# STRATEGIC MANAGEMENT PRACTICES WITHIN PHARMACEUTICAL DISTRIBUTORS IN KENYA

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION DEGREE, SCHOOL OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI**

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## DECLARATION

I hereby declare that this research project is my original work and has not been presented in any other university for an award.

Signature: …………………………………...                    Date: 8TH SEPTEMBER, 2022

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**D61/9594/2018**

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

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## DEDICATION

I dedicate this paper to my wife Catherine Kinya, boys Ray and Adrian, and daughter Taraji. You were quite tolerant with me while I was always at school and just came home late. You instilled in me the confidence to pursue this path. Even if it is posthumously, I celebrate this with my parents. You always instilled in me the value of education and reminded me that with determination and courage, nothing is impossible to achieve.

## ABSTRACT

Presently, more and more organizations are adopting strategic management practices to attain their objectives. This is influenced by the complexities involved in decisions making. Strategic management practices identify approaches appropriate for firms to gain a competitive advantage and maintain sustainable growth. Pharmaceutical distributors are adopting these strategies be shielded from the turbulent environments they operate in. Considering the tight ethical requirements imposed on the pharmaceutical industry and strategies implemented to avoid degeneration of the sector into a hawker industry, this study sought to evaluate the strategic management practices adopted by pharmaceutical distributors in Kenya. The Study adopted a cross sectional survey research design and target to collect data from firms registered with the Pharmacy and Poisons Board. A sample was chosen using the Slovin's Formula and only included most ranking officers as they were in charge of strategic decision-making. Data was collected using a structured questionnaire and in SPSS (Statistical Package for Social Science) was used for analysis. Descriptive statistics like means, standard deviations, and frequencies were used to identify patterns in the data and the findings were presented in charts, graphs, and tables.

This study established that pharmaceutical distributors have adopted strategic management practices that influence their operations. The strategies have caused expansion of the firm by increasing the firm's financial capacity. The expansion has been as a result of transport outsourcing, adopting new technologies and increased sales. Firms that reported a decline in operation blamed it on supply chain disruption, lack of qualified workforce, increased competition, lack of agility and transparency, pharmaceutical fraud and increased competition. The respondents confirmed that the firms had a well laid out mission statement, vision statement, core values and organizational structure that guide their operations that they used both internal and external data to plan for long-term goals. Lastly, the study found that the firms were using balance score card, evaluating products and the market, getting feedback from clients and using sales turnover to as methods of evaluating strategies implemented in the firm.

The study concludes that strategic management practices vary widely among pharmaceutical distributors. It suggested that the team involved and degree of participation influence the success of the practices. Additionally, it recommends firms analyze their internal and external environment to support planning for long-term goals which can be achieved by exploiting strengths within and cashing on the opportunities present. This will help them increase the capital base and manage competition. To conclude, the study called upon the government to support pharmaceutical distributors by developing strict legislations and laws that ban illegal imports and sell of counterfeit products.

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## ABBREVIATION ACRONYMS

| | | |
|---|---|---|
| GDP | - | Gross Domestic Product |
| COMESA | - | Common Market for Eastern and Southern Africa |
| KNBS | - | Kenya national bureau of statistics |
| KEMSA | - | Kenya Medical Supplies Agency |
| ICRC | - | International Committee of the Red Cross |
| IAF | - | International Award Foundation |
| BMUs | - | Beach Management Units |
| CEO | - | Chief Executive officer |
| MD | - | Managing director |

# CHAPTER 1

# INTRODUCTION

## 1.1 Background of the Study

Presently, more and more organizations are adopting strategic management practices to attain their objectives. This is influenced by the complexities involved in decisions making. Johnson and Scholes (2002) define strategic management as a process that involves creating, applying, and implementing decisions key to achieving an organizations corporate goal. It includes aspects like strategy planning, strategy formulation, strategy evaluation, strategy control, and strategy implementation that determine a firm's long-run performance. Strategic management practices identify approaches appropriate for firms to gain a competitive advantage and maintain sustainable growth. According to Pearce and Robinson (2003) Strategic management has evolved as an interdisciplinary corpus of knowledge. It is concerned with the future of an organization. As such it is perceived as a requirement of continued success. Therefore, scholars identify strategic plans and decisions as a greater catalyst of uncertainty than operational and administrative are (Ansoff et al., 1990)

Dess et al. (2005) argues that strategic management process involves understanding the position of a firm, making strategic decisions to be used in the future, and converting a strategy into an action. It also involves developing and implementing strategy to achieve future objectives and introducing change to improve organizational preference. Strategic management is important because it enables organizations to deal with factors influencing an organization’s ability to be profitable (Aragon-Correa et al., 2004). It also facilitates improved financial performance. By emphasizing interaction by managers at all levels of the organizational hierarchy in planning and implementation, strategic management practices also help improve the general welfare of the organization (Pearce & Robinson, 1997).

The Study was centered on the resource-based theory. The theory is relevant in the sense that pharmaceutical distributors depend on resources originating from the environment, which consists of other organizations. Pharmaceutical distributors play a vital role in the healthcare system by enabling the exchange of products from manufacturers to pharmacies and providers. They do much more than simply transport products from point A to point B since they purchase and take on legal ownership of pharmaceutical products. They as a result assume the financial risk involved in transporting inventory, product sales, and payment collection. They do so on a scale that reduces capital and operating expenses for the supply chain, allowing manufacturers to focus on their core function of distributing chemicals and medicines (Ikundo, 2007). The study intended to assess the application of strategic management practices within pharmaceutical distributors in Kenya. Most of the pharmaceutical distributors in Kenya operate in a very dynamic environment. The environment changes rapidly and will continue to change whether we anticipate it or not. Therefore, managers must act fast to ensure that organizations are flexible.

### 1.1.1 Strategic management practices

Strategy is derived from the Greek term "strategos" meaning army guidance from the position of Commander General. This term was made popular by theoretician Karl von Clausewitz and the Prussian military general 400 years earlier. The term was first used in the field of politics and human activity but later gained recognition in corporate management. Bakar (2011) describes strategy as mechanism used to attain corporate goals and ensure success on a long-term basis. Strategy is also described as a plan to help organizations achieve their long-term objective (Burnes, 2004).

According to Markiewicz, (2011), there is no definitive consensus of strategic management. Kazaz and Ulubeyli (2009) describe strategy management as an approach by managers to assist in decision-making based on the organization's objectives, mission, and vision. Sababu (2007) defines strategic management as an approach that integrates effectual management of environmental threats and opportunities in-line with organizational strengths and weaknesses to ensure long-term success. Strategic Management encompasses a combination of actions and decisions guiding organizations to come up with and apply mechanisms that support their objectives. It involves organizing, planning, controlling, and directing policies that mirror an organization's actions and decisions to boost competitiveness (Pearce & Robinson, 2000). These are just a few of the definitions available.

Strategic management practices result to the growth and continuous success of firms when implemented effectively and efficiently. This is dependent on the means used to analyze the environment, create a preferred position, come up with appropriate strategies and implement them accordingly. It requires one to understand the current strategic situation in a firm, making future strategic options and turning strategy into action. Strategic management is important since it not only constructs plans around assumptions about the future, but also concentrations on how the plans can be used as a blueprint for daily activities. By creating a mission and vision while involving the output of the stakeholders is key in realizing the desired future. Strategic management is a process that affects the whole organization. The process starts with strategic planning and formulation, where the objective and mission of the company is defined. It should reflect the values of the company and the stakeholders. When formulating strategies, social responsibility is considered since the mission must include a plan of ensuring they sustain the environment (David & King, 1978). Next, is implementation of the strategy which is acknowledged as the action stage of the process. In cases where the overall strategy fails to work with the current organizational structure, new systems should be at this stage. Additionally, all actors must be made aware of their responsibilities and duties and how they contribute to attaining the overall goal of the organization. Lastly is the strategy evaluation and control stage, which includes assessing performance, reviewing internal and external concerns, and correcting where necessary (Robinson, 1997).

### 1.1.2 Pharmaceutical Distributors in Kenya

Pharmaceutical Distributors play a major role in supporting the health sector of a country. They support drug distribution which has witnessed a paradigm shift. Presently, Kenya is the biggest manufacturer and distributor of pharmaceutical products in the Common Market for Eastern and Southern Africa (COMESA) region. Kenya supplies about 50% of pharmaceutical products in the regions' market (KNPP, 2010). The number of firms involved in the distribution of pharmaceutical products in Kenya continues to grow. This has escalated after the government's implemented policies to encourage local and foreign investments in the sector.

Kenya has about 700 registered wholesalers and 1,300 retail dealers of pharmaceutical products. KNBS (2009) report indicates that the country spends about 8% of its GDP on health. The government has set up agencies like the Kenya Medical Supplies Agency (KEMSA) to distribute pharmaceutical products. Additionally, the Pharmacy and Poisons Board police pharmacy practice, production, and trade of drugs and poisons. All pharmaceutical firms are required to be registered their products and their personnel with the Pharmacy and Poisons Board. Approvals are made after establishing the safety, effectiveness, and quality of medical devices, chemical substances, and drugs. Unlike other commodities, the distribution of drugs is highly regulated in accordance with Cap 244 (Pharmacy and Poisons act), laws of Kenya. Drugs are classified into three groups. The First, Over-the-Counter drugs, can be found in pharmacies, shops, and supermarkets, while the second, Pharmacy-only drugs are dispensed by professions or bought from pharmacies. The third, Prescription-only drugs are issued upon production of a doctor's prescription and can be found in pharmacies.

## 1.2 Research Problem

Presently, pharmaceutical firms operate in dynamic and turbulent environments with continuous and fast-paced changes, which have rendered yester-years' strategies irrelevant (Ofunya, 2013). Most spend time and resources trying to recognize and respond to unanticipated changes and problems rather than forestalling and preparing for them. The top management officials in firms must constantly reflect strategically on the organization's future. This is because of the inconsistencies in the environmental influence sustainability and performance in organizations. Therefore, they must recognize strengths, exploit opportunities, counter threats and overcome their weakness (Pearce and Robinson, 2000). They must derive strategies that respond to challenges arising from the environments they operate in (Lipponen et al., 2004). One way is through creating a customer experience that interests the customers to keep coming back. This strategy not only gives the firm a competitive advantage but also assists in identifying approaches that generate adequate funding. An organization's competitiveness and ability to deliver the best when serving is a contribution of both top management and other employees (Rivard et al., 2006).

According to Newton & Harte (1997), the best corporate strategy integrates the goals and policies of an organization and should be achievable. Pharmaceutical Distributors play a major role in supporting the country's health sector. With Kenya being the largest producer and distributor of pharmaceutical products in the COMESA region, distributors should promote environmental, economic, and social sustainability. However, pharmaceutical distributors in Kenya are continuously faced by challenges including environmental pollution, high energy consumption, costly supply chains, regulatory challenges where drug registration legislation keep changing over time, changing customer preferences and parallel importation of the brands by unscrupulous business men. All these factors affect the operations and profitability of the pharmaceutical distributors. Therefore, organizations should improve their production processes and adjust their supply chains to ensure sustainability (Mentzer & Williams, 2001). When such challenges are not addressed by developing appropriate strategies, the Pharmaceutical distributors cannot realize their objectives.

Minimal research has been conducted on strategic management practices adopted in the pharmaceutical industry. Some of the studies available on the Kenya pharmaceutical industry, but not limited to, include a study by Vinayak (2001), Strategic marketing of pharmaceutical products in Kenya and Ogollah (2007), strategic management practices of pharmaceutical importers, and distributors in Kenya. Considering the tight ethical requirements imposed on the pharmaceutical industry and strategies implemented to avoid degeneration of the sector into a hawker industry, the study sought to evaluate the strategic management practices adopted by pharmaceutical distributors in Kenya. The strategic management processes evaluated included environmental scanning, strategy formulation, implementation and evaluation to answer the question: what strategic management practices have been adopted by pharmaceutical distributors in Kenya?

## 1.3 Research objective

The objective of the Study was to evaluate the strategic management practices adopted by pharmaceutical distributors in Kenya.

### 1.3.1 Specific Objective

The study was based on the following specific objectives

1. Evaluate strategic planning practices adopted by pharmaceutical distributors in Kenya.
2. Examine strategic formulation practices adopted by pharmaceutical distributors in Kenya.
3. Determine strategic implementation and evaluation practices adopted by pharmaceutical distributors in Kenya.

## 1.4 Value of the Study

The findings will contribute to the field of strategic management by expanding on existing theoretical and conceptual approaches. It will also add to the body of knowledge on strategic agility from a Kenyan perspective. This study also aims to identify policy gaps that can be used to inform policy development in order to improve pharmaceutical firm operations. In terms of more research, students, scholars, educationalists, and researchers within the space of strategic management will use this study's findings to tell their literature and gaps. They're going to be able to add price to the gaps known by this Study. This Study can be accessed from the general public repository domains like open-access academic sites, libraries, journals and magazines once the study's findings are published.

The management and shareholders of the pharmaceutical distribution corporations in the African nation are going to be able to appreciate the findings on strategic management practices drawing from the simplest practices in alternative contexts. Shareholders will be able to perceive which areas to make additional investments on to modify their corporations to attain the most productivity. Furthermore, through its regulative agencies within the different sectors and other policymakers, the government can adopt suggestions from the Study that gives a new orientation in creating and enacting policies that would enhance correct laws in the pharmaceutical industry.

# CHAPTER 2

# LITERATURE REVIEW

## 2.1 Introduction

This chapter will review literature from various theoretical approaches and empirical studies from different scholars that have contributed to the Study of strategic management practices adopted by different firms. The chapter reviews the theories and the empirical literature.

## 2.2 Theoretical Foundation

### 2.2.1 Resource-based Theory

The resource-based theory is focused on how external factors influence the behavior of an organization. This theory is crucial since an organization's ability to mobilize and exploit resources affects its competitive advantage. According to lamb & Boyden (2011), the resource-based theory is founded on the analogy that resources are critical in attaining high performance. It argues that organization depends on resources originating from the environment, which consist of other organizations. This indicates that the resources an organization requires are often available for others (Sharif & Yeoh, 2014). The environment is professed to have scarce resources essential for the survival of an organization. Environments with high-level resources are perceived to favor an organization's stability, while those with low-level resources intensify competition among firms. Scholars of the resource-based theory suggest developing and sustaining an effective relationship with the environment is key in minimizing the impact of environmental uncertainties (Pfeffer & Salancik, 2003). Hence, customers are the ultimate resource businesses are dependent on. Even though this might seem obvious in terms of revenue, organizational incentives are actually what make management view customers as resources. Recently, the theory has received some scrutiny from meta-analytic studies and other reviews. This includes the likes of Drees & Heugens (2013), who support that firms should take actions like strategic mergers and acquisitions and strategic alliances to counter reliance and increase legitimacy and autonomy.

The theory was relevant because pharmaceutical distributors depend on resources originating from the environment, which consists of other organizations. Pharmaceutical distributors play a vital role in the healthcare system, facilitating efficient exchange of products from manufacturers to pharmacies and providers. Since they connect manufactures, producers and caregivers, distributors contribute to economical and seamless supply chains. Distributors do much more than simply transport products from point A to point B (Ikundo, 2007). Distributors purchase and take on legal ownership of pharmaceutical products and thus take on the financial risk of transporting inventory, product sales, and payment collection. They do so on a scale that reduces capital and operating expenses for the supply chain at large, which allows manufacturers to focus on their core function of developing critically important medicines.

### 2.2.2 Open Systems Theory

According to Bastedo (2004), Open systems theory explains that the environment strongly influences an organization's operation. The environment comprises of other organizations that apply various forces of a social, political or economic nature. These forces provide key resources that sustain the organization championing change and survival. The theory treats organizations as a structure with interrelated substructures. Therefore, as open systems, they can only remain effective and efficient by adjusting to the changes in their environment. Porter (1996) suggests that firms should not only consider what's happening within its subsystems but also what's happening outside since no business functions as a vacuum. All resolutions made by an organization must be useful in both internal and external environments. Thus, decision-makers continually should observe the environment to determine the organization's finest response to environmental changes (Plunkett et al., 2008).

Almost every modern theory of organization management is based on the open systems theory. Thereby, open systems theories have different points of view (Scott, 2002). For instance, contingency theorists reason that organizations organize themselves to fit their environment best. Additionally, Institutional theorists view organizations as a medium through which societal ideals and philosophies are implanted into an organization and expressed in organizational changes. Lastly, resource dependency theorists argue that organizations adapt to the environment as provided by their stakeholders. Even though the theory has a variety of perspectives, all arguments are based on survival dependent on the relationship with the environment (Meyer et al., 1978).

The theory was relevant in the sense that pharmaceutical distributors are dependent on the environment within which they exist. The distribution, sale and storage of pharmaceutical products are often carried out by different individuals, institutions and companies. Therefore, policing the distribution, sale and storage of the product is key to enhance performance of the sector. Counterfeit products have been a real threat to public health and safety and the penetration of such products is the focus of many countries. The penetration of these products can be blamed on weak points in the distribution chains which are avenue for substandard, stolen and illegally imported products. According to Singh et al. (2020), controlling and maintaining the quality of pharmaceutical products entails all active parties in the distribution chain to comply with the applicable legislation and regulations.

### 2.2.3 Stakeholder theory

The stakeholder theory, a view of capitalism, reports a relationship between a business and its investors, employees, suppliers, customers, stakeholders and the community it operates in. it defines stakeholders as a group of people or individuals that can affect or are affected by the businesses performance. They interact together and create a trade value. The management is mandated to identifying how the relationship works and changes over time. This involves meeting and satisfying the stakeholder's interests. If the stakeholders' interest conflict, then the top management ought to determine the reason and find a solution (Parmar, et al., 2010).

The Stakeholder theory specifies how an organization can involve stakeholders in the organization's operations whether directly or indirectly. It stresses that all organizations are accountable for the stakeholders in the environment they operate in (Freeman et al., 2010). Taking key stakeholders for granted will result to meeting antagonistic problems, particularly when poor performances are recorded. According to Friedman & Miles (2002) the theory defines a companies' specific stakeholders and determines under what conditions the parties are treated as stakeholders. This theory was relevant for our study since it has succeeded in challenging the usual analysis frameworks by suggesting that stakeholders' needs should be addressed first. Additionally, it is key in creating a framework on how pharmaceutical distributors interact and align with employees and stakeholders when formulating and implementing strategies that are key in achieving their goals.

### 2.3 Strategic Management practices in organizations

There is ample evidence in literature documenting the application of strategic management practices. A study by Pearce and Robinson (2002) indicates that strategic management practices a key in ensuring that an organization achieves its strategic management objectives. The study listed Environmental analysis as a key aspect in strategic management process factors influencing decisions, actions and ultimately the structure of an organization. They added that factors can either be from the external or internal environment. The external environment encompasses factors like political, economic, social, industrial and technological factors. This factors emanate from influences beyond and usually irrespective of any single firm's operating situation. On the other hand, internal factors, origination from influences within the firm's operating situation include Government regulations, a firm’s strategy, customer, market of operation, objectives among other. Porter (2002) lists industry and competitor analysis as an important strategic management practice. The study recommended evaluating the competitors’ strategies, goals, financial strength, and available resources so as to develop competitive strategies.

Establishing a strategic management system should include stakeholders, management and employees. According to Aosa (1992), the management cannot ignore the input of employees and management in implementing a company's strategy. The interaction between these different groups is instrumental in formulating and implementing any strategy. The study conclude that the management is a catalyst to adopting successful strategic management practices since they are closely and accountable for th success or failure. Therefore, they should promote team spirit and motivate adoption of strategic management practices that promote profitability and sustainability. Adopting strategic management responses to remain competitive or respond to environmental changes is vital as it contributes to an organization's success. This fact is well demonstrated by Mohamed (2012), who conducted a study to identify the strategic responses implemented by companies within the pharmaceutical sector in Nairobi, Kenya to respond to changes within the external business environment. According to the research, almost all of the firms under investigation used strategic management in various areas, including pricing, scheduling payments for supplies, cash flow planning, marketing, and manufacturing sequence. These findings indicated the vital role played by strategic management in facilitating the success of pharmaceutical companies in Kenya.

Njuguna (2014) conducted a similar study to establish the challenges within the external environment of the International Committee of the Red Cross (ICRC) in Nairobi and the strategic management responses used to counter these challenges. The research showed that the company experienced challenges in the ecological, technological, political-legal, socio-cultural and ethical business environments. The Study also revealed that ICRC implemented different strategic management responses to counter these challenges. These include formulating fraud policies, adopting environmental protection policies, strategic partnerships, implementing strict financial regulations, holding meetings to communicate company policies with suppliers and partners, cost-cutting actions and outsourcing non-essential functions.

The pharmaceutical industry is highly competitive, requiring organizations to implement strategic management practices to bolster organizational performance. The impact of strategic management on organizational performance is evident in a 2014 study carried out to assess the influence of strategic management on the business performance of pharmaceutical manufacturers in Jordan. Sharabati & Fuqaha (2014) analyzed strategic management using balanced scorecard components including growth and learning, internal processes and customer and financial perspectives. An analysis of the data revealed that pharmaceutical organizations in Jordan exhibited high levels of implementation of the balanced scorecard elements of strategic management. The investigation also found that strategic management, as defined by the balanced scorecard elements, had a direct influence on the performance of the examined companies, with each of the four elements having a positive impact on organizational performance. Despite the demonstrated benefits of implementing strategic management practices to overcome business challenges and improve organizational performance and effectiveness, not all companies adopt these approaches. Even among organizations that adopt strategic management, not all of them implement these practices at the same level. Such is because different factors with the organization affect the application of strategic management.

These factors were outlined by Dominic & Theuvsen (2015) who conducted a study to identify the influence of internal and external organizational characteristics on strategic management practices of companies within the agribusiness industry in Tanzania. The investigation revealed a positive link between company attributes and strategic management application. One such characteristic is formalization status that was found to have the greatest impact on the implementation of strategic management practices. Dominic & Theuvsen (2015) also found that external environmental characteristics including access to public infrastructure and increased availability of inputs had no significant effect on strategic management implementation. Matabishi (2015) conducted a case study of the International Award Foundation (IAF) in Kenya to gain insights into the application of strategic management responses to environmental challenges within the organization. The Study found that IAF was affected by social, political, economic, legal and technological changes that had a significant impact on organizational operations and success. In response to these threats, the company implemented strategic management practices like incorporating informational technology into business operations, innovation, making strategic alliances, resource mobilization, differentiation, organizational restructuring, and aligning culture and leadership to organizational strategy.

These findings were similar to Mohamed (2012) and Njuguna (2014) who found differentiation and strategic partnerships respectively to be effective response management strategies to business challenges. However, a unique finding in this Study was that change management was vital to increase business efficiency in an increasingly dynamic milieu. In addition to responding to changes and challenges within the business environment, strategic management practices can also be used to assist companies to gain a sustainable competitive edge over their rivals. Munene (2016) sought to identify the application of strategic management activities in overcoming competition from competing firms within the pharmaceutical industry. In addition, her Study investigated the internal and external organizational factors that contribute to competitiveness among pharmaceutical firms in Kenya.

Other strategic management practices found in this Study included market focus and investment in research activities. Further, the research revealed that external factors like continuous innovation practices, partnering with other organizations to increase market share, venturing into unexplored market niches, leveraging company strengths, and occasional analysis of organizational weaknesses led to sustainable competitive advantage. On the other hand, internal characteristics like resource allocation efficiency, maintaining quality accounting measures, orienting internal systems and processes towards meeting customer preferences and needs and investing in staff growth and development activities led to sustained competitive advantage.

Strategic management practices can be implemented in a wide variety of settings, including within healthcare organizations. Contrary to the previously reviewed literature that focused on the application of strategic management within the corporate environment, Issack & Muathe (2017) investigated strategic management within public health organizations in Mandera, Kenya. The Study sought to determine the effects of environmental assessment and strategy formulation, strategy implementation and strategy evaluation on public health organization performance. The researchers found that environmental analysis like performing environmental audits had a positive influence on sustainable growth within public healthcare organizations. In addition, strategy formulation activities like implementing policy guidelines, objective specification, and organizational mission definition helped in creating long-term plans for opportunity management, thus positively impacting performance. Moreover, the Study established that the successful implementation and execution of strategic management practices improved organizational performance by improving its competitiveness. Finally, the investigation found that strategy evaluation helped in the recognition of failures which allowed their mitigation and avoidance in the future, thus improving public health organization performance. These results indicated that strategic management can also be applied in healthcare settings to improve organizational performance.

Another study by Dennis et al. (2019) explored the strategic management activities implemented by Beach Management Units (BMUs) in Bondo, Kenya. The quantitative data revealed that the BMUs implemented both informal and formal strategic management practices to position themselves optimally within their competitive industry and enhance their survival and achievement of business objectives. These strategic management activities included the development of mission and vision statements, situation assessments, continuous evaluation and monitoring of the organization, objective setting and developing techniques for achieving set objectives. These strategic management activities were executed using emergent techniques given the entrepreneurial nature and emerging opportunities associated with small companies. The Study also indicated that the application of strategic management in the BMUs was primarily informal as these organizations are community-owned. These practices were essential for providing action consistency and aligning all organizational objectives and levels to foster commitment.

## 2.4 Empirical studies and research gaps

Pearce and Robinson (2002) argues that strategic management practices a key in ensuring that an organization achieves its strategic management objectives. An assumption is made that strategic management clarifies why some firms will be successful than others. Environmental analysis is listed as a key aspect in strategic management process since it influences decisions, actions and ultimately the structure of an organization (Forest & Kinser, 2007). These aspects can either be from the external or internal environment. The external environment encompasses factors like political, economic, social, industrial and technological factors. This factors emanate from influences beyond and usually irrespective of any single firm's operating situation. On the other hand, internal factors, origination from influences within the firm's operating situation include Government regulations, a firm's strategy, customer, market of operation, objectives among other. Porter (2002) lists industry and competitor analysis as an important strategic management practice.

Recent studies also view strategic management practices a key in ensuring an organization's success. Mohamed (2012), argues that adopting strategic management responses to remain competitive or respond to environmental changes is key in promoting organization's success. Mohamed (2012), conducted a study to identify the strategic responses implemented by companies within the pharmaceutical sector in Nairobi, Kenya to respond to changes within the external business environment. The findings of the study indicate the vital role played by strategic management in facilitating the success of pharmaceutical companies in Kenya. Njuguna (2014) also conducted a similar study to establish the challenges within the external environment of the International Committee of the Red Cross (ICRC) in Nairobi and the strategic management responses used to counter these challenges. The research indicated that the company experienced challenges in the ecological, technological, political-legal, socio-cultural and ethical business environments and different strategic management responses like formulating fraud policies, adopting environmental protection policies, strategic partnerships, and implementing strict financial regulations had been implemented to counter these challenges.

The pharmaceutical industry is highly competitive, requiring organizations to implement strategic management practices to bolster organizational performance. A study by Sharabati & Fuqaha (2014) analyzed strategic management using balanced scorecard components including growth and learning, internal processes and customer and financial perspectives. An analysis of the data revealed that pharmaceutical organizations in Jordan exhibited high levels of implementation of the balanced scorecard elements of strategic management. The investigation also found that strategic management, as defined by the balanced scorecard elements, had a direct influence on the performance of the examined companies, with each of the four elements having a positive impact on organizational performance.

All the studies listed above are limited due to differences in sector subsection and institutional context. A knowledge gap exist since no study has reviewed strategic management practices adopted by pharmaceutical distributors. Additionally, no study reviews the benefits of implementing strategic management practices to overcome business challenges and improve organizational performance and effectiveness. Therefor this study will provide this knowledge.

# CHAPTER 3

# RESEARCH METHODOLOGY

## 3.1 Introduction

Chapter three discussed the research methodology that was for the Study. It presented information about the research design, the sampling frame, and the chosen samples. Additionally, it included an outline that was used to collect and analyze data. Each section looked deeper into a specific aspect of the Study.

## 3.2 Research Design

A research design is a plan that gives an outline of all activities necessary to carry out a research project. It specifies the frame of operation within which data is collected, processed, and meaningful insights are formed. According to Kumar (2019), a research design is a guide to data collection and analysis. It is the plan, outline, or scheme used in generating solutions to research problems. The Study adopted a cross - sectional survey research design. Data was collected from the distributors in Kenya in order to determine the extent to which they had embraced strategic management practices with respect to several variables. Similarly, the research design was used in past studies that evaluated the adoption of strategic management practices in different sectors. These include a study by Karemu 1993, and Aosa 1992.

### 3.3 Population of the Study

Mackey and Gass (2015) define a population as an aggregate collection of research elements of interest to a researcher. The population was drawn from the Pharmacy and Poisons Board database. The Board polices Pharmacy practice, the Production and Trade of drugs and poisons. The board's main objective is to implement suitable regulatory methodologies to achieve high safety, efficacy, and quality standards for all, chemical substances, drugs. This is for both locally manufactured, exported, imported, used or sold. A 2010 KNPP report indicates that there are about 2300 pharmaceutical distributors in Kenya and they made the target population. The study only interviewed firms that are registered with the pharmacy and poisons board. In addition, the researcher ensured that the firms nominated to participate in the Study are representative of other Pharmaceuticals Distributors. The Study targeted senior most ranking officers, for instance, the CEOs or MDs and their deputies. In most firms, the CEOs or MDs and their deputies are always in charge of strategic decision-making. Therefore, it was certain that they were best placed to have information about strategic management practices appropriate to respond to these challenges than other employees do.

### 3.4 Sample Design

#### 3.4.1 Sampling Technique

Babbie (2010) describes a sampling technique as a method used to choose the most suitable and qualified respondents to participate in a study. Additionally, Rubin and Babbie (2009) define a sampling technique as a method used to select respondents with a less biased view of the Study. A sampling technique guides a researcher in choosing a sample size that can be easily managed while collecting data. The Study adopted a simple random sampling to select a sample. The method allowed for the randomization of sample selection. This way, there was an equal chance for each sample being chosen to represent the population. Simple random sampling is popular among researchers in social science since it allows for unbiased data collection. Additionally, it is considered the simplest data collection method since it is a convenient sample selection technique.

#### 3.4.2 Sample Size

Bryman and Bell (2003), defining a sample size is key to data collection. Researchers must make sure that the appropriate procedures are followed to choose a sufficient number of respondents. Additionally, the sample should be carefully selected to represent the population (Mugenda &

Mugenda, 2003). The firms were drawn from the pharmacy and poisons board database, which lists registered pharmacists and pharmaceutical technologists. The pharmacy and poisons board reports that about 2300 pharmaceutical distributors in Kenya. The Study picked a sample from this list using the formula below;

$$n = \frac{N}{(1+Ne^2)}$$

where n = sample size,

N = target population

e = level of precision

$$n = \frac{2300}{(1+2300(0.1^2)}$$

After calculation, the sample size was 96 CEOs, MDs and their deputies

### 3.5 Data Collection

Data was collected using a structured questionnaire. The questionnaires contained both open-ended and closed-ended questions and were disseminated to different firms only collecting data from senior-most ranking officers like the CEOs, MDs and/ or their deputies. The questionnaires were distributed by mail. Additionally, the research ensured that the respondent answering the questionnaire was involved in strategic decision-making in a firm. Lastly, the researcher safeguarded the confidentiality of the identity and data provided by the respondents.

### 3.6 Data Analysis

The data analysis seeks to shrink the bulk information collected from the participants into meaningful data that could be read and interpreted for developing summaries and identifying patterns. The data collected was entered in SPSS for analysis. Descriptive statistics like means, standard deviations, and frequencies were used to identify patterns in the data. Lastly, the findings were presented in charts, graphs, and pie charts.

# CHAPTER 4

# DATA ANALYSIS, RESULTS, AND DISCUSSION

## 4.1 Introduction

Chapter 4 analyzed, interpreted and discussed the study findings. The findings of this study were derived from the responses of respondents collected using questionnaires. The research sought to Identify strategic management practices that pharmaceutical distributors in Kenya have adopted. Additionally, it sought to examine the threats, opportunities and weaknesses that influence operations in the organization. The findings are presented below.

## 4.2 Background of the Respondents

The researcher collected some background information about the respondents. Understanding the background of the respondent's is key in apprehend certain characteristics of the audience. A researcher is able to gather demographic data about the respondents and understand whether they are likely to give an untrue or biased view. This way the respondents can be removed from the sample before they influence the authenticity of the study. The research asked the respondents to indicate their gender, position held in the company, academic qualifications, Ownership of the firm and work experience.

### 4.2.1 Position held in the company

The study sought to profile the participants in relation to the Position held in the company. Analysis indicated that 28.4% (n = 25) of the participants were CEO's, 31.8%(n = 28) were managing directors, 15.9% (n = 14) were deputy managing directors and 23.9% (n = 21) were chief financial officers. This Study targeted collecting information from senior most ranking officers. Therefore, based on the analysis it is safe to say that all participants who took part in the study are involved in strategic decision-making. The researcher was confident that the responses were from informed sources hence not likely to be untrue or biased. Figure 4.1 below presents the findings.

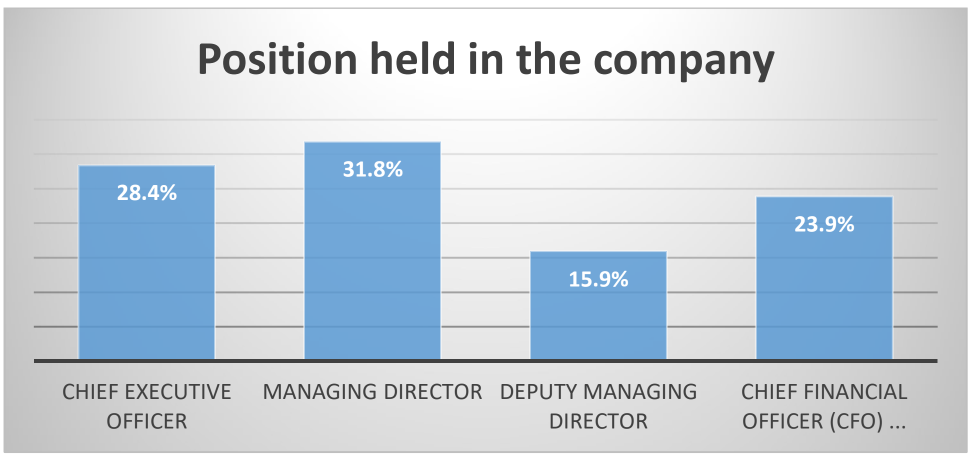


**Figure 4.1: Position held in the company**

### 4.2.2 Years of Operation

Respondents were asked to indicate how long the firm had been in operation. Analysis revealed that 32% of the firms had been in operation for more than 5 years while 54% had been in operation for 2 to 5 years and 14% had been in operation for less than a year. The long years of operations are indicative of a long experience in adopting different strategic management practices. Therefore, these firms are in a better position to provide information on strategic management practices within pharmaceutical distributors in Kenya.

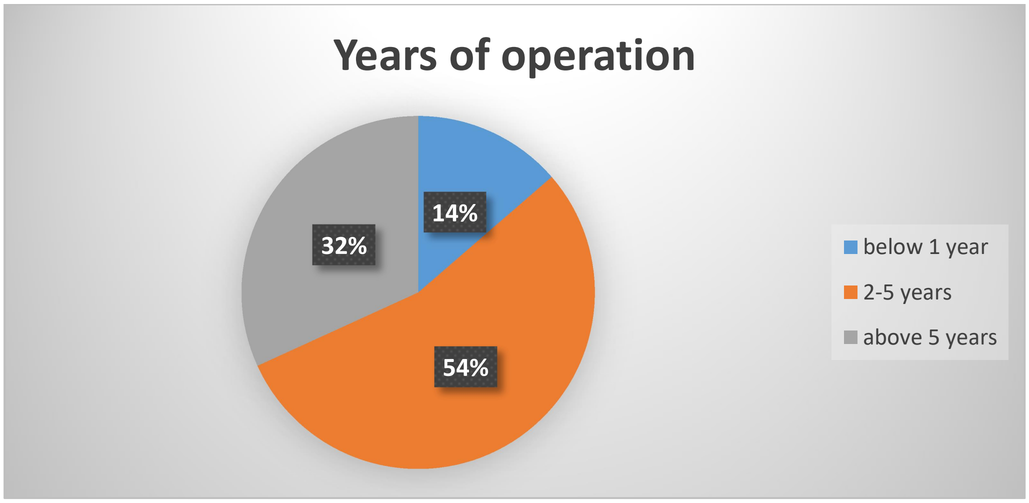


**Figure 4.2: Years of operation**

### 4.2.3 Company Ownership

Respondents were asked to indicate the ownership of the company. Analysis revealed that 67% of the firms were owned locally while 23% were owned by foreigners and 10% as partnership.

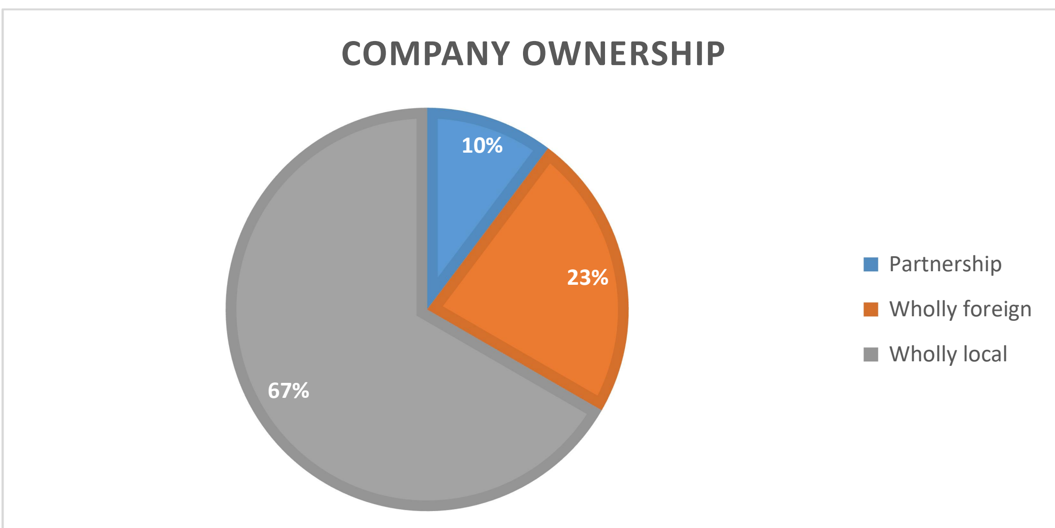


**Figure 4.3: Company Ownership**

### 4.2.4 Gender of the respondents.

Furthermore, respondents were asked to indicate their gender. Analysis revealed that 67% of the respondents were female while 33% were male.

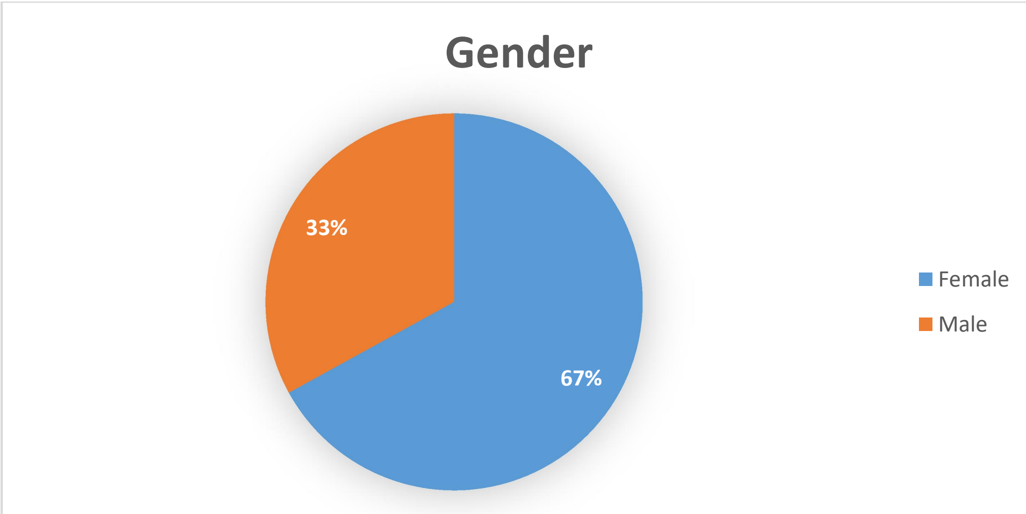


**Figure 4.4: Gender of the respondents**

### 4.2.5 Education Status

Analysis of the background data indicated that 43.2% of the respondents had achieved a master's degree while 27.3% had a Post graduate diploma, 15.9% had a bachelor's degree and 13.6% had a Ph.D. Given the high levels of education, the researcher was confident that the responses were from informed sources hence not likely to be untrue or biased.

**Table 4.1: Education Status**

| **Highest level of education attained** | Frequency | Percent |
|---|---|---|
| degree | 14 | 15.9% |
| Post graduate diploma | 24 | 27.3% |
| Masters | 38 | 43.2% |
| Ph.d | 12 | 13.6% |
| Total | 88 | 100.0% |

### 4.2.6 Work Experience

Lastly, respondents were asked to indicate the period they had worked in the company. Analysis revealed that 47.7% (n = 42) of the respondents had worked in the company for more than 5 years while 33% (n = 29) had worked there for 2 to five years and 19.3% (n = 17) had worked there for less than a year. The long years of experience show that the respondents were familiar with strategic management practices adopted with the firm and how the influence the general operation.

**Table 4.2: Work experience**

| **Period worked in the company** | Frequency | Percent |
|---|---|---|
| below 1 year | 17 | 19.3% |
| 2-5 years | 29 | 33.0% |
| above 5 years | 42 | 47.7% |
| | 88 | 100.0% |

**4.3 Strategic management practices**

This section sought to determine the strategic management practices adopted by pharmaceutical distributors and how they influence their operations. Analysis determined that the firms had witnessed some form of expansion since they stated operation. They were asked to indicate the factors that contribute to the expansion. Most of the respondents indicated that financial capacity (22.0%, n = 26), transport outsourcing (10.2%, n = 12) and adopting new technologies (11.0%, n = 13) as some of the biggest contributors to the expansion of the firms. They also listed increasing sales and market share (16.1%, n = 19), increased work force (19.5%, n = 23) and business growth (21.2%, n = 25) as other contributors of expansion.

**Table 4.3: Factors that contribute to the expansion of the firm**

| **factors that contribute to the expansion of the firm** | frequency | percent |
|---|---|---|
| Financial Capacity | 26 | 22.0% |
| Transport Outsourcing | 12 | 10.2% |
| Adopting new technologies | 13 | 11.0% |
| increasing sales and market share | 19 | 16.1% |
| increased work force | 23 | 19.5% |
| business growth | 25 | 21.2% |
| | 118 | 100.0% |

The respondents were asked whether they had experienced a decline in performance since starting operations. 72% of the firms indicated that they had experienced a decline in performance while 28% had not experienced a decline.

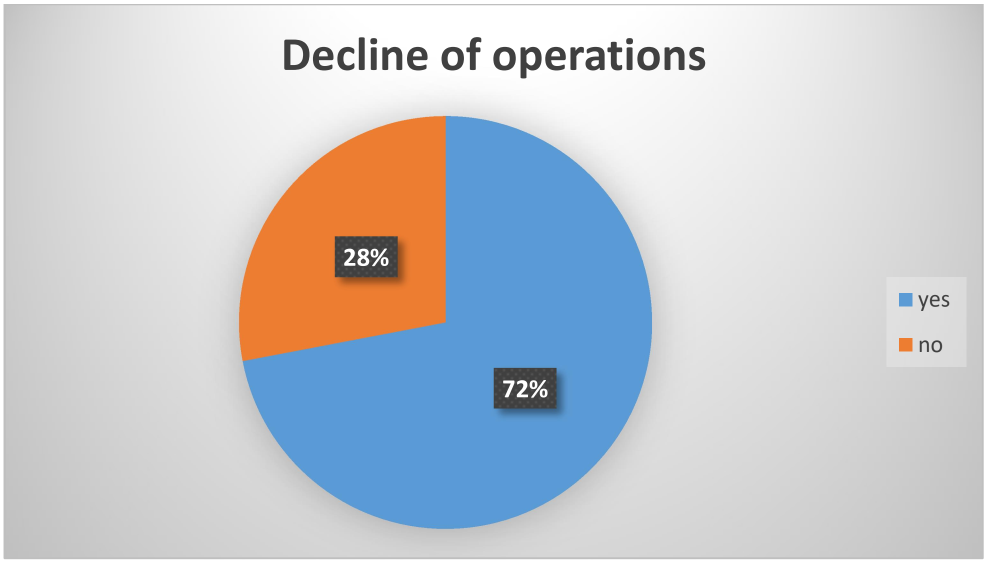


**Figure 4.5: Decline of Operation**

Supply chain disruption (23.6%, n = 25), lack of qualified workforce (21.7%, n = 23) and Increased competition (20.8%, n = 22) were listed as some of the factors causing the decline in operations. Lack of agility and transparency (19.8%, n = 21), pharmaceutical fraud (14.2%, n = 15) and increased competition (20.8%, n = 22) were also listed.

**Table 4.4: Factors that contribute to the decline of the firm**

| Factors that contribute to the decline of the firm | frequency | percent |
|---|---|---|
| Supply chain disruption | 25 | 23.6% |
| Lack of qualified workforce | 23 | 21.7% |
| Lack of agility and transparency | 21 | 19.8% |
| Pharmaceutical fraud | 15 | 14.2% |
| Increased competition | 22 | 20.8% |
| **Total** | **106** | 100.0% |

The respondents were asked whether their firm had a well laid out mission statement, vision statement, core values and organizational structure. 95.5% (n = 84) of the respondents indicated that the firm had a well stipulated mission statement while 4.5% (n = 4) did not. 86.4% (n = 76) of the respondents indicated that the firm had a well stipulated vision statement while 13.6% (n = 12) did not. Additionally, 81.8% (n = 72) had well set core values and only 56.8% (n = 50) had a working organizational structure.

**Table 4.5: Mission, Vision, Core values and organizational structure**

| | Yes | | no | | Total | |
|---|---|---|---|---|---|---|
| | frequency | Percent | frequency | Percent | Total | Percent |
| mission statement | 84 | 95.5% | 4 | 4.5% | 88 | 100.0% |
| vision statement | 76 | 86.4% | 12 | 13.6% | 88 | 100.0% |
| core values | 72 | 81.8% | 7 | 8.0% | 79 | 89.8% |
| Organizational Structure | 50 | 56.8% | 30 | 34.1% | 80 | 90.9% |

The researcher then asked the respondent to state the firms vision and mission. Most firms wanted to be to provide high quality and affordable medicine and treatment (47.8%, n = 43), while 24.4% (n = 22) were interested in becoming a global healthcare organization. The others wanted to be recognized locally and internationally (13.3%, n = 12) and some wanted to be a pharmaceutical leader through adoption of Innovative practices (14.4%, n = 13).

**Table 4.6: Mission and Vision statements**

| **mission and vision** | frequency | Percent |
|---|---|---|
| To become a global healthcare organization | 22 | 24.4% |
| To be recognized locally and internationally | 12 | 13.3% |
| to be a pharmaceutical leader through adoption of Innovative practices | 13 | 14.4% |
| To provide high quality and affordable medicine and treatment | 43 | 47.8% |
| total | 90 | 100.0% |

The respondents were asked to indicate who participated in setting of the vision, mission and core values of the firm. 22.5% (n = 32) of the respondents listed founders of the firm as the team that formulated the vision, mission and core values of the firm while 47.2% (n = 67) indicated that different directors in the firm did it and 12.7% (n = 18) indicated that the marketing team did it. 8.5% (n = 12) thought it was the logistics team, while 4.9% (n = 7) indicated that it was a combined effort of all employees and 4.2%(n = 6) did not know.

**Table 4.7: Participation in setting the vision, mission and core values of the firm**

| **setting the vision, mission and core values of the firm** | frequency | percent |
|---|---|---|

| | | |
|---|---|---|
| The founders of the firm | 32 | 22.5% |
| different Directors in the firm | 67 | 47.2% |
| Marketing team | 18 | 12.7% |
| Logistics team | 12 | 8.5% |
| All employees | 7 | 4.9% |
| Do not know | 6 | 4.2% |
| **Total** | **142** | **100.0%** |

**4.4 Strategic planning practices**

Analysis revealed that 96.7% of the firms had adopted strategic planning practices but 3.3% had not.


**Figure 4.6: Strategic Planning Practices**

Analysis also revealed that most respondents indicated that the management committee (38.5%, n = 67) was the lead in developing strategic plans of the firm while 27 % (n = 47) indicated that the CEO was the lead and 16.1% (n = 28) indicated that the executive team did it. 9.8% (n = 17) thought it was the founders of the firm, while 5.7% (n = 10) indicated that it was a combined effort of all employees and 2.9% (n = 5) did not know.

**Table 4.8: Participation in the development of the strategic plans**

| **Participation in the development of the strategic plans** | frequency | percent |
|---|---|---|
| CEO | 47 | 27.0% |
| Management committee | 67 | 38.5% |
| executive team | 28 | 16.1% |
| Founders of the firm | 17 | 9.8% |
| All employees | 10 | 5.7% |
| Do not know | 5 | 2.9% |
| Total | 174 | 100.0% |

Lastly, the respondents were requested to rate their agreement or disagreement regarding some statements that predict the strategic planning practices adopted by the firm. They were supposed to rate the statement of a 5 point Likert scale.

Respondents strongly agreed that strategic planning plays an important role in budgeting (m = 4.00, sd = 0.71), ensures co-ordination of activities (m = 4.00, sd = 1.23) and that planning experts are better suited to support planning activities in the company (m = 4.20, s.d = 0.447). Additionally, they strongly agreed that strategic planning ensures co-ordination of activities (m = 4.00, sd = 1.225) and provides a means of analyzing new opportunities (m = 4.40, sd = 0.894). They also agreed that it is a means of dealing with uncertainty (m = 3.60, sd = 0.894). However, they neither agreed nor disagreed that strategic planning inhibits flexibility and adaptability (m = 2.77, sd = 0.725) or does it divert attention from operational issue (m = 2.54, sd = 0.660).

**Table 4.9: Strategic planning practices of the company**

| **Descriptive Statistics** | | | |
|---|---|---|---|
| | N | Mean | Std. Deviation |
| It play an important role in budgeting | 88 | 4.00 | 0.707 |
| planning experts are better suited to support | 88 | 4.20 | 0.447 |

| | | | |
|---|---|---|---|
| planning activities in the company | | | |
| Ensures co-ordination of activities | 88 | 4.00 | 1.225 |
| Inhibits flexibility and adaptability | 88 | 2.77 | 0.725 |
| Diverts attention from operational issue | 88 | 2.54 | 0.660 |
| Provides a means of analyzing new opportunities | 88 | 4.40 | 0.894 |
| Is a means of dealing with uncertainty | 88 | 3.60 | 0.894 |

**4.5 Strategic formulation practices**

The study sought to understand the long-term goals that help a firm exploit its strengths fully and encash the opportunities that are present in the environment. All the firms agreed that uses both internal and external data to plan for long-term goals. Further the respondents were asked to indicate the aspect of strategy formulation the firm has adopted. Analysis revealed that most of the firms had adopted Competitive Strategies (33.5%, n = 67) while others had adopted Corporate-Level Strategies (26.0%, n = 52) and others functional Strategy (22.5%, n = 45). Also, 11.5% (n = 23) had adopted Choosing Strategies and 6.5% (n = 13) Troublesome Strategies.

6.5% 13

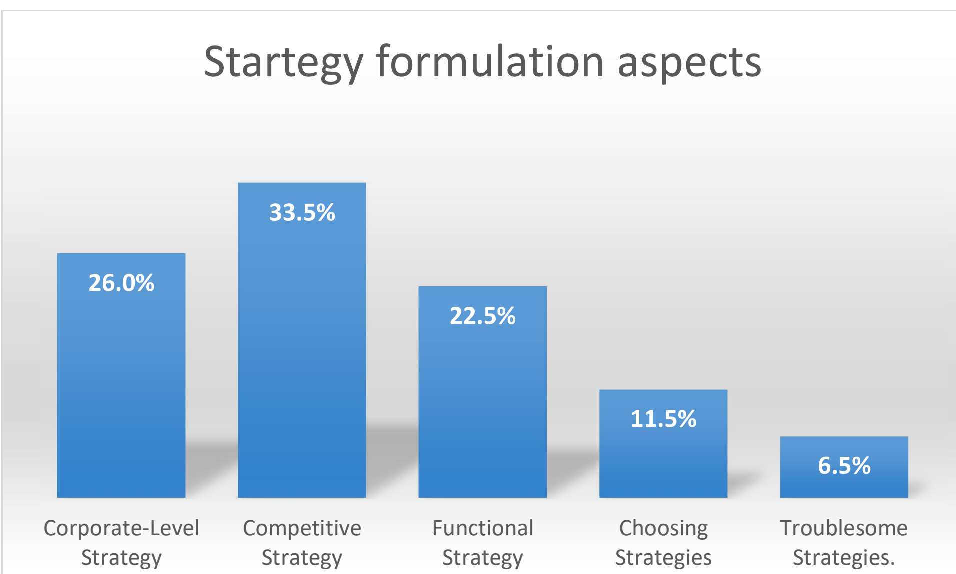

**Figure 4.7: Strategic formulation features**

Since analyzing the internal and external environment is a stage in strategy formulation, the researchers asked the respondents to rate their agreement or disagreement regarding some statements on a 5 point Likert scale. The statements sought analyze the factors in the external environment that influence the operations of the firm. Most of the respondents agreed that technological factors (m = 3.85, sd = 0.376), economic factors (m = 3.85, sd = 0.376) and Political and legal factors (m = 3.31, sd = 0.751) as factors in the external environment that influence their operations. They also agreed that demographic factors ( m = 3.08, sd = 0.954), social factors (m = 3.85, sd = 0.376), competitive factors (m = 3.77, sd = 0.599) and ethical factors (m = 3.69 , sd = 0.630) influence their operations.

**Table 4.10: Factors Determining the External Environment**

| **Descriptive Statistics** | | | |
|---|---|---|---|
| **External environment** | **N** | **Mean** | **Std. Deviation** |
| Technological factors | 88 | 3.85 | 0.376 |
| Economic factors | 88 | 3.85 | 0.376 |
| Political and legal factors | 88 | 3.31 | 0.751 |
| Demographic factors | 88 | 3.08 | 0.954 |
| Social factors | 88 | 3.85 | 0.376 |
| Competitive factors | 88 | 3.77 | 0.599 |
| Ethical factors | 88 | 3.69 | 0.630 |

The respondents strongly agreed that Mission and Objectives (m = 4.31, sd = 0.751), organization Structure (m = 4.38, sd = 0.768), corporate Culture and Style of Functioning of Top Management (m = 4.62 sd = 0.768) and quality of Human Resources (m =4.54, sd = 0.877) as factors in the internal environment that influence the operations of the firm. Most of the respondents also agreed that Technological Capabilities (m = 3.54, sd = 0.967), physical Resources (m = 3.85, sd = 0.376) and value System (m = 3.31, sd = 0.672) influence their operations.

**Table 4.11: Factors Determining the internal Environment**

| **Descriptive Statistics** | | | |
|---|---|---|---|
| **Internal environment** | **N** | **Mean** | **Std. Deviation** |
| Mission and Objectives | 88 | 4.31 | 0.751 |
| Organization Structure | 88 | 4.38 | 0.768 |
| Corporate Culture and Style of Functioning of Top Management | 88 | 4.62 | 0.768 |
| Quality of Human Resources | 88 | 4.54 | 0.877 |
| Technological Capabilities | 88 | 3.54 | 0.967 |
| Physical Resources | 88 | 3.85 | 0.376 |
| Value System | 88 | 3.31 | 0.672 |

### 4.6 Strategic implementation and evaluation practices

Strategy implementation can be said to involve the allocation of resources to support the strategies that are chosen. The respondents were asked to indicate whether enough resources are allocated to support the objectives of the firm. Analysis revealed that 67% of the respondents were confident that enough resources are allocated to support the objectives of the firm while 33% were not so confident.

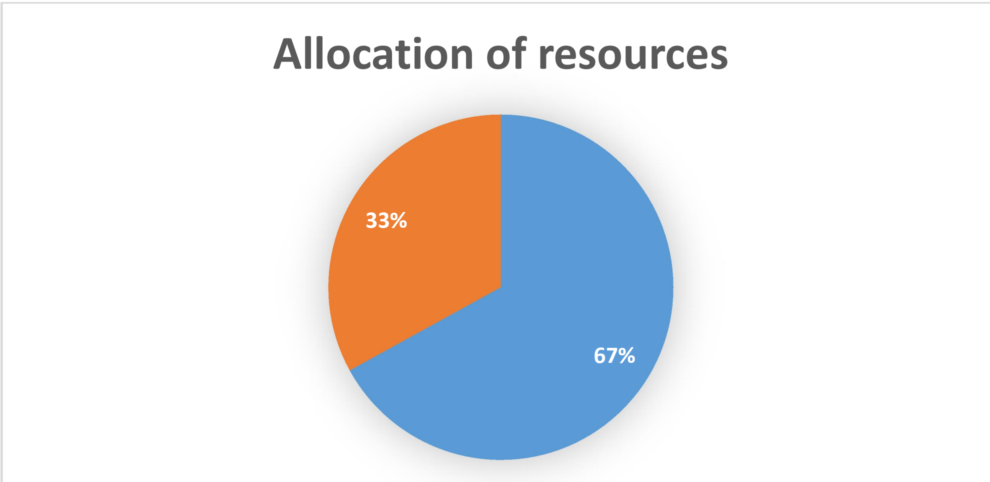


**Figure 4.8: Allocation of resources**

Furthermore, most respondents (64%) revealed that strategies are implemented by high level manager while 16% indicated that it was done by middle level managers and 5% indicated that it was the lower level managers. 15% of the respondents indicated that strategies are implemented by all the managers regardless of their ranking.

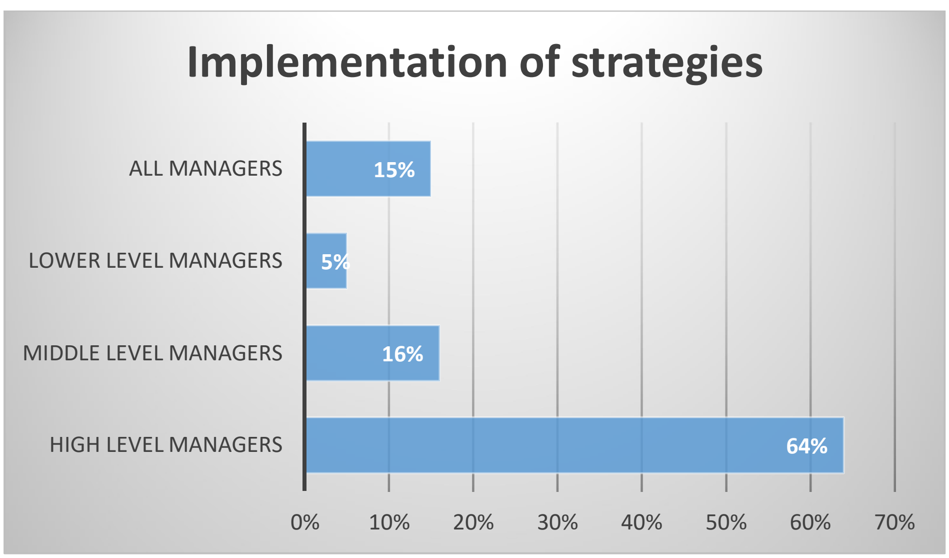


**Figure 4.9: Who is in charge of implementing strategies.**

Furthermore, 87% of the respondents revealed that the firms they worked at evaluates their strategies annually while 13% revealed that their firms did not.


**Figure 4.10: Evaluation of strategies.**

Lastly, the researchers asked the respondents to respond to some statements that sought to examine different methods used to evaluate strategies. 33.1% (n = 46) of th firms use balance score card, 24.5% (n = 34) evaluate products and the market, 25.9% (36) get feedback from clients and 16.5% (n = 23) use sales turnover.

**Table 4.12: Methods used to evaluate strategies**

| | frequency | percent |
|---|---|---|
| Balance score card | 46 | 33.1% |
| Evaluation of products and the market | 34 | 24.5% |
| Getting feedback from clients | 36 | 25.9% |
| Sales turnover | 23 | 16.5% |
| Total | 139 | 100.0% |

### 4.7 SWOT analysis

As shown in the table below, most respondents indicated that efficiency &effectiveness of marketing (18.5%, n = 23), Wide range of the price list and its constant expansion (17.7%, n = 22), quality of the brands (16.9%, n = 21), and Availability of direct long-term contracts with domestic producer (15.3%, n = 19) were key strengths for pharmaceutical distributors in Kenya.

They also listed proper customer management (11.3%, n = 14), gathering and proper use of information (8.1%, n = 10), alertness to customer needs (7.3%, n = 9) and offering optimal Service (4.8%, n= 6) as strengths for pharmaceutical distributors

**Table 4.13: Key strengths**

| Key Strengths | frequency | percent |
|---|---|---|
| efficiency & effectiveness of marketing | 23 | 18.5% |
| Wide range of the price list and its constant expansion. | 22 | 17.7% |
| quality of the brands. | 21 | 16.9% |
| Availability of direct long-term contracts with domestic producers. | 19 | 15.3% |
| Proper customer management | 14 | 11.3% |
| Gathering and proper use of information | 10 | 8.1% |
| Alertness to customer needs | 9 | 7.3% |
| Offering optimal Service. | 6 | 4.8% |
| Total | 124 | 100.0% |

Respondents were also asked to specify weaknesses that challenge the operations of pharmaceutical distributors. Analysis revealed that growing competition from generic pharmaceuticals (25.0%, n = 22), Supply chain disruptions (21.6%, n = 19) and Drug Quality risks (20.5%, n = 18) were some of the factors challenging he operations of pharmaceutical distributors. Additionally, Strict Compliance Policies (13.6% n = 12), underdeveloped marketing information system (10.2% n = 9) and lack of direct contracts with well-known foreign drug producer (9.1%, n = 8) hinder the success of the firms.

**Table 4.14: Key Weaknesses**

| Key weaknesses | frequency | percent |
|---|---|---|
| Growing competition from generic pharmaceuticals | 22 | 25.0% |
| Supply chain disruptions | 19 | 21.6% |
| Drug Quality risks | 18 | 20.5% |
| Strict Compliance Policies | 12 | 13.6% |
| Underdeveloped marketing information system. | 9 | 10.2% |
| Lack of direct contracts with well-known foreign drug producer | 8 | 9.1% |
| Total | 88 | 100.0% |

Furthermore, respondents were asked to identify opportunities that present in the industry. Analysis revealed that High growth of the pharmaceutical market (17.7%, n = 25), Increasing number of domestic drugs (16.3%, n = 23) and development of information technology (15.6%, n = 22) were the biggest opportunities the firms in these sector could take advantage of. Additionally, development and improvement of automated accounting systems (12.8%, n = 18), poor policy of competitors (12.8%, n = 18), increase in disease awareness and adoption of Brands as opposed to generic drugs (10.6%, n = 15), increase in Healthcare funding therefore increasing patient affordability (8.5%, n = 12) and decrease in the number of competitors due to the unstable economic situation (5.7%, n = 8) were listed as opportunities in the sector.

**Table 4.15: Key Opportunities**

| Key opportunities | frequency | percent |
|---|---|---|
| High growth of the pharmaceutical market. | 25 | 17.7% |
| Increasing number of domestic drugs. | 23 | 16.3% |
| Development of information technology. | 22 | 15.6% |
| Development and improvement of automated accounting systems | 18 | 12.8% |
| Poor policy of competitors | 18 | 12.8% |
| Increase in disease Awareness and adoption of Brands as opposed to generic drugs | 15 | 10.6% |
| Increase in Healthcare funding therefore increasing patient affordability | 12 | 8.5% |

| | | |
|---|---|---|
| Decrease in the number of competitors due to the unstable economic situation. | 8 | 5.7% |
| Total | 141 | 100.0% |

Lastly, respondents were asked to identify threats that jeopardize their operations. Acute competition (18.1%, n = 17), instability of the national currency (19.1%, n = 18) and lack of agility and transparency in the supply chain (18.1%, n = 17) were highly ranked. Respondents also listed illegal imports (12.8%, n = 12), Change in prices (9.6%, n = 9), Insolvency of some retail customers (9.6%, n = 9), Increased Counterfeits (7.4%, n = 7) and lack of proper regulatory laws (5.3%, n = 5) as factors threatening the overall performance of pharmaceutical distributors.

**Table 4.16: Key Threats**

| Key Threats | frequency | percent |
|---|---|---|
| Acute competition. | 17 | 18.1% |
| Instability of the national currency | 18 | 19.1% |
| lack of agility and transparency in the supply chain | 17 | 18.1% |
| Illegal imports | 12 | 12.8% |
| Change in prices. | 9 | 9.6% |
| Insolvency of some retail customers. | 9 | 9.6% |
| Increased Counterfeits | 7 | 7.4% |
| Lack of proper regulatory laws | 5 | 5.3% |
| Total | 94 | 100.0% |

### 4.8 Discussion

This study established that pharmaceutical distributors have adopted strategic management practices that influence their operations. The strategies have caused expansion of the firm by increasing the firm's financial capacity. Additionally, the expansion has been as a result of transport outsourcing, adopting new technologies and increased sales. Also having a big market share, increased work force and business growth are contributors of a firm's expansion. These findings are consistent with a study by Dennis et al. (2019) who explored the strategic management activities implemented by Beach Management Units (BMUs) in Bondo. The study indicated that adoption of strategic management practices influences operations of the beach Management Units.

Firms that reported a decline in operation blamed it on supply chain disruption, lack of qualified workforce and Increased competition. They also listed lack of agility and transparency, pharmaceutical fraud and increased competition. A study by King'ori (2010) pointed out that supply chain disruption, lack of agility and transparency and pharmaceutical fraud were the biggest burdens for pharmaceutical importers and distributors.

The respondents confirmed that the firms had a well laid out mission statement, vision statement, core values and organizational structure that guide their operations. The findings are consistent with Lynch (2009), and Pearce and Robinson, (2011) who assert that strategic management practices entails forming a vision and mission that guide the firm’s activities. They also agree with Freeman et al. (2009) who indicated that well laid out mission statement, vision statement and core values provide the firm with long term direction and scope.

Analysis also established that firms use both internal and external data to plan for long-term goals. Pearce and Robinson (2002) explained that environmental analysis was a key aspect in strategic management process. Similar to our study, Pearce and Robinson (2002), Njuguna (2014) and Matabishi (2015) revealed that the external environment encompasses factors like political, economic, social, industrial and technological factors. This study also listed other factors in the internal environment that influence their operations. The findings are consistent with Porter (2002) who listed a firm’s strategy, customer, market of operation, objectives among others as factors that influence a firm’s operations.

Furthermore, the study revealed that strategic planning plays an important role in budgeting, ensures co-ordination of activities, provides a means of analyzing new opportunities and is a means of dealing with uncertainty. They also indicated that planning experts are better suited to support planning activities in the company. These findings are consistent with Dominic and Theuvsen (2015) and Jaeckel and Ngige, 2007. Thy explained that strategic planning plays an important role in analyzing the firm’s business.

Analysis also revealed that strategic management policies are created committees in the firm that include the management, employees and other stakeholders. Aosa (1992) indicated that establishing a strategic management system should include stakeholders, management and employees. This is consistent with our findings that insist that management cannot ignore the input of employees and other stakeholders in implementing a company's strategy. The interaction between these different groups is instrumental in formulating and implementing any strategy.

The study also revealed that efficiency &effectiveness of marketing, quality of the brands, alertness to customer needs and offering optimal Service are some factors that are attributed to the success of the firms. The findings are consistent with King'ori (2010) who listed efficiency &effectiveness of marketing as factors influencing the operations of pharmaceutical firms. They also agree with Issack & Muathe (2017) who indicated that offering optimal Service makes institutions successful in their industry.

Analysis also listed supply chain disruptions, unstable markets and Drug Quality risks as weaknesses hindering the success of the firms. Mital et al. (2011), cites that risks in products or markets are among the factors influencing implementation of strategic management. this is consistent with our study. The findings also identify opportunities that present in the industry as adoption of new technologies, poor policy of competitors, increase in disease awareness and adoption of Brands as opposed to generic drugs and increase in Healthcare funding therefore increasing patient affordability. The findings are consistent with Mazzarol and Rebound (2009) who assert that new technology, poor competition, and financial capacity are the key opportunities firms should take advantage of to have successful operations. Lastly similar to a study by Mital et al. (2011), the study concluded that competition is the leading threats that jeopardize a firm’s operations. Additionally, assertions by Mohamed (2012) are consistent with this study which found that instability of the national currency and lack of agility and transparency are factors threatening the overall performance of firms.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

## 5.1 Introduction

The study's objective was to evaluate the strategic management practices adopted by pharmaceutical distributors in Kenya. This chapter presents a summary of the results, conclusions and recommendations based on the study's objective.

## 5.2 Summary

Analysis that financial capacity, transport outsourcing and adopting new technologies were some of the biggest contributors of a firm's expansion. They also listed increasing sales and market share, increased work force and business growth as other contributors of expansion. Supply chain disruption, lack of qualified workforce, Increased competition, lack of agility and transparency, pharmaceutical fraud and increased competition were also listed as factor that cause the decline of firm's operations

The respondents indicated that a mission statement, vision statement, core values and organizational structure is key for the operation of pharmaceutical distributors as it provides the firm with long term direction and scope. They also pointed out that setting the mission and vision of the organization is a combined effort of different stakeholders and employees. The respondents strongly agreed that strategic planning plays an important role in budgeting, ensures co-ordination of activities and that planning experts are better suited to support planning activities in the company. Additionally, they strongly agreed that strategic planning ensures co-ordination of activities and provides a means of analyzing new opportunities. They also agreed that it is a means of dealing with uncertainty. However, they neither agreed nor disagreed that strategic planning inhibits flexibility and adaptability and that it divert attention from operational issue.

Analysis also revealed that they use both internal and external data to plan for long-term goals. It was also revealed that some firm allocate enough resources to support the objectives of the firm. They also indicated that they evaluate their strategies annually. Balance score cards, getting feedback from clients and use of sales turnover were used to perform evaluations. Most respondents indicated that efficiency &effectiveness of marketing, wide range of the price list and its constant expansion, quality of the brands and Availability of direct long-term contracts with domestic producer were key strengths for pharmaceutical distributors in Kenya. They also listed proper customer management, gathering and proper use of information, alertness to customer needs and offering optimal Service as strengths for pharmaceutical distributors. Analysis revealed that growing competition from generic pharmaceuticals, supply chain disruptions, drug Quality risks, strict Compliance Policies, underdeveloped marketing information system and lack of direct contracts with well-known foreign drug producer were some of the factors challenging he operations of pharmaceutical distributors.

Additionally, growth of the pharmaceutical market, Increasing number of domestic drugs, development of information technology, development and improvement of automated accounting systems, poor policy of competitors, increase in disease awareness and adoption of Brands as opposed to generic drugs, increase in Healthcare funding therefore increasing patient affordability and decrease in the number of competitors due to the unstable economic situation were listed as opportunities in the sector. Lastly, respondents identified acute competition, instability of the national currency, lack of agility and transparency in the supply chain, illegal imports, change in prices, Insolvency of some retail customers, increased Counterfeits and lack of proper regulatory laws as threats that jeopardize their operations.

### 5.3 Conclusion

The study found that strategic management practices vary widely among companies. The team involved and degree of participation depends on a firm's philosophy. However, one aspect that does not vary is the success of a firm after adopting the right strategic management practices. A successful firm embraces the aspect of strategic management in developing their plans. This can help with budgeting, ensuring co-ordination of activities and provides a means of analyzing new opportunities. Additionally, firms that analyze the internal and external environment have it easy planning for long-term goals by exploiting strengths within and cashing on the opportunities present. Therefore, pharmaceutical distributors should adopt strategic management practices so as to increase the capital base and manage competition,

Strategic management is not a theory but a practical approach that can be used by pharmaceutical distributors in achieving their overall goals and objectives. It is important to operate based on a specific mission, vision, core values and to set an organizational structure as it will provide the distributor with a long term direction and scope. In addition, an evaluation should be conducted regularly to ensure that the pharmaceutical distributors are operating in line with the mission, vision and core values thy have set. The insights suggested by the study indicate that indeed pharmaceutical distributors have adopted strategic management practices and they are keen on ensuring that they use all the possible practices best suited for the organization.

### 5.4 Recommendation

The government can support pharmaceutical distributors by developing strict legislations and laws that ban illegal imports and sell of counterfeit products. Those found guilty should be prosecuted or face severe penalties. This way, price wars will be reduced and in turn reduce unhealthy competition. Additionally, the government should subsidize expensive drugs to make them affordable. This way pharmaceutical distributors can achieve their goals of becoming pharmaceutical leaders providing high quality and affordable medicine and treatment. it will also make buyers confident in their products and disregard cheaper generic drugs which have turned out to be compromised in quality.

The study recommends that firms should come up with both short term and long term strategic plans to support budgeting and operations. Using both internal and external data will support informed planning. This can be achieved through analyzing the external and internal environment. Additionally, performing a competitors and SWOT analysis can assist in cashing on opportunities available for the organization**.** Additionally, further studies should be conducted to examine whether the strategies support the competitiveness of the firm and also performance.

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## APPENDICES

### Appendix 1: Letter of Introduction

Nzau Anthony Mwilu

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18th October, 2021

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**RE: RESEARCH DATA REQUEST**

I am a master's student pursuing a Master of Business administration degree at the University of Nairobi. I am undertaking a research study on the ***STRATEGIC MANAGEMENT PRACTICES WITHIN PHARMACUTICAL DISTRIBUTORS IN KENYA.***

This letter kindly requests that you participate in the Study by providing responses to the questions as guided. The information provided will be treated with the extreme confidentiality and will be used for academic purposes only. Your response will be highly appreciated.

Yours faithfully,

Nzau Anthony Mwilu

**Appendix II: Questionnaire**

I am Nzau Anthony Mwilu a student at the University of Nairobi. I am currently undertaking my research project as a requirement for awarding a master of business administration degree. The Study seeks to evaluate strategic management practices adopted by pharmaceutical distributors in Kenya.

**CONSENT:**

Do I have your permission to continue? Yes / No (If No, take note, thank the respondent and move on).

**Section A. Demographic information**

1. Indicate Position held in the company
2. Indicate Year when the company was founded
3. Indicate Ownership of the firm
    a. Partnership [ ]
    b. Wholly foreign [ ]
    c. Wholly local [ ]
4. Indicate your gender

a. Female [ ]
b. Male [ ]

5. Indicate highest level of education
6. Indicate period you have worked in the company

**Section B: Strategic management practices**

1. Have you experienced any expansion since your firm began?
   a. No [ ]
   b. Yes [ ]
2. If yes, kindly indicate the factors that contribute to the expansion
3. Have you experienced any decline since your firm began?
   a. No [ ]
   b. Yes [ ]
4. If yes, kindly indicate the factors that contribute to the decline
5. Does the company laid out mission statement, vision statement, core values and organizational structure
6. Kindly indicate the mission and vision of the company.
7. List individuals that participated in setting of the vision, mission and core values of the firm.

**Section C: Strategic planning practices**

1. Has your company adopted strategic planning practices?
2. Who was the lead in developing strategic plans?
3. Indicate to what degree the following statements regarding competitor analysis influence operations in the organization

| **QUESTIONS** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| | | | | | |
| It play an important role in budgeting | | | | | |
| planning experts are better suited to support planning activitis in the company | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Ensures co-ordination of activities | | | | | |
| Inhibits flexibility and adaptability | | | | | |
| Diverts attention from operational issue | | | | | |
| Provides a means of analyzing new opportunities | | | | | |
| Is a means of dealing with uncertainty | | | | | |

**Section D: Strategic formulation practices**

Since analyzing the internal and external environment is a stage in strategy formulation indicate your agreement or disagreement regarding some factors in the external and internal environment that influence the operations of the firm on a 5 point scale

**Section E: Strategic implementation and evaluation practices**

1. Indicate whether enough resources are allocated to support the objectives of the firm
2. Who is in charge of implementing strategies.
   a) high level managers
   b) low level managers
   c) middle level managers
   d) all the managers regardless of their ranking
3. how frequently are the strategies for the firm you work for evaluated
4. rate how you use these methods meant to evaluate strategies analysis influence operations in the organization.

| **QUESTIONS** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Balance score card | | | | | |
| Evaluation of products and the market | | | | | |
| Getting feedback from clients | | | | | |
| Sales turnover | | | | | |

**Section F:** SWOT analysis

Indicate the key factors that determine success of your firm

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1. List challenges you experience in this sector?

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2. What opportunities do you see in this sector?

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3. What threats do you see in this sector?

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**THANK YOU**