its capabilities.

Barney (1991) contributed to the discussion by exploring the link between a firm’s resources and sustainable competitive advantage. He stated that not all firm resources hold the potential of sustainable competitive advantages, instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Peteraf’s (1993) resource-based view of the firm designates four conditions that underlie sustainable competitive advantage, including superior resources, ex-poste limits to competition, imperfect mobility, and ex-ante limits to competition.
Dierickx & Cool (1989) discuss inimitable resources such as non-tradeable assets which are immobile and thus bound to the firm. Other researchers have contributed to the construct by more carefully delineating the specific resources and skills that aid in the development of a sustainable competitive advantage. Hunt & Morgan (1995) propose that potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational. They go on to state that a comparative advantage in resources can translate into a position of competitive advantage in the marketplace, but only if the criteria proposed by Barney (1991) are satisfied and the offering has some perceived value in the marketplace.

Prahalad & Hamel (1990) suggest that firms should combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. Competitive advantages are realized only when the firm combines assortments of resources in such a way that they achieve a unique competency or capability that is valued in the marketplace (Morgan & Hunt, 1996).

Bharadwaj, Varadarajan & Fahy (1993) discuss the specific combinations of skills and resources that are unique to service industries. They propose that the greater the complexity and co-specialization of assets needed to market a service, the greater the importance of innovation as a source of competitive advantage will become. They also propose that brand equity becomes an important source of competitive advantage in service industries as the level of service offered becomes more intangible and when consumers have a great need to overcome perceptions of risk.
Intangible resources may indeed be better suited than tangible ones to achieve sustainable competitive advantage. Srivastava et. al. (1998) delineate market-based assets into two types: relational and intellectual. Relational market-based assets are those that reflect bonds between a firm and its customers and/or channel members. Examples of such assets would be brand equity or a business-intimate relationship that allows a firm to work with a customer to produce a highly customized product. An example of an intellectual market-based asset would be the detailed knowledge that firm employees possess concerning their customers’ needs, tastes, and preferences. Both types are intangible and employ an outward focus on firm customers and/or channel members. To the extent that they are rare, unique, valuable, and difficult to imitate, market-based assets provide an excellent potential source of sustainable competitive advantage for a firm.

Therefore, Srivastava et. al. (1998) concluded that no matter what type of business, firms may succeed in establishing a sustainable competitive advantage by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees’ efforts in order to facilitate growth of specific core competencies.

2.4 Generic strategies to attaining sustainable competitive advantage

According to Porter (1980), there exist three generic strategies that if applied by organizations may lead to sustainable competitive advantage. These are cost leadership, differentiation, and focus.
Cost leadership strategies emphasize producing standardized products at very low cost for consumers who are price sensitive, differentiation is a strategy aimed at producing products and services considered to be unique industry wide and directed at consumers who are relatively price-in-sensitive while the focus strategy means producing products and services that fulfill the needs of small groups of consumers.

Porter & Millar (1985) state that a firm develops its business strategies in order to obtain competitive advantage, that is, increase profits over its competitors. It does this by responding to five primary forces: the threat of new entrants, rivalry among existing firms within an industry, the threat of substitute products/services, bargaining power of suppliers and the bargaining power of buyers. A company assesses these five competitive forces in a given industry, then tries to develop the market at those points where the forces are weak.

In his recent study, Porter (2001) reemphasized the importance of analyzing the five competitive forces in developing strategies for competitive advantage. He states that, although some have argued that today’s rapid pace of technological change makes industry analysis less valuable, the opposite is true. Analyzing the forces illuminates an industry’s fundamental attractiveness, exposes the underlying drivers of average industry profitability, and provides insight into how profitability will evolve in the future. The five competitive forces still determine profitability even if suppliers, channels, substitutes or competitors change.
2.5 Relationship of Sustainable competitive advantage to other strategic concepts

Many ideas in strategy research have been linked to helping in the process of creating and maintaining a sustainable competitive advantage. These ideas include: market orientation, customer value, relationship marketing, and business networks. Market orientation presumes an outward focus on customers and competitors. Varadarajan & Jayachandran (1999) state that through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations.

Through inter-functional coordination, teams may be formed and empowered to respond to specific customer requests and solve complicated problems that span across functional areas (Tansik, 1990). Because a market orientation employs intangible resources such as organizational and informational resources, it can serve as a source of sustainable competitive advantage (Hunt & Morgan, 1995).

Wodruff (1997) also sees the next major source of competitive advantage coming from a more outward orientation, specifically toward customers. He suggests a customer value hierarchy in which firms should strive to match their core competencies with customers’ desired value from the product or service. Slater (1995) aids Woodruff’s call by suggesting a new theory of the firm that is customer-value based. Under this theory, the reason that the firm exists is to satisfy the customer; the focus on providing customers with value forces firms to learn about their customers, rather than simply from their customers. With respect to performance differences, this theory suggests that those firms that provide superior customer value will be rewarded with superior performance as well as a sustainable competitive advantage.
Morgan & Hunt (1996) examine the role of relationship building as a means of obtaining resources in order to create a sustainable competitive advantage. They propose that resources can be combined in order to form higher-order resources, or competencies, from which the firm can eventually achieve a competitive advantage. They state that relationships formed to acquire organizational, relational, or informational resources will commonly result in sustainable resource-based competitive advantages.

Morgan & Hunt (1996) noted that networks consist of multiple relationships, with each participating firm gaining the resources needed to build core competencies and obtain a sustainable competitive advantage. The establishment of trust and perceived goal congruence are two factors that assist in the development of organizational networks. Trust is an essential element to maintaining both effectiveness and efficiency in a network relationship. The presence of trust as an indicator that the relationship is one of value; therefore, opportunistic behavior is less likely. If parties participating in this network exchange realize the opportunity for joint value creation, then the network can act to emphasize the individual firm’s competitive advantage by allowing that firm to specialize in the activities it performs best.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the intended research design for the study, the method used to collect data from the population of study and the analytical framework of data analysis. It entails describing the companies and variables included in the study, the distribution patterns of data, and applied statistical techniques in investigating strategies applied and competitive advantage in the Pharmaceutical industry.

3.2 Research Design

A census survey design was used to gain insight on the various competitive strategies employed by Multinational Pharmaceutical Corporations in Kenya to attain competitive advantage. A census survey was deemed appropriate as the population of study was not too large hence capturing all the relevant data to enable comparison of the strategies in place by these corporations.

An elaborate questionnaire was distributed to the various respondents, that is, the business development managers, marketing managers or their equivalents of the MNCs involved in strategy development and implementation, to gather both qualitative and quantitative data. The questionnaires were mainly distributed via e-mail as most of the respondents were out of the country or out of Nairobi at the time the survey was being carried out due to the nature of their work which involves a lot of travelling. The filled in questionnaires were therefore received via e-mail for some of them and others collected from their premises for those who available.
3.3 Population of Study

The Population of study was all the pharmaceutical MNCs with a presence in Kenya. There are currently eleven pharmaceutical multinational companies in Kenya as per The Kenya Association of Pharmaceutical Industry database that deal with original prescription drugs.

Two of these MNCs operate as marketing/liaison offices in Kenya while the rest operate as subsidiaries of their parent companies. This is the population with which the findings of the study have been generalized after data collection. (Appendix III)

3.4 Data Collection

Primary data was collected through the use of a structured questionnaire. The questionnaire contained mainly close ended questions and was administered through a drop and pick later method or via e-mail. The questionnaires were administered to the Business development Managers for some companies, Marketing Managers for others, or their equivalents who are partly responsible for strategy formulation and implementation in the respective companies.

The questionnaire was a self-developed questionnaire and was pre-tested with two companies to determine if there were any interpretation difficulties. Responses obtained from the pre-tests were used to fine tune the final questionnaire. Amendments were made to the final questionnaire on receipt of the pilot questionnaires to ensure that respondents fully understood the questions and gave the desired responses.
3.5 Data Analysis

Data was collected by a structured questionnaire and was checked for accuracy, uniformity of responses, consistency and completeness. The collected data was mainly qualitative due to the nature of information required but quantifications were made where possible. The data was coded and tabulated to facilitate its analysis, hence the use of descriptive statistics with tabulation of findings.

The questions on the questionnaire were mainly scaled to obtain scaled responses. This was aimed at enabling the respondents put magnitude to their responses which were analyzed using percentages. The rest of the data was analyzed through content analysis. Content analysis is a research tool used to determine the presence of certain words or concepts from the responses.
CHAPTER FOUR
DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter details the findings and analysis of the study as set out in the research methodology. A total of 9 questionnaires were distributed to all the pharmaceutical MNCs with a presence in Kenya. The questionnaires were filled in by the business development managers, marketing managers or their equivalents of these companies and out of the 9 questionnaires, 6 questionnaires were received which amounts to a response rate of 67% that was found adequate for the analysis. The collected data was mainly qualitative but quantifications were made where possible, thereby using both descriptive statistics and content analysis to analyze the data.

4.2 Data Analysis

The study had two main variables namely the concept of strategy and competitive advantage. The variables were derived from scaled responses to questions in appendix II. A five point scale was used to obtain responses. The scaled questions were analyzed through percentages that were tabulated under quantitative analysis while the qualitative aspect of the questions which forms the major part of this study was analyzed through content analysis under qualitative analysis.
4.2.1 Quantitative Data

Table 4.1: Company Ownership

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent Company</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>5</td>
<td>83</td>
</tr>
<tr>
<td>Branch</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

Five out of the six pharmaceutical MNCs in Kenya operate as subsidiaries of their parent companies in Kenya while one operates as marketing/liaison office in Kenya. This amounts to proportions of 83% and 17% of the total population respectively. A marketing/liaison office carries out promotional activities for the parent in Kenya while their sales are made through distributors. These offices therefore exist just for administrative purposes. The subsidiaries on the other hand operate as fully fledged entities in Kenya who may opt to manufacture in Kenya, distribute products within Kenya or the East African community or sell through distributors for ease of operations.

All these companies have a presence in other East African countries as well with the regional office for the East African operations being in Kenya. These include Uganda, Tanzania, Rwanda, Burundi and Ethiopia among others. They operate in these countries as marketing/liaison offices through distributors, branches or subsidiaries for the well established companies.
Table 4.2: Period of company’s existence in Kenya

<table>
<thead>
<tr>
<th>Period</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 20 years</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>More than 20 but less than 50 years</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Over 50 years</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

50% of the pharmaceutical MNCs in Kenya have been in existence for over 50 years, 33% for less than 50 years but more than 20 years, and 17% for less than 20 years. Those that have operated for over fifty years operate as subsidiaries of their parent companies and were also ranked as the major competitors by their counterparts in the same industry with proven successful records over the years. This means that these companies have been in the market long enough to enable them study the market and therefore cut out strategies that have enabled them to remain successful and operational in the long run.

Those that have been in existence for more than 20 years but less than 50 years are also operating as subsidiaries of their parent companies. These also seem to have steadied over the years and have also developed strategies that have enabled them remain competitive in their target markets. These were also ranked among the top 5 major competitors. Those that have been in existence for less than 20 years are currently operating as a marketing office in Kenya. Based on the ranking the company has received from its competitors, it appears that the company is not considered as a major competitor.
Table: 4.3: Number of employees in Kenya

<table>
<thead>
<tr>
<th>Employees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>21 - 40</td>
<td>5</td>
<td>83</td>
</tr>
<tr>
<td>41 - 60</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Over 60</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

The researcher found out that most of the MNCs in the pharmaceutical industry in Kenya are lean staffed. Only 17% of the companies have more than 60 employees while 83% have staff numbers ranging between 21-40 employees as evidenced above. Those with more than 60 employees have also been in existence in Kenya for more than 50 years which is a clear indication of the time it takes the parent MNCs to have confidence in investing in the country.

The one company with over 60 employees has been ranked top on the list of the 5 major competitors by its counterparts and has established a fully-fledged entity that not only serves as a regional office in East Africa but also in Central Africa. This explains why it has more employees than its competitors. Since the Country Manager and other departmental heads of the company are based here in Kenya, they are also in a better position to formulate their own strategies and see them to implementation effectively thereby explaining their unbeaten successful record in the region compared to their competitors who have their strategies formulated at a global level and do not directly participate in strategy formulation.
On the other hand, due to the centralization of functions by MNCs, most of the MNCs in Kenya have just a few employees, as evidenced above that 83% of these companies have between 21-40 employees, a huge proportion of which is in the marketing and sales department who promote the products that are manufactured at a global level. This is because their promotional activities cannot be carried out from an offsite location as they require direct contact with their customers.

The sales and marketing teams interact with the healthcare professionals and procurement officers in the healthcare and other institutions to promote their products and generate revenues. It was found out that these MNCs have their support functions such as Finance, Information Technology, regulatory, logistics and supply centralized to an extent of having just one or two employees taking care of these functions or even non-existent at all in the case of pure marketing offices. The MNCs deliberately operate in this manner as a strategy for the parent company to minimize costs at a global level.

Lean staffing as a strategy to minimize costs however may have its own disadvantages especially for the local operations as found out by the researcher. From further probing, it was found out that some critical functions are most of the times overlooked leading to constrained resources that hinder successful operations for these organizations.
Table 4.4: Forces of competition

<table>
<thead>
<tr>
<th>Competition force</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>The threat of new products/competitors</td>
<td>3</td>
</tr>
<tr>
<td>The threat of substitute products</td>
<td>1</td>
</tr>
<tr>
<td>Bargaining power of customers</td>
<td>2</td>
</tr>
<tr>
<td>Bargaining power of suppliers</td>
<td>5</td>
</tr>
<tr>
<td>Rivalry among existing firms/competitors</td>
<td>4</td>
</tr>
</tbody>
</table>

Based on the responses received from the respondents and as weighted by the researcher, the companies ranked the forces of competition as above. The most critical force as unanimously ranked by the companies is the threat of substitute products especially generic drugs. This poses a significant threat to most of the companies as over the years these companies have experienced reduced market share lost to generic drug companies. It is for this reason that some of the companies recognized some generic drug companies among the top 5 major competitors.

The respondents stated that these generic drug companies have specialized in producing and distributing drugs with the same molecules as the original brands but for the efficacy of the products. This amount to the drugs being sold at a lower price than the original brands but are aimed at serving the same purpose. Due to increased costs of living and the quest to reduce these costs, Kenyans are responding positively to the generic drugs that are being sold cheaply compared to the original brands thereby posing a significant threat of a reduced market share for the original brands companies.
The respondents also expressed their concerns where counterfeit drugs are concerned which appear to water down the efficacy and strength of their products thereby reducing uptake and market share thereof. The respondents noted that the recent past has seen these companies invest in the fight against counterfeits and partner with the Anti-Counterfeit Agency in Kenya to try and fight counterfeits as the regulatory body in Kenya PPB is not seen to be doing much to assist the companies to fight counterfeits.

The second force as ranked by the respondents was bargaining power of customers. The companies recognize the role played by its customers in determining and influencing the products to be consumed. These include the doctors who prescribe the drugs, the pharmacists and procurement officers who make decisions on what products to purchase for their various institutions and finally the end consumer who pays for and uses the drugs. A lot of investment is placed on this force of competition by the companies as they consider it within their control to influence the decisions made by their customers.

Just like substitute products, the threat of new products/competitors is also considered a significant force of competition as these lead to a reduced market share for the companies. Rivalry among existing firms/competitors and the bargaining power of suppliers were considered as of least significance contrary to the existing literature by other researchers as identified in the literature review. This is because most of these companies source their products from their sister companies abroad who relate on a transfer pricing basis, hence not such a significant force.
The companies also don’t focus so much on existing firms/competitors due to the code of ethics binding on healthcare practitioners; instead focus on selling their products and promoting good healthcare in the country. This therefore makes the pharmaceutical industry peculiar from other industries where companies in those industries focus on their competitors and come up with strategies to beat their competitors.

**Table 4.5: Strategy effectiveness**

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very effective</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Quite effective</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Quite ineffective</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Very ineffective</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No extent indicated</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From responses obtained and as weighted by the researcher, 50% of the companies felt that the strategies employed by their organizations to attain competitive advantage are very effective, 33% felt that the strategies are quite effective while 17% did not indicate the extent to which these strategies were effective. The only strategy that was unanimously ranked by these companies as being very effective was possession of detailed knowledge on customers’ needs, tastes and preferences by their employees which clearly over emphasize these companies’ position on their customers’ needs, that is, their customers come first.
Some of the strategies were rated as applicable in these companies but have proven to be either quite ineffective or very ineffective as stated by the respondents. These included specialization of suppliers to meet variations in buyer demand, selling of products at lower prices than competitors and reduction of operating expenses to maximize on revenues contrary to literature identified in literature review by other researchers where these strategies have been proven to be effective in other organizations.

Table 4.6: Applicability of sources of competitive advantage

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Great extent</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Little extent</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Not at all</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

On the identified sources of competitive advantage, based on the respondents responses and as weighted by the researcher, 50% of the companies felt that the sources of competitive advantage are applicable to their companies to a very great extent, especially in regard to possession of superior skills as a source of competitive advantage. These included focus on recruiting best talent in the market, investing in staff training and acquisition of relevant and required skills by staff and focus on personnel possessing superior skills to those of their competitors.
33% felt that the sources are applicable to a moderate extent. These companies had a balance between possession of superior skills and possession of superior resources whereby superior skills were rated favorably while superior resources were rated unfavorably. Possession of resources that are rare and difficult to imitate by others received the lowest rating. These companies do not consider their resources as rare and difficult to imitate.

The use of resources that cannot be easily substituted was also rated unfavorably. This therefore means that the companies do not consider possession of superior resources as a critical source of competitive advantage contrary to the identified literature in literature review by other researchers. 17% did not indicate the extent to which the sources of competitive advantage were applicable to their companies.
Table 4.7: Linkage to other strategic concepts

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>67</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Undecided</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

The researcher found out that 67% of the companies strongly agreed that other strategic concepts have also been employed by their companies to attain superior performance by their organizations. This was with regard to attaining knowledge of customers, responding to customers’ requests, providing solutions to customers’ problems and focusing on delivering superior customer value to attain superior performance. 33% of the companies strongly agreed with the application of other strategic concepts.

The concept of focusing on learning about customers and not learning from customers was the only concept that received an unfavorable rating. This is because 90% of these companies’ customers are healthcare professionals who actually possess more knowledge than the sales teams of these companies. It is for this reason that the sales force of these companies are constantly learning from the healthcare professionals. This is evidenced by the meetings organized by the companies where they invite the healthcare professionals to share knowledge and learn how their products could be put to better use.
4.2.2 Qualitative Analysis

It was found out that 83% of the pharmaceutical MNCs in Kenya operate as a subsidiary of their parent companies and have lean operations in the country. This is to ensure that they operate at minimal costs to safeguard the investments of their parent companies globally. These MNCs also have a presence in other East African countries of which most of their East African operations are managed from Kenya. Their products are mainly original prescription drugs and consumer products and consider competition as a significant determinant of their companies’ success.

Some of these companies have also ventured into generic drugs to enable them remain competitive in the market. It is for this reason that these companies have come up with strategies that help them counter competition and are able to remain competitive in their defined markets. These companies place a lot of emphasis and investments on their products, their customers and their people. Most of the strategies they have employed revolve around their products, customers and people to remain competitive.

As identified in the literature review by other researchers, the strategies in place to ensure that they deliver superior value to their customers where their products are concerned include continuous product improvements and innovations, production of unique products for a specific target market and production of standardized products at very low costs for price sensitive customers. Supported by their parent companies, the companies invest heavily in research and development to discover newer and better products for their markets.
Regarding their customers, the companies focus on possessing detailed knowledge on their customers’ needs, tastes and preferences to ensure that they properly understand what it is that their customers are looking for. They focus on responding to their customers’ requests and providing solutions to their customers’ problems. A majority of their operational expenses are to do with their customers whereby they carry out continuous sessions with their customers to try and understand their needs.

The customers include healthcare professionals, pharmacists and procurement officers and patients to a very limited extent. These companies strive to match their competencies with their customers’ desired value as they recognize the link between superior value and superior performance. On their people, the companies focus on possessing unique characteristics to distinguish themselves from competitors. They invest heavily in identifying and recruiting the best talent in the market and training the identified talent to ensure that these deliver superior value to their customers. This is especially with regards to recruitment of their medical sales representatives who constantly interact with their customers. Focus is placed on academic qualifications and past experience on considering the talent to recruit.

Due to the technical nature of their responsibilities, the recruited medical representatives are then taken through months of rigorous training to ensure that they are imparted with the necessary technical knowledge and skills that will enable them deliver superior service to their customers. The companies also enter into strategic alliances with other stakeholders to attain competitive advantage. These include alliances with the Ministry of Health, healthcare professional associations and regulatory authorities in the country.
Some of the strategies identified by other researchers in literature review appeared to be unpopular with these companies, including selling of products at lower prices than their competitors and reduction of operating expenses to maximize on revenues. This is a trend with most MNCs whereby costs are considered inconsequential for as long the company is delivering value to their customers.

Others included selective advertising appeals where the companies are prohibited from advertising their products by the professional code of ethics of healthcare professionals. Partnering with customers to produce highly customized products and formation of joint ventures, mergers and/or acquisitions were also unpopular strategies with these companies. Locally, most of these companies being subsidiaries of their parents do not acquire other companies or enter into joint ventures with them as this is mainly done from a global level by their parent companies.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter details the summary of the findings in relation to the objective of the study. It also gives the implications of the study to the stakeholders identified in the importance of the study, while highlighting the limitations of the study and the recommendations for further research.

5.2 Summary of findings

The research objective was to determine the various strategies employed by pharmaceutical MNCs in Kenya to attain competitive advantage. All the MNCs in question appreciate that competition is a significant determinant of their companies’ success and that they have strategies in place that help them attain competitive advantage either locally developed or adopted from Parent companies but customized to suit the market’s peculiarities. These strategies are aimed at countering competition and are outlined in the companies’ strategic plans which have been clearly communicated to all their employees.

The extent to which these have been implemented and are effective is what differs from one company to another. The main strategies applicable to these MNCs include possession of unique characteristics to distinguish themselves from competitors, specialization of suppliers to meet variations in buyer demands, continuous product improvements and innovations, possession of detailed knowledge on customers’ needs, tastes and preferences by their employees, production of unique products for a specific target market and formation of strategic alliances with other stakeholders.
Selective advertising appeals, partnering with customers to produce highly customized products, production of standardized products at very low costs for price sensitive customers and formation of joint ventures, mergers and/or acquisitions emerged as unpopular strategies where the MNCs are concerned.

The companies also confirmed that possession of superior skills is the most common source of competitive advantage, which include, focus on recruiting the best talent in the market, investment in staff training and acquisition of relevant and required skills by staff and focus on personnel possessing superior skills to those of competitors among others. Possession of superior resources as a source of competitive advantage was disputed as most companies agreed that the resources they possessed were not so rare and difficult to imitate and that these also could be substituted by their competitors. Possession of superior resources than those of competitors however had some weight as a source of competitive advantage.

Regarding other strategic concepts linked to the concept of competitive advantage as applied by the organizations, as identified in literature review by other researchers, the companies focus on attaining knowledge of their customers through what they call Continuous Medical Education sessions and round table meetings with healthcare practitioners, responding to customers’ requests and providing solutions to their customers’ problems. They attribute their superior performance to focus on delivering superior customer value through superior products and service to their customers.
The companies that have been in existence in Kenya for much longer than the others, that is, over 50 years, appear to have solid strategies in place and the implementation process more effective than their counterparts in the same industry. This is also seen in their huge investments in the country as compared to the other companies in the same industry in relation to their staff numbers.

5.3 Conclusion

The Pharmaceutical Industry in Kenya is highly competitive, very peculiar from other industries and continues to experience turbulence in their operating environment, more so an increased threat of counterfeit drugs in the market which has led to stringent regulations from the regulatory authorities, thereby translating to huge operating costs for these companies. Both Original and generic brands have coexisted and still remain profitable despite these challenges. This is because the MNCs have remained cognizant of the importance of strategy formulation and implementation for their businesses. They have focused strategies that over the years have enabled them to remain competitive.

In conclusion, sustainable competitive advantage is in no doubt not easy for any company in any industry to achieve. For a company to remain competitive in the long run it must have strategies in place that cannot be easily imitated by other players, it must ensure that its competitiveness stems from its uniqueness. Therefore, there must be a fit between the day to day operations of the company and its drivers of competitive advantage. The resources both tangible and intangible must be mobilized to enhance competitiveness.
5.4 Recommendations

The researcher found out that although the MNCs have strategies in place to create competitive advantage, the full benefits of these strategies are not fully felt due to either lack of a proper understanding of the implementation process especially for companies where the strategies are cut out on a global level or a pure misunderstanding of the strategies themselves. Most of the staff at the local level is not involved in the strategy formulation process but the strategies are cascaded down to them for localization and implementation. These companies are therefore at a loss on what needs to be done due to constraints from the global level hence a not so effective strategy formulation and implementation process.

The researcher recommends that the MNCs should strive as much as possible to localize the global strategies, tailor make them to suit the environmental peculiarities in Kenya for these strategies to be effective to enable them attain competitive advantage. The researcher also recommends that the companies’ source of uniqueness must have barriers, which other companies/competitors are not able to imitate. This is especially the case where competition with generic companies and counterfeit drugs are concerned.

To make it difficult for the generic companies and counterfeits, then the companies must have unique characteristics/attributes that competition is not able to imitate. This is especially the case with product production and innovation. This way they are able to create competitive advantage. It was also found out that most of the companies did not have cost reduction or low cost strategies in place.
The focus has been on differentiation of products, customers and their people. The companies may want to consider exploring the cost reduction/low cost strategies to attain competitive advantage as proposed by Porter, that is, cost leadership. This is the strategy used by their counterparts in the generic companies whose focus is to provide products at low cost for consumers who are price sensitive. The MNCs may want to consider providing the generic products as well as it is happening globally with most of their parent companies. This will help them counter competition from the generic companies and are left with counterfeits to deal with.

Additionally, with the stringent regulations imposed by the regulatory authority which are translating to huge operational costs for these MNCs, they have no choice but to consider cost reduction strategies to ensure that they still remain competitive. Regarding strategic alliances, other than partnering with institutions that directly benefits them, the researcher recommends that the MNCs partner with bodies like Anti-counterfeit agencies and invest in the process of fighting counterfeits in Kenya who threaten their market share and water down the integrity of their original brands. They may also partner with the communities around them and carry out social responsible activities which may go a long way in reinforcing their position in the country.

5.5 Limitations of the study

The study was not without limitations, time constraint was a major limitation for this research. The time available to carry out the research was limited due to work commitments. A census survey which included other players in the pharmaceutical industry such as generic companies and local companies would perhaps bring out more interesting findings, and give more insight as to how companies in this industry are able to remain competitive.
The researcher however limited this survey to MNCs that deal with original brands only in order to beat set timelines/deadlines. There was also no room to direct the respondents on filling the questionnaires properly or even seek clarifications from them on unclear responses in instances where the respondents were out of the country. This is because the nature of work of most of the respondents entails travelling a lot thereby restricting communications between the researcher and the respondents via email in most instances.

Most of these MNCs have their strategies formulated globally by their parent companies. They are only left with the option of localizing the global strategies and implementing them. This therefore proved to be a challenge in identifying the appropriate respondents in such companies especially those that operate in Kenya as just a marketing/liaison office.

Data collection also proved to be a challenge as the researcher was not able to obtain all the questionnaires from the respondents due to the peculiarity of the pharmaceutical industry. Most intended respondents treated the request to obtain information from them with a lot of skepticism and were not so willing to share the information from their companies. This is because the industry is so sensitive where information sharing and confidentiality is concerned, highly regulated and a lot of care taken to ensure that the companies do not fall into non-compliance in their communication and information sharing. The researcher therefore had to use already established networks in the industry to penetrate and get the required information.
5.6 Suggestions for Further Research

Generic companies are increasingly gaining market share in Kenya due to the increasing need by Kenyans to spend minimally to cater for medical expenses, thus reduce their cost of living. Many people are shying away from brands to generics due to high costs as noted from the various respondents. A study of the strategies employed by Pharmaceutical MNCs dealing with brands to counter competition from generic companies will be very insightful.

Technology is also ever changing. Many companies have embraced technology and are now using it as a strategy to constantly innovate and redefine themselves to distinguish themselves from competition. A study on technology and innovation as a strategy to create competitive advantage in the pharmaceutical industry in Kenya will also be very appropriate.

The regulatory environment in Kenya has also significantly changed in the recent past where the regulatory authorities are implementing stringent measures to ensure drug safety in the country. This in return has translated to very high operational costs to the MNCs in the pharmaceutical industry. A study on the strategies employed by these companies to reduce their operational costs will be of great importance.

5.7 Implications of the study on Policy, Theory and Practice

The study has unveiled the strategies that pharmaceutical MNCs have in place to align their capabilities to the environment and attain sustainable competitive advantage. This is important to the company executives and top management teams of the various MNCs in the Pharmaceutical industry, being the chief architects and the drivers of their company’s grand strategies.
The top executives are now aware of the best practices in the industry and are able to identify those that may apply to their own companies to give them a competitive edge if already not in place. Local pharmaceutical companies also now understand the various strategies in place by their greatest competitors and may use this information to improve their own practices to enable compete at the same level with the MNCs. It is clear that MNCs are incurring huge operational costs to comply with the regulatory requirements as dictated by the Pharmacy and Poisons Board and are now forced to come up with strategies that will help them deal with the costs. The Regulatory Authority may consider reducing such costs or requirements to enable the MNCs operate profitably in the country.

The collaborating agencies are also aware of the challenges the MNCs are facing such as the threat for counterfeits in the market and may want to steer the partnering process with the MNCs to fight the counterfeits to remain competitive. The study will also help in better policy formulation as well as more information to include in the Regulatory Authority’s data bank for investors.

There are a few studies that have been conducted in Kenya on the strategies employed to attain competitive advantage especially in the pharmaceutical industry. The study has therefore contributed to adding knowledge to the existing literature by showing how pharmaceutical MNCs in Kenya are countering competition and dealing with the changes in their environment through the various strategies they have in place. The study will also bridge the research gap that has existed and avail secondary data for future primary research.
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Appendix 1: Introduction letter to respondents

Ruth Omwansa
University of Nairobi
Department of Business Administration
P.O.Box 30197
Nairobi
20\textsuperscript{th} September 2012

Dear Respondent

COLLECTION OF SURVEY DATA

I am a postgraduate student at the University of Nairobi, School of Business. I am undertaking a management research Titled “Strategies employed by Multinational Pharmaceutical Corporations in Kenya to attain competitive advantage”. This is to kindly request you to assist me collect the data by filling out the accompanying questionnaire. The name of your organization will at no time appear in the research findings. The information provided will be used exclusively for academic purposes. My supervisor and the undersigned assure you that the information you give will be treated with strict confidence. The findings of this research can be availed to you upon completion of the research on request. In case of any questions pertaining to this project please do not hesitate to contact me on the above address.

Regards,

Ruth Omwansa
Appendix II: Respondent’s questionnaire

1. Name of your company ______________________________

2. What is the ownership structure of your company?
   - Parent company
   - Subsidiary
   - Branch
   - Other (Please specify) ______________________________

3. How long has your company been in operations in Kenya?
   - Less than 20 years
   - More than 20 years but less than 50 years
   - Over 50 years

4. In how many other countries in East Africa does your company operate in? ________

5. How many employees do you have in Kenya?
   - 1 – 20
   - 21 – 40
   - 41 – 60
   - Over 60

6. What type of products do you deal with? (Tick all that apply)
   - Original prescription drugs
   - Generic drugs
   - Consumer products

7. Do you consider competition a significant determinant to your company’s successes?
   - Yes
   - No
8. If Yes, kindly list below the five companies that you consider your major competitors in order of merit
   a) __________________________________________________________
   b) __________________________________________________________
   c) __________________________________________________________
   d) __________________________________________________________
   e) __________________________________________________________

9. While considering competition, how do you rank the below forces of competition
   (Please use a scale of 1-5 where 1 represents the most significant force in your company and 5 represents the least significant force)

<table>
<thead>
<tr>
<th>Competition force</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>The threat of new products/competitors</td>
<td></td>
</tr>
<tr>
<td>The threat of substitute products</td>
<td></td>
</tr>
<tr>
<td>Bargaining power of your customers</td>
<td></td>
</tr>
<tr>
<td>Bargaining power of your suppliers</td>
<td></td>
</tr>
<tr>
<td>Rivalry among existing firms/companies</td>
<td></td>
</tr>
</tbody>
</table>

10. To counter competition, organizations formulate strategies that will ensure they remain competitive. Please indicate whether you agree or disagree with the statements below (Tick as appropriate)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have strategies in place that help us counter competition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a strategic plan that outlines the companies strategies on countering competition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The strategies have been clearly communicated to all our staff</td>
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</tbody>
</table>
11. Please indicate which of the following strategies have been employed by your organization in an attempt to attain competitive advantage and the extent to which they are effective. (Please tick if applicable then evaluate the extent of effectiveness)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Applicable</th>
<th>Very effective</th>
<th>Quite effective</th>
<th>Quite Ineffective</th>
<th>Very Ineffective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling of products at lower prices than competitors</td>
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<tr>
<td>Possession of unique characteristics to distinguish ourselves from competitors</td>
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<tr>
<td>Specialization of suppliers to meet variations in buyer demand</td>
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<tr>
<td>Continuous product improvements and innovations</td>
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<tr>
<td>Selective advertising appeals</td>
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<tr>
<td>Partnering with customers to produce highly customized products</td>
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<tr>
<td>Possession of detailed knowledge on customers’ needs, tastes and preferences by our employees</td>
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<tr>
<td>Production of standardized products at very low costs for price sensitive customers</td>
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<tr>
<td>Reduction of operating expenses to maximize on revenues</td>
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<tr>
<td>Production of unique products for a specific target market</td>
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<tr>
<td>Strategic alliances with other stakeholders</td>
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<tr>
<td>Formation of joint ventures, mergers and/or acquisitions</td>
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</tr>
</tbody>
</table>
12. To what extent are the below statements applicable regarding the sources of your organization’s competitive advantage (Please tick as appropriate)

<table>
<thead>
<tr>
<th>Sources of competitive advantage</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>We focus on recruiting the best talent in the market</td>
<td></td>
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<tr>
<td>We invest in staff training and acquisition of relevant and required skills by staff</td>
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</tr>
<tr>
<td>We focus on our personnel possessing superior skills to those of our competitors</td>
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<tr>
<td>The resources we have employed are rare and difficult to imitate by others</td>
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<tr>
<td>We use resources that cannot be easily substituted</td>
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<tr>
<td>We consider the resources we use to be superior than those of our competitors</td>
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</tr>
</tbody>
</table>
13. The concept of competitive advantage has been linked to other strategic concepts as applied by organizations. To what extent do you agree with the below statements. (Please tick as appropriate.)

<table>
<thead>
<tr>
<th>Other strategic concepts</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Un-decided</th>
<th>Dis-agree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of our customers is key to our success</td>
<td></td>
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<tr>
<td>We always respond to our customer’s requests</td>
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<tr>
<td>We focus on providing solutions to our customers’ problems</td>
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<tr>
<td>We match our core competencies with our customer’s desired value</td>
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<tr>
<td>Our focus is on learning about customers and not learning from customers</td>
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</tr>
<tr>
<td>Our focus on superior customer value has led to our superior performance</td>
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</tr>
</tbody>
</table>

THANK YOU FOR YOUR COOPERATION
Appendix III: List of Pharmaceutical Multinational Companies in Kenya

<table>
<thead>
<tr>
<th>Company</th>
<th>Country of Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pfizer Labs Limited</td>
<td>USA</td>
</tr>
<tr>
<td>2. Norvatis</td>
<td>Switzerland</td>
</tr>
<tr>
<td>3. Sanofi Aventis</td>
<td>France</td>
</tr>
<tr>
<td>4. Roche</td>
<td>Switzerland</td>
</tr>
<tr>
<td>5. GSK</td>
<td>UK</td>
</tr>
<tr>
<td>6. Astra Zeneca</td>
<td>UK</td>
</tr>
<tr>
<td>7. Johnson &amp; Johnson</td>
<td>USA</td>
</tr>
<tr>
<td>8. Eli Lilly</td>
<td>USA</td>
</tr>
<tr>
<td>9. Bayer East Africa</td>
<td>Germany</td>
</tr>
<tr>
<td>10. Boehringer Ingelheim</td>
<td>Germany</td>
</tr>
<tr>
<td>11. Beta Healthcare International</td>
<td>UK</td>
</tr>
</tbody>
</table>

*Source: The Kenya Association of Pharmaceutical Industry database, August 2012*