THE STRATEGIC RESPONSES OF GLAXOSMITHKLINE LTD FOLLOWING LIBERALISATION OF THE PHARMACEUTICAL INDUSTRY IN KENYA

BY

NG'ANG'A DAVID MUNGAI

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF COMMERCE, UNIVERSITY OF NAIROBI

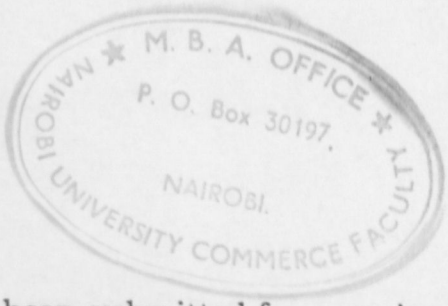
November 2004

DECLARATION

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

Signed:_____ Date: 04/03/05

Ng'ang'a David Mungai



This Strategic Management project has been submitted for examination with my approval as the University Supervisor.

Signed:_____ Date: 5/3/05

Professor Evans Aosa

Dean

Faculty of Commerce

University of Nairobi

DEDICATION

To my beloved Dad Ng'ang'a and my late beloved Mum Wangui who jump started my life and showed me the importance of studying in order to achieve great heights.

To my beloved wife Mercy and our children Koi and Ryan for their inspiration, moral support and enduring my absence even as I struggled to get this work completed.

ACKNOWLEDGEMENTS

Many people have contributed to the successful completion of this project.

Special thanks go to my Supervisor Professor Evans Aosa for sparing time to guide me delicately and patiently through out the preparation of this project. His inspiration and positive criticism ensured that I understood the real meaning of strategic management and for that I am greatly indebted.

To all the lecturers who taught me during my undergraduate course at Chiromo Campus and postgraduate course at Main Campus, I say 'Kudos' for instilling in me great skills that have helped me become a better person professionally and socially.

Many sincere thanks to my managers and colleagues at GlaxoSmithKline East Africa. Without their support and encouragement this course would have been impossible to complete. Special thanks to Andrew Bullock, Davies Gichuhi, Mwikali Muthiani, Cliffton Marete, Samson Muchelule, Michael Gicheru, Sarah Ngaywa, Susan Gitau, Lynette Owino, Isaac Kimani and Faith Ndaa for taking time to answer my questions, clarifying when it was not clear and for providing vital data.

The moral and material support given me by Dr William Muraah and Dr William Kiarie of Crystal Hill Consulting and Mr Andrew Chemwolo of Pharmacy and Poisons Board is highly appreciated.

Heartfelt regards also go to Dr Joseph Githaiga and Ann Waita for making sure I had no excuses not to finish this project on time.

My sincere regards go to my wife and two children for inspiring me to complete this course, for enduring weekends without me because I had to attend school and attend discussions, for being there for me when I needed them most.

Regards go to my parents, brothers and sisters for their constant encouragement and patience throughout the course, especially when I could not meet them since I had to go to school.

To all my friends and relatives who contributed in one way or another to the fulfilment of this work you are all highly appreciated.

Glory be to the Almighty God for being forever faithful and true.

ABSTRACT

GlaxoSmithKline PLC (GSK) is the second largest pharmaceutical company in the world. It commands a share of 7.3% of the world's pharmaceuticals market. In Kenya GSK has been operating since 1963 and it has grown into the largest pharmaceutical firm in the country and East Africa today. Despite the phenomenal growth locally, GSK has been operating in an environment of uncertainties and challenges ranging from an extended economic slump to government litigation to increased competition among many others. Most of these challenges started soon after liberalization of the industry in the late 80s and early 90s. These challenges are discussed in detail in the study.

The main objective of this case study was to highlight the environmental challenges multinational firms in general and GSK in particular have been subjected to after liberalisation in Kenya . GSK was used as the unit of study and the strategic responses revealed can serve as a benchmark for other firms operating in this industry. The study has outlined the previous as well as current environmental challenges that the firm is facing and the measures it has instituted to manage them.

In this study a number of GSK senior managers have been interviewed. Interviews were carried out by way of an open ended questionnaire and captured on tape recorder for subsequent analysis. All these people combined to give an accurate

representation of events cutting right across the entire company for the period of the study.

Interviews revealed that GSK has faced challenges occasioned by the *economic slump* of the 90s after certain market-based reforms were instituted as part of the Structural Adjustment Programmes (SAPs) imposed by donors on the government. Some of these SAPs affected the markets in different ways resulting to fiscal problems that cut across the Kenyan economy. Liberalisation also brought about *increased competition* from other pharmaceutical importers. This was because the market became more receptive to more cost effective medications causing the existing multinationals to re think their competitive strategies.

In addition, the *regulation* policy by the Ministry of Health opened the door for all manner of unfair competition occasioned by the sudden and consistent influx of parallel imports, illegal imports and counterfeits. This problem persists to date. An interesting challenge that manifested itself was *increased demands* by doctors and patients. With the revolution of the information highway i.e. airwaves and the internet, customers have access to lots of information which they are now using to demand safe, cost effective and effective medications. Demands from doctors and other medics for sponsorships to international scientific conferences have increased. Professional organisations have also become more demanding. In this regard GSK has set up systems that vet sponsorship requests and a budget to offset these costs.

Government legislation has also posed a challenge to business and especially when it was hijacked by lobby groups. Legislation relating to industrial property rights has been enacted and many multinational branded manufacturers have had to respond accordingly. Some responses have included lobbying with legislators and even threatening litigation on governments that are intent on imposing these laws.

Some of the responses detailed in the study have definitely contributed to GSK Kenya's overall performance as will be adduced herein. As such I recommend that firms must set strategic priorities that ensure they meet their long term objectives of adding shareholder value by exploiting local opportunities, remaining relevant to local needs and conducting business responsibly while adhering to laid out regulations. These principles will guide firms across all industries to demonstrate responsible corporate conduct across all aspects of their operations.

Further, a cross sectional study may be undertaken among firms in the pharmaceutical industry in Kenya in order to compare their strategic responses post liberalization. I also recommend a study on the impact of parallel imports. illegal imports and/ or counterfeits on pharmaceutical business in Kenya

TABLE OF CONTENTS

LIST OF FIGURES

ABBREVIATIONS

ARVs	Anti Retrovirals
FKPM	Federation of Kenya Pharmaceutical Manufacturers
GSK	GlaxoSmithKline
GW	GlaxoWellcome
HMO	Health Management Organisation
HSA	Healthcare Solutions for Africa
IFPMA	International Federation of Pharmaceutical Manufacturers Association
IP	Industrial Property
KMA	Kenya Medical Association
PIs	Parallel Imports
PPB	Pharmacy & Poisons Board
PSK	Pharmaceutical Society of Kenya
SAPs	Structural Adjustment Programmes
SB	SmithKline Beecham
SKF	Smith Kline French

CHAPTER ONE: INTRODUCTION

1.1 Background

Many global and indigenous firms spanning all industries have been faced with challenging environmental factors in the world today. These challenges include extended economic slump, increased competition, changes in government fiscal policy, government legislation, litigation, demand from various pressure groups and changes in the global expectations of the work environment. Businesses are being subjected to the pressure of increasingly competitive national and global markets through globalisation and liberalisation of economies, combined with demands from investors and consumers for increased productivity, efficiency, innovation and quality of products and services. In addition, pressures are mounting for businesses to be more responsible and accountable to their wider stakeholders; workforce, suppliers, communities, governments and the general public.

The pharmaceutical industry has been no exception. Changes in Europe have affected local markets largely because many firms have their origins there and most strategic decisions are made in the home country. Such changes included a rise in patient expectations, increasing costs of healthcare and the fact that Gross Domestic Product is not increasing at a rate sufficient to offset rises in costs. The emergence of parallel imports i.e. products which are available at a cheaper price in lower fixed cost countries e.g. Greece, Portugal, Spain, etc, have significantly eroded revenues in higher fixed cost countries e.g. UK and Germany. In addition another

difficulty has been the growth of a strong generic industry especially in the UK and Germany (Johnson and Scholes, 1997). Due to changes in the operating environment, costs have remained almost the same, sales growth of products has slowed resulting in inadequate coverage of research and development costs.

1.1.1 Liberalisation.

The Kenya government initiated market based economic reforms in the late 80s and early 90s. Key among these reforms was liberalisation of foreign exchange. Previously any trader or individual could only buy foreign currency from the Central Bank. This posed constraints when it came to importing of goods because of the bureaucracy therein. Importers of whatever commodity had to endure long delays before they could obtain clearance to bring in goods into the country. Liberalisation meant that it was now possible to purchase foreign currency from any source and this saw a proliferation of foreign exchange dealers in the form of bureaus and a revamped black market. In essence more players entered the business of importing and exporting of goods and services.

In addition the government liberalised certain key sectors such as telecommunications, agriculture, automobile, dairy, banking, etc, resulting to increased competition in most sectors of the economy. The net effect of this has been improved efficiency by already existing firms in a bid to strengthen their strategic positions. A notable change has been in the automobile industry which has seen an upsurge in imports of used motor

vehicles from Europe and the Middle and Far East countries. This has made vehicles more affordable to ordinary Kenyans unlike in the period before reforms were undertaken. Other fiscal policy reforms included reduction in treasury bill rates which served to release new found liquidity into the investments market.

The pharmaceutical industry was no exception and so far it has seen the number of importers of both raw materials and finished goods increase tremendously. The consequence of this upsurge in imports has been the erosion of prices of commodities as well as the erosion of quality medicaments. Before liberalization most branded pharmaceuticals were sourced from Europe and America, since their currencies were more readily available, and these were hence relatively costly. Liberalisation made it easier to access medicines from Eastern Europe, Asia and the Indian subcontinent. A direct impact of this has been the relatively huge differences in cost of pharmaceutical molecules between branded and generic offers. In addition the number of sales and medical representatives has greatly increased as competition became stiffer given the limited lucrative therapeutic areas. The most affected therapies have been anti-infectives (antibiotics), anti-asthmatics, anti-hypertensives, analgesics, dewormers, antimalarials, etc. More recently the HIV/AIDS pandemic has brought to the fore controversies relating to access of anti retroviral drugs (ARVs). This pressure on prices has resulted from a serious economic recession in Kenya in the 90s, that has seen disposable incomes reduce drastically, high inflation rates and poverty levels rise. Matters of

affordability have therefore created a large demand for cheaper generic drugs.

Currently the debate has been whether the Pharmacy and Poisons Board (PPB), the body in charge of regulating the industry in Kenya, has been fair in licensing so many generic drugs, many of which are substandard in quality and are from questionable sources. The argument posed largely by health practitioners and branded manufacturers relate to the possible development of resistance by common bacteria to certain drugs due to long-term exposure to sub therapeutic levels during treatment with sub standard drugs.

1.1.2 The Pharmaceutical Industry

The origins of the pharmaceutical industry are primarily post war and during that time it has been driven greatly by technological innovation. Pharmaceutical firms world over, are faced with well-trained customers- the clinicians- who are able to decide on what brands to use. The ability to understand and thus influence the doctors' prescription is the greatest marketing challenge in the industry. As such personal selling is the key promotional tool used in this industry.

Globally the pharmaceutical industry is beginning to experience the effects of a new model of healthcare: empowered patients and healthcare workers, that is driving up the costs by increasing market segmentation, patent expiries and declining R&D productivity (Cole, 1999). The empowered

patient has become better able to source for information on specific therapies, self-diagnosis and managing both disease and health environment. The industry response has been to develop products for specific patient groups.

Since drug discovery is a high cost and risky undertaking, patents on blockbuster drugs expiring with rising generic pressure and new regulatory conservatism many firms in the industry are finding need to merge to realise cost reduction, improve their global reach as well as their product pipeline (Cole, 1999). Examples of such firms are Hoescht Marrion Roussel (HMR) and Rhone Poulenc to form Aventis (1999), GlaxoSmithKline (2001), Pfizer Warner Lambert (2002), AstraZeneca (2002) and most recently Sanofi Aventis (2004), among others. Another response has been the formation of alliances with several small R&D and biotechnology companies on the basis that by funding research in these small and innovative companies chances of coming up with a new blockbuster product are increased. Other strategies have been to diversify or just stick to the knitting (Johnson & Scholes, 1997)

The Kenyan industry is also rather dynamic. There is a high degree of rivalry among players, bargaining power of buyers and the threat of substitute products are also key determinants of industry dynamics. Political decisions by government have largely affected the dynamics in the industry in matters relating to production, marketing and distribution. Strategic decisions therefore undertaken by these firms must adhere to laid out regulations

Image Dynamics (1999), an authoritative pharmaceutical raw material and finished products import data provider, estimated the Kenyan pharmaceutical industry using total imports of finished goods and raw materials by some 92 organisations. The total worth then was approximately Kshs 63 billion. Of this amount Kshs 34b were imports from 24 leading multinational firms marketing finished products in Kenya. Of this total, SmithKline Beecham and GlaxoWellcome had total imports of kshs 7.6b representing 12% of total imports.

The size of the pharmaceutical market in Kenya has not been well studied and documented. It is merely based on the amount of drugs imported by the companies and their Import Declaration Forms (IDFs) with the registrar of the Pharmacy and Poisons Board. However according to the National Health Accounts (NHA) data, the total expenditure on drugs was Kshs 31 billion. Of this, individuals spent Kshs 20.3b, the Ministry of Health (MoH) spent Kshs 7.4b, the National Hospital Insurance Fund (NHIF) spent Kshs 1.3b and other insurance companies spent Kshs 1.3b.

The pharmaceutical industry in Kenya consists largely of brand manufacturers, generic manufacturers and distributors and retailers. All these players are largely privately owned. There are currently 137 pharmaceutical companies in Kenya (Kenya Medical Directory, 2003). This comprises all the firms in the industry. These companies employ directly an estimated 60,000 people, provides medical information, medicines and diagnostics to enable healthcare providers better manage and treat diseases.

This number includes in excess of 600 medical representatives (Registrar, Pharmacy and Poisons Board) who personally market their products. There are currently over 7000 registered pharmaceutical products presented in various formulations in the Kenyan market.

1.1.3 Intellectual Property.

The concept of Intellectual Property (IP) is recognition of the need to provide protection and reward for creativity and innovation, and protection for property like trademarks and trade names. IP rights can also be considered as an instrument of public policy, designed to benefit society through the invention of new drugs and new technologies. The issues surrounding intellectual property often generate controversy. The developed world has a lobby, which pushes for longer protection for right holders believing that IP rights are good for business and for stimulating research and development. On the other hand, mostly the developing world lobby groups say that IP cannot stimulate invention where the human and technical capacity is absent but it rather penalises poor countries by increasing the cost of medicines and agricultural inputs. They push for more access to the benefits of innovation in such areas as *pharmaceuticals*, software and biotechnology.

The current debate over access to medicine verses Industrial Property Rights (IPR) is a stark example of these polarised perspectives. Under pressure from AIDS activists, some pharmaceutical companies have made huge discounts in their AIDS drugs for developing country markets. But arguments arise

against two-tier pricing which is seen to open the doors to infringement of patent rights and undermines the profit margin necessary to reinvest the huge sums needed to develop new drugs. Steps are underway to allow cheaper generic drugs to reach the market sooner and to end delaying tactics used by some pharmaceutical firms wishing to extend their twenty year patent monopolies. No country has been more actively opposed to international patents than India which passed a law in 1972 which permitted medicines to be copied even if they were under international patent as long as the process was not the same (Dossier, Intellectual Property, 2003)

In 2001, multinational pharmaceutical industry in South Africa went to court to challenge legislation by parliament to allow the manufacture and importation of patent protected anti retroviral (ARV) medicines for the HIV patients whom branded products were out of reach due to the high cost. The compulsory licensing law covering essential medicines was passed by the SA parliament in 1997 (Rosenberg, 2001). The emotions whipped up by the case resulted to daily demonstrations, which eventually forced the firms to withdraw the case.

In Kenya pharmaceutical firms lobbied as well but did not attempt to litigate against a similar bill introduced in parliament in 2001(IFPMA, 2001). The IP bill in Kenya was eventually enacted in June 2001. It was intended to provide the right equilibrium between rewarding and protecting (but not

overprotecting) intellectual efforts while respecting the right to access and the construction of a common heritage.

1.1.4 GlaxoSmithKline PLC

GlaxoSmithKline (GSK) was formed after the merger of SmithKline Beecham (SB) and GlaxoWellcome (GW) in 2001. The legacy companies were both incorporated in the United Kingdom.

SmithKline Beecham has its beginnings in 1830 in Philadelphia as a small drug store started by John Smith. He was joined in 1865 by Mahlon Kline and another wholesaler (French, Richard & Co) to form Smith, Kline and French (SKF). In 1982 SKF merged with Beckman Instruments to form SmithKline Beckman Corporation. Meanwhile, Thomas Beecham had formed Beecham Pills in the 1820s, which evolved to become Beecham Laboratories. SmithKline Beecham (SB) was formed after the merger of SmithKline French (SKF) and Beecham Laboratories in 1989 and in November 1994 the company acquired Sterling Winthrop to give it the largest consumer healthcare business in Europe and Latin America.

The Glaxo group has its origins in New Zealand and was established in 1873 as Joseph Nathan & Company. It acquired a stake in Glaxo India in 1924 and finally acquired the name Glaxo India (Private) Ltd in 1950 and which finally evolved into Glaxo India Ltd in 1989 and eventually became Glaxo Laboratories. Henry Wellcome formed the Wellcome Foundation Ltd in 1924

in London from humble beginnings of 1880. Glaxo Laboratories and Wellcome finally merged in 1995 to form the company GlaxoWellcome (GW).

The official day one of GSK was 8th January 2001. It is a company that is incorporated in the United Kingdom. It is ranked number 72 overall on the Global 500 (Forbes Global, July 2003) and is the number 2 pharmaceutical firm globally after Pfizer International. Its current global revenues are in excess of US$30 billion annually accounting for 7.3% of the world drug market.

GSK's Mission which defines why it is in business states ' Our global quest is to improve the quality of human life by enabling people to do more, feel better and live longer'. GSK's Strategic Intent, which defines its business goal, is 'We want to become the indisputable leader in our business'.

The GSK Spirit is what defines individual and organisational qualities that enables GSK to turn opportunities into achievements. It states 'We undertake our quest with the enthusiasm of entrepreneurs, excited by the constant search for innovation. We value performance achieved with integrity. We will attain success as a world class global leader with each and every one of our people contributing with passion and an unmatched sense of urgency'. (Emerge, March 2001)

GSK's operations spread across three regions namely the United States, Europe and International. The US region is the largest market and is run

from two offices in Pennsylvania and North Carolina. Europe is the second largest market spanning over 30 countries. Finally, the International region spans across 108 countries and provides the greatest opportunity for growth hence its importance. All these regions employ over 104,000 personnel. GSK Pharma East Africa is one of the 5 regions making up the Sub Saharan and Southern Africa (SSSA) region which itself forms part of Middle East and Africa region. The other regions making up SSSA are South Africa, Southern Africa, Central Africa and West Africa.

GSK East Africa is based in Nairobi's Industrial area. This site was formerly owned by SmithKline Beecham which acquired it from Sterling Health in 1989. All the pharmaceutical and consumer healthcare operations are housed here. It serves the 8 countries of Kenya, Uganda, Tanzania, Rwanda, Burundi, Ethiopia, Eritrea and Djibouti. GSK operations are divided locally into Consumer Healthcare, Pharmaceuticals and Global Manufacturing and Supplies (GMS) each headed by a General Manager. The three strategic business units have a common shared service which includes human resources, finance, purchasing, customer service, information technology and medical and regulatory affairs department.

The consumer healthcare range of products includes analgesics, abdominal relief, health drinks, oral care, vitamin supplements, etc. Most of these products are manufactured or repackaged in the Nairobi plant. The pharmaceutical range includes vaccines, ARVs, antibiotics, antiasthmatics,

antihelminthes, topical steroids, antimalarials, antivirals, etc. These are all imported from various manufacturing plants around the world.

1.2 Statement of the problem

Since the liberalisation of the pharmaceutical industry in Kenya in 1991, the industry has seen many changes. A notable change has been an increase in the number of players, both local and foreign, who have entered the fray by investing in pharmaceutical manufacturing and/ or distributorship of pharmaceutical products.

With liberalisation has come also expiration of patencies for most blockbuster pharmaceutical brands. This meant that existing multinational as well as indigenous firms had to grapple with the presence of low quality and cheap generics, high quality and cost effective generics as well as parallel and counterfeit imports. The challenge therefore was to maintain profitability and market share in the face of a liberalised and not very well regulated market.

GSK, a major player in the branded pharmaceuticals business suddenly found itself faced with the prospects of reduced revenues and hence reduced profitability as well as loss of market share. It was therefore expected to respond swiftly even as numerous generics (branded or otherwise) of its established and off patent brands like Amoxil, Zentel, Zantac, Tagamet, etc entered to claim a share of the market. So how did the company respond to these challenges?

1.3 Objective of the study

This indepth study is therefore aimed at establishing the strategic responses of GSK to the challenges immediately following liberalisation of the Kenyan pharmaceutical market.

1.4 Importance of this research

It is anticipated that this study will be of value to the following groups:

- Pharmaceutical firms shall be able to use this detailed case and its recommendations to develop better strategic management practices.

- Scholars, academicians and researchers will also find the study a useful starting point for further research into various aspects of strategic management.

- Other stakeholders in the pharmaceutical industry including the Ministry of Health (MoH), The Pharmaceutical Society of Kenya (PSK), Federation of Kenya Pharmaceutical Manufacturers (FKPM), other government agencies and potential investors will find some value in this case.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter takes a detailed review of literature that has been written by various authors regarding the environmental dependence of corporate firms, the various definitions and understandings adduced about strategy and strategic management and the concept of strategic response.

2.2 Environmental dependence

Environmental turbulence is a combined measure of change-ability and predictability of the firm's environment. Change-ability of the firm is seen by the complexity of the firm's environment and the relative novelty of successive changes, which the firm encounters in the environment. On the other hand the predictability is the rapidity of change, which is the ratio of the speed with which challenges evolve in the environment to the speed of the firm's response. Predictability can also be seen in terms of the firm's vision, which assesses the adequacy and timeliness of information about the future (Ansoff and McDonnell, 1990). This is why successful companies define their vision and mission well in advance in order to give them direction when the environmental turbulence threatens to distort their forward match.

Pharmaceutical firms like any other business firm operate like open systems. A system is a set of components that relate in the accomplishment of some objective. The components relate and interact within a boundary. The system may be closed or open. A closed system does not depend on the external environment for its survival. It can be sealed off from the outside

world. An open system on the other hand depends on its external environment for survival. It continuously consumes resources from the environment and releases resources back to the environment.

Ansoff and McDonnell (1990) further observe that firms utilise certain inputs, which include money, people, physical assets, raw materials, etc from the environment. These inputs are utilised synergistically in the firms various departments of finance, marketing, production, distribution, etc, to produce physical products, services and by products. These products and services are released to the external environment which has customers, consumers, competitors and government which is the regulator.

Organisations today are operating in dynamic changing environments. This environmental dynamism is throwing up new opportunities and challenges. Future survival of the organisations is no longer guaranteed. Managers face difficulties in trying to understand the environment. They need to act now in order to secure future success. If the organisation has to remain successful, it has to address environmental challenges adequately. Enough resources have to be made available to ensure the strategy is aggressively implemented. The greater the environmental challenges the more aggressive the strategy should be and the more resources will be required. Adequate response to environmental challenges thus requires that managers define their response to the challenges and then allocate resources to carry out the strategy (Aosa, 1997). It is imperative that a company achieves a fit with its environment for it to succeed. According to Johnson and Scholes (1997),

understanding the environment is made difficult by its many diverse influences and the element of uncertainty.

Environmental scanning, also referred to as competitive intelligence, is the rigorous approach to collecting, analysing and communicating information about the competitors' activities, market changes that are occurring, changes related to supply of raw materials and other issues that could affect strategic direction. This operating environment consists of competitors, creditors, customers, labour force and suppliers. Depending on their size and influence, organisations will face such factors as barriers to entry into an industry, the bargaining power of suppliers and buyers, availability of substitute products and certainly the intensity of competitive rivalry.

2.3 Strategy and Strategic Management

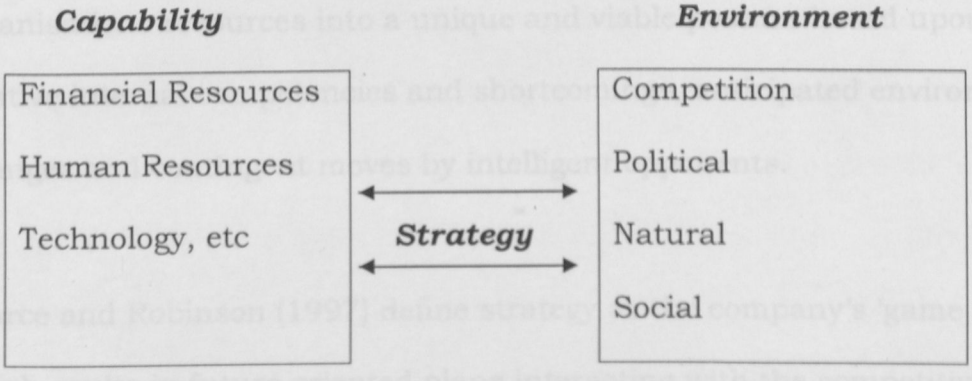
The word strategy has been used since the 4th century. It stems for the Greek word 'Strategos', which means the art of the general or commander in chief. In the 1950s and 60s when response to environmental discontinuities became important, the concept of strategy entered business vocabulary. Chandler (1962) and Ansoff (1965) observe that the literature on corporate strategy that emerged is vast and continues to grow at an astonishing rate.

Strategy is a multidimensional concept and various authors have defined strategy in different ways. Strategy is the match between an organisation's resources and skills and the environments opportunities and risks and the purposes it wishes to accomplish (Schendel and Hofer, 1979). It is meant to

provide guidance and direction for the activities of the organisation. The purpose of strategy is to provide directional cues to the organisation that permits it to achieve its objectives while responding to the opportunities and threats in the environment.

According to Ansoff (1990), strategy is the framework that links an organisation's capability to its environment.

Figure 1. Strategy Capability Environment Link



Source: Ansoff and McDonnell 1990

D'Aveni (1994) takes the view that strategy is not only the creation of advantage but also the creative destruction of opponents' advantage. Porter (1996) states "The essence of strategy is choosing to perform activities differently than rivals do". He also outlined the basis of competitive advantage. It is based on the principle that organisations achieve competitive advantage by providing their customers with what they want, or need, better or more effectively than competitors and in ways that their competitors find difficult to imitate. Porter's (1980) analytic five-force

approach to industry analysis made strategy more externally focused. It had a very strong influence in the 80s and remains quite influential today. Today though, emphasis has been placed on the need for speed and flexibility in order to respond to the increased pace of change and its effect on competition.

Mintzberg and Quinn (1991) perceive strategy as a pattern or a plan that integrates organisations major goals, policies and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organisations resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated environmental changes and contingent moves by intelligent opponents.

Pearce and Robinson (1997) define strategy as the company's 'game plan' which esults in future oriented plans interacting with the competitive environment to achieve the company's objectives. This definition of strategy is important for this study because it reflects competitiveness in the environment and the game plan aspect, which organisations put into place to be able to compete effectively. Further they go ahead to define strategic management as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. Large corporates usually have three levels of strategy: Corporate level, business level or competitive strategy and functional level strategy.

Johnson and Scholes (1997, pg 10) define strategy as the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of the resources within a changing environment, to meet the needs of markets and fulfil stakeholder expectations. Its main purpose is to enable the firm to gain as efficiently as possible a sustainable edge over its competition. Corporate strategy therefore strives to alter a company's strength relative to that of its competitors in the most efficient way.

A consequence of the characteristics of strategic decisions is that they are therefore complex in nature. This is especially so in organisations with wide geographic scope like multinational firms or wide ranges of products or services. Strategic decisions may involve a high degree of uncertainty because they involve taking decisions on views of the future, which it is impossible for managers to be sure about. Strategic decisions may also require major change in the organisation and may particularly be difficult to implement if the organisation has been used to operating in ways, perhaps developed over the years, which are not in line with future strategy.

This is to say that strategy is not an abstraction. It indeed requires conscious effort to achieve it. In other words strategy does not just happen it is caused. Therefore one can say strategy defines an organisation in terms of its future nature and direction (Johnson and Scholes, 1999). Thus corporate strategy would then be seen to be concerned with the purpose and scope of an organisation as a whole. Today strategy development and planning

utilises several tools which may include but are not limited to environmental scanning or competitive intelligence, scenario planning and forecasting, capital planning and budgeting, portfolio analysis, road mapping (plan new product development) and stakeholder analysis and engagement (Mintzberg and Quinn, 1991).

Strategic management provides a framework within which such proactive actions are undertaken. In a nutshell therefore, strategy helps managers think about the future while still carrying out present operations (Aosa, 1997), respond to external changes on a timely basis and build the much needed internal capacity going forward.

2.4 Strategic Response

According to Grant (2000) survival and success for an organisation occurs when an organisation creates and maintains a match between its strategy and environment and also between its internal capability and the strategy. Strategic response requires organisations to change their strategy to match the environment and also to transform or redesign their internal capability to match this strategy. This in turn means that organisations need to harness both its tangible and intangible assets to maintain a strategic fit between its strategy and environment. If this fit is not realised then a strategic gap exists. Also if its internal capabilities are not matched with the strategy then a capability gap arises.

Mwanthi (2003) showed that it is important for organisations to remain relevant to their consumers and that sustaining shareholder/stakeholder

value is of prime importance. This can only be achieved by setting strategic priorities that will ensure that it meets its long-term objectives. Her study revealed that three main business principles should be maintained when setting out strategic priorities. These are the principles of mutual benefit, responsibility and good corporate conduct.

Strategic planning is therefore key for every manager due to the high degree of competition and unpredictability prevailing in many industries. Environmental scanning is paramount and both managers and employees must be involved in the planning process in order to achieve wholistic implementation. Mwaura (2001) recommends that it is important for firms to develop methods of collecting competitor intelligence by undertaking serious market analysis to be able to formulate appropriate and effective strategies. Furthermore, strategic plans should be flexible and should involve the whole organisation. He therefore recommends that managers must have futuristic orientation in their thinking and actions. This can enable them to anticipate possible environmental changes and develop a proactive stance in response.

Ansoff and McDonnell (1990) noted that strategic responses involve changes in firm's strategic behaviours to ensure success in the transforming future environment. The choice of the response depends on the speed with which a particular threat or opportunity develops in the environment. One of the fundamental issues in developing an operations strategy is which activities

should be performed internally and which should be left to others such as suppliers, customers or partners (Hayes et al, 1996)

According to Porter (1980), strategic responses reflect a firm's competitive position in the industry and a fast changing environment may force the firm to change it position. He asserts that a competitive position may be created around cost leadership, differentiating products and/or services or focused strategy. Firms may sometimes pursue more than one approach as its primary target. Pearce and Robinson (1997) observe that a long term or grand strategy must be based on a core idea about how a firm can best compete in the market place. The popular term for this core idea is *generic strategy.*

Many firms are bound to respond differently. For instance multinational pharmaceutical manufacturers may respond by re-locating their entire operations to other more investment friendly countries, closing their manufacturing plants, franchising (transfer their sales and marketing operations to local partners or distributors), stop research and development, start manufacturing generic drugs and / or continue manufacturing brands. On the other hand manufacturers of generics may respond by starting to manufacture unpatented molecules, investing in R&D, by starting parallel importation or changing completely to distributorship (Wamalwa, 2002).

For pharmaceutical distributors strategic responses may include but are not limited to starting parallel importation, expanding their distributorship or

entering into strategic alliances with local and foreign manufacturing companies. A classic example of the latter response was when Howse McGeorge, a well established local pharmaceutical distributor and retailer combined forces with EuraPharma SA of France to form Howse McGeorge Laborex (HML) in 2002. The added capability resulting from the alliance, enabled HML to expand its base business by acquiring additional agency for a number of multinational firms like Sanofi Aventis, Servier, Norvatis, Dafra, etc. In the same breathe, given its wide and excellent distribution network across the country, HML divested from the retail business across the country to focus primarily on distribution and wholesaling (Contact, 2003). Eurapharma SA has recently (2004) assumed total ownership of HML after buying out Howse McGeorge.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the various steps that were used to execute the study in a bid to satisfy the study objectives. It details the research design that was adopted and methods used for data collection and data analysis.

3.2 Research Design

This is a case study design of GlaxoSmithKline Ltd that focused primarily on the pharmaceutical division of GSK. Many studies have utilised industry-wide surveys to derive their evidence on various environmental aspects affecting the pharmaceutical industry. This study followed the responses of one particular multinational company based in Nairobi for the sole purpose of providing in depth information on its strategic responses to the dynamic Kenyan market.

3.3 Data Collection

The researcher interviewed 6 members of senior management at GSK by means of a questionnaire to obtain the primary data. A tape recorder was used to record information from in-depth interviews.

Secondary data was obtained from GSK's data on file at the company's resource centre and periodic newsletters and magazines published and distributed by the Corporate Communications department of the company abroad and locally. Additional secondary data was obtained from studies done by other stakeholders in the industry.

3.4 Data Analysis

The mode of analysis used was content analysis given the qualitative nature of data obtained and the fact that the objective of the study was restrictive to the nature of information required. It was also deemed to be an unobtrusive means of analysing interactions and its ease of reference and interpretation by the beneficiaries of this study. Content analysis also guards against selective perception of the content and has provision for the rigorous application of reliability and validity criteria and is amenable to computerisation (Cooper & Emory, 1976). Further content analysis has been used with success to analyse written, audio or video data from secondary data studies.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter documents the findings of the main strategic responses by GlaxoSmithKline Ltd to the current environmental changes.

4.2 Company Profile

4.2.1 Historical Background

GSK is 100 percent Public Limited Company (PLC) and is listed in the London Stock Exchange. It defines its core business as the research and development, manufacturing, marketing and distribution of pharmaceutical and consumer healthcare brands. Over the years it has grown primarily as a result of numerous mergers and acquisitions that have been quite prominent in the global pharmaceutical industry.

Glaxo Wellcome Kenya has its beginnings in 1963 when Burroughs Wellcome commenced its operations in Kenya. Glaxo Allenburys EA Ltd was then commissioned in 1963 and the factory at Dakar Road Industrial area was commissioned in 1964. In 1967 the Wellcome factory at Kabete was commissioned. Later in 1975 Glaxo Allenburys changed its name to Glaxo EA Limited.

Beecham Kenya began operations in 1974 and this was subsequently followed by the construction of the production plant Funzi Road in the industrial area in 1980. In 1989 the global merger of Beecham group and

SmithKline Beckman occurred to form SmithKline Beecham. Meanwhile in 1990 Wellcome sold bits animal health brands followed again by its industrial health division in 1992. SB acquired Sterling Health globally in 1994 followed closely by the Glaxo and Wellcome merger in 1995. In 1996 the Wellcome plant in Kabete was sold and finally in 1997 the newly refurbished GW plant on Dakar Rd and the SB plant at Likoni Road industrial area were commissioned. In January 2001, the GW and SB merger was completed.

In East Africa, GSK currently employs 240 permanent employees and 120 temporary employees in its pharmaceutical and consumer healthcare operations.

4.2.2 Strategic Intent

GSK's strategic intent is to provide leadership in the pharmaceutical industry both globally and locally. It is currently the number 2 pharmaceutical firm in the world after Pfizer Inc. However the company will strive to become the leading 'House of Healthcare' both in pharmaceuticals and consumer healthcare. This means it would strive to be the first choice of any consumer who needs a prescription drug, a health drink, a mouth wash/paste, etc. In this way other leadership parameters will follow through e.g. Sales, profit, customer service, research and development, marketing, human resource development, financial management, production, etc. Already GSK spends the largest amount of funds on Research and

Development than any other pharmaceutical firm approximately $US4 billion was spent in 2003.

4.3 Environmental challenges and their impact on the firm.

4.3.1 Extended economic slump

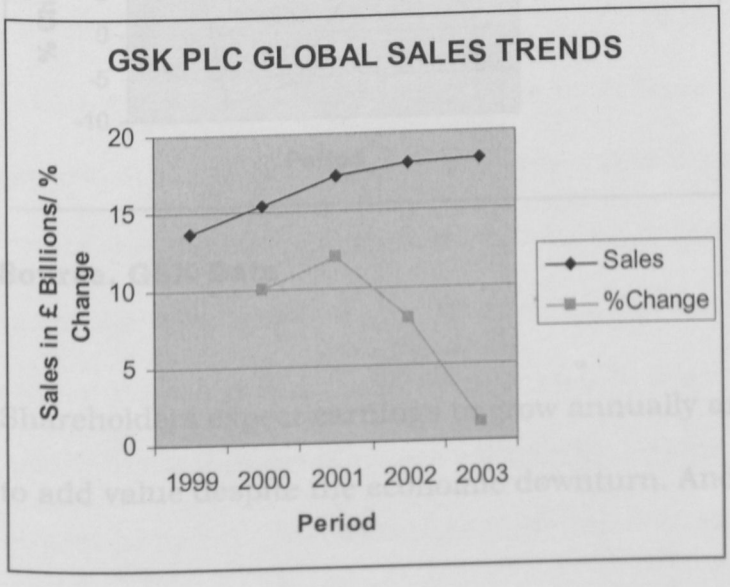
The interviewees commented about the general economic slump that necessitated the government to impose market-based reforms. The early 90s saw an increased rate of inflation occasioned by official corruption during the run up to the first multiparty elections in Kenya in 1992. In 1993 there was also a major devaluation of the Shilling. Disposable incomes dwindled as a result. The Kenyan economy has declined steadily over the years especially just after the dawn of trade liberalization and currency decontrols. The introduction of structural adjustment programs that were imposed by donor agencies and which were not mapped well to this third world country resulted in an economic decline reaching a low of –0.2% in 2000. The mismanagement of the agricultural sector the mainstay of the Kenyan economy meant that there was flat growth in the Gross Domestic Product to have any significant impact on unemployment and poverty reduction.

Globally, there has been a general economic decline which has affected all industries. For the pharmaceutical industry, R&D plays a pivotal role in ensuring a healthy product pipeline and is therefore one of the largest overhead for any multinational firm in this industry. Global economics have therefore affected pharmaceutical firms due to increased R&D costs

necessitating remedial strategies. For instance in 1999 GSK spent £2.3b on R&D, £2.5b in 2000, £2.4b in 2001, £2.73b in 2002 and £2.77b (mygsk.com, 2004). The R&D expenditure in 2003 represented 14.8% of pharmaceuticals turn over.

In addition global sales have assumed a flat trend as observed in figure 2

Fig 2. GSK Global Pharma Sales Trends

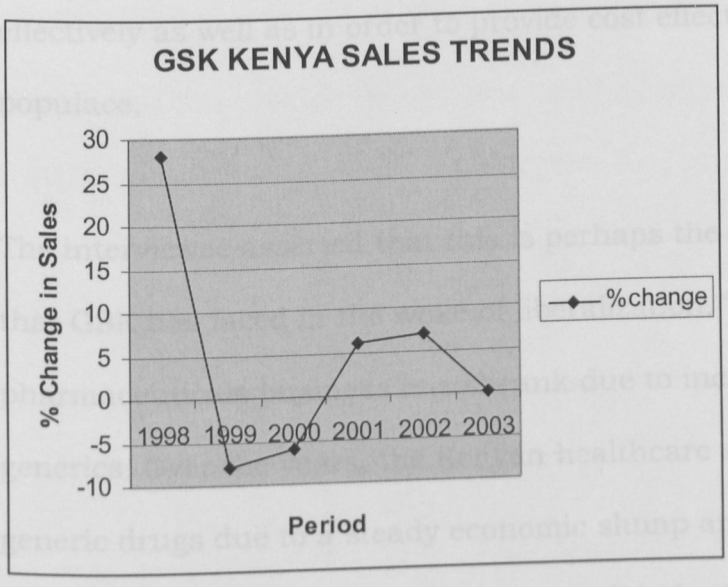


Source. GSK Data

above. Percent change in sales is also increasing at a decreasing rate. This trend has been replicated in various markets across the world.

As a result of near flat growth in GDP in Kenya, earnings for the company have also taken a flat trend while rate of increase in sales revenue has been largely erratic (See fig 3 below)

Figure 3. GSK Kenya Sales Trends



Source. GSK Data

Shareholders expect earnings to grow annually and there has been pressure to add value despite the economic downturn. And therein lay the challenge.

4.3.2 Increased Competition

The interviewees were asked to comment on the changes encountered in the business environment.

Due to the increased importation of pharmaceuticals, GSK faced increased competition from the cheap price segments of the industry thereby accelerating shifts by consumers to extremely low priced brands. The inefficient regulating system by the PPB did not help matters and the immediate consequence was entry into the market of cheap low quality

generics from Asia and the Indian Subcontinent. As a result there was increased pressure on the price of original brands in order to compete effectively as well as in order to provide cost effective drugs to the larger populace.

The interviewee asserted that this is perhaps the single largest challenge that GSK has faced in the wake of liberalization. The branded pharmaceuticals business has shrunk due to increased pressure by generics. Over the years, the Kenyan healthcare system has tended towards generic drugs due to a steady economic slump and hence reduction in disposable incomes. Many firms across all industries have also been forced to engage medical insurance for their employees in a bid to cut down escalating healthcare costs. The nineties saw an upsurge in the number of health insurance firms pioneered by AAR Health Services. It remains the largest HMO with just over 90000 members (AAR Data, 2004). Currently there are over 20 HMOs in Kenya due to the lucrative nature of the business.

The global pharmaceutical industry has also seen flat growth and the 90s saw numerous mergers taking place. This has resulted in a decreased presence of branded pharmaceutical manufacturers globally and specifically in Kenya. In contrast the generic business has grown. For GSK, re-known brands like Amoxil, Zentel, Augmentin, Zinnat have been battered by numerous generics since the early 90s in the case of Amoxil and Zentel and early 2000s for Augmentin and Zinnat.

4.3.3 Increased Customer Demands

GSK has seen a transition in customer demands brought about by better access to new information in the wake of widespread Internet use and heightened competition among local media houses. The nineties also saw a relative freeing of the airwaves giving rise to a number of FM and TV stations in Kenya. News access has therefore become easier. In addition more people are travelling abroad and setting out to discover the world beyond their own borders. For doctors travel opportunities have presented by way of scientific conferences and symposia.

The effect of freeing of airwaves and increased use of the Internet meant that the world has now become a global village resulting to a relatively more informed clientele for GSK. Many a times GSK medical representatives have reported how doctors and patients know about products in other markets that they (medical reps) do not know about and which could in the doctor's opinion, do well locally. One medical representative reported how he encountered a cardiologist at the Nairobi Hospital who prescribed an antihypertensive drug (Carvedilol) he had never heard about let alone imagine it was a GSK product. It actually was and still is a GSK product. In another case a vaccines representative was accosted by a parent who had brought her child for vaccination, about the probable link between the Measles, Mumps and Rubella vaccination and the onset of Autism in children. She had heard about it on Cable News Network and Sky TV yet the medical representative had not. Still others enquire about products available

in other markets and ask why they cannot get them at the same price as their colleagues in India, Pakistan, etc.

Asymmetrical or imperfect markets have disappeared and any price differentials are easier to pick through the Internet or faster foreign travel. In addition doctors and professional organisations are now demanding more sponsorships than they previously did. This just goes to show how a more knowledgeable client has become more demanding for better faster service, better safer products, etc. This is the kind of client that GSK is dealing with currently.

4.3.4 Poor regulation and unfair competition

The body charged with the duty of controlling or regulating the industry in Kenya, the Pharmacy and Poisons Board (PPB) and which is a department in the Ministry of Health, has often failed to enforce certain regulations. This has exposed many law- abiding firms like GSK to unfair competition. This has been occasioned by

i) delays in registration of drugs and medicines,

ii) registration of numerous generics some of questionable quality and

iii) influx of counterfeit products and parallel products.

The biggest challenge for PPB, on the other hand, has been the misunderstanding in the industry of what really is a *parallel import* (PI), *illegal import* (II) and *counterfeit* product. PIs refer to genuine products that come to the country under license by PPB in order to fill a capacity gap

while Illegal Imports may be genuine products or imitations that have not been licensed for sale in the country. *Counterfeits* are imitations of existing brands and usually infringe on patented trademarks. The counterfeit and parallel/ illegal products have often been sourced from countries in Southern and West Africa, Pakistan and India. Other sources are neighbouring countries to which Kenya exports drugs and whose trade prices are lower due to discrepancies in exchange rates. The process of re-exporting these products back to Kenya through illegal means is also known as *Export Reflow* in GSK circles. This has been and still remains a perennial problem that can be attributed mainly to laxity and official corruption at the various entry points into Kenya. The affected GSK brands include Augmentin, Zentel, Halfan, Panadol, Hedex, among many others.

The effect of delays in registration and excessive demands at the poisons board has meant delays in launching of potential drugs into the market. Marketing activities have therefore also delayed and total growth in business turnovers has often been affected. In addition entry of counterfeit and parallel products has led to huge losses in revenue for GSK especially because product finds its way into retail pharmacies, which are out to make huge margins that are unattainable with the genuine products. In essence certain cash cows have shown a decline in sales turnover due to unfair competition resulting from too much generic pressure. Amoxycillin, ciprofloxacin, albendazole, artesunate derivatives are just a few examples of such products. According to PPB Data of 2003, there are 9 generics of Augmentin (Amoxycillin Clavulanate) namely and the number is sure to rise.

Amoxil (Amoxycillin trihydrate) has approx 77, Zinnat (Cefuroxime Axetil) has 5 and Zentel (Albendazole) has about 17 generics. Again this has often affected the bottom line requiring certain marketing strategies to be put in place.

4.3.5 Government Legislation

Most of the intervewees agreed that the Pharmacy and Poisons Act has in some ways been helpful. There has not been much change in legislation over the years following liberalisation. Notable change however has been the willingness to amend existing laws in order to levy stricter punishment to defaulters. Such defaulters are for instance running of illegal or unregistered pharmacies, faking of certificates of incorporation and other licenses, dealing in dubious products, etc. The stricter approach to penalties was occasioned by lobbying by pharmaceutical industry stakeholders led by the Pharmaceutical Society of Kenya (PSK) to clamp down on thousands of mushrooming illegal drug stores that were undermining their noble career as well as legal business. PSK introduced the compulsory Green Cross which was to be displayed in all legally registered pharmacies across the country. It was meant to help government to identify and act on dubious pharmacies.

The controversial Industrial Properties bill was being drafted just after the liberalization. Its main objective was to enable provision for voluntary or compulsory licensing of essential drugs where a capacity and/or affordability gap existed. This was occasioned by the steady rise in

HIV/AIDS cases and related opportunistic infections in Kenya and the third world in general and the fact that many victims of the scourge could not afford ARVs. Intellectual property laws had been set up already in South Africa but in Kenya the act was finally enacted in 2001.

The amendment of existing laws to include stiffer penalties had a positive impact on the organisation. It enabled GSK to have comprehensive database of retail pharmacies to work with and especially in terms of territory coverage for its sales force. For GSK's distributors it meant a more reliable network of retail pharmacies to work with in matters relating to following up repeat orders, creditworthiness, etc.

The unfortunate effect of the IP bill amendment was that activists and lobbyists, funded by NGOs like Medecins Sans Frontiers and World Vision, hijacked it and began to put pressure on multinationals which manufacture ARVs to drastically bring down costs or grant voluntary licenses to local or foreign generic manufacturers and distributors. This was despite the fact that these multinationals still held patents for the drugs in question. This was and still is a global crisis. In essence therefore GSK has been viewed as a villain together with other multinationals and have been accused of being out to profiteer from a humanitarian calamity. The reaction of multinational firms to states flouting patents was one of threats or legal challenge but eventually, accommodation that allowed managed donation programs for third world countries, right to manufacture generics or offers of low priced brand products by these principals.

4.4 Strategic responses of GSK

Suffice it to say that GSK management lives up to the adage "Think global, Act local". Whereas it has a corporate or global strategy that must be implemented in the various regions, managers are encouraged to source and share ideas with other like markets in the global village. In this way workable strategies can be implemented and failed ones improved upon or dropped altogether.

In the period after liberalisation to date GSK has responded in various ways to these environmental challenges as depicted hereunder:

4.4.1 Extended economic slump

The interviewees were asked to comment on the strategies employed by the firm to manage the general economic slump and the following information was obtained:

Some strategies that were employed in dealing with the economic slump of the 90s which occasioned flat growth in revenues included attacking the cost base in company overheads, improvement in supply chain logistics, restructuring and improved efficiencies in procurement of goods and services. As a result of currency devaluations in 1993, the shilling got weaker and whereas exporters were gaining, importers were losing. That time GSK was importing products through Surgipharm Ltd, a leading

pharmaceutical distributor. According to sources, prices went up 3 times that year and by almost 100 percent.

Multinational presence globally and locally has reduced as a result of global mergers. For instance Glaxo merged with Wellcome, SmithKline merged with Beecham, SmithKline Beecham bought off Sterling Health and finally GW merged with SB to form GSK. Globally, one of the main driving forces of mergers is to harness and consolidate resources for R&D. In Kenya, savings have been realized from subsequent restructuring of the organization resulting to retrenchment and retirement of employees. For instance before the merger GW and SB had a combined total of about 308 permanent and about 200 temporary employees (GSK Data, 2001) in East Africa who after integration now number about 240 and 120 respectively. This has brought the wage bill down substantially. Suffice it to say that all the mergers have resulted in staff layoffs locally and abroad. In addition the mergers have brought cost savings as a result of the closure of Yaya Centre marketing offices for SB, closure and sale of the Wellcome offices in Kabete and the Dakar Road offices of GW and relocation of all GSK EA operations to Likoni Road in the industrial area.

In addition before the merger, the two companies maintained a fleet of company vehicles for the field force, office staff and distribution as well as buses for transport of staff to and from work. In 2001 however a decision was made to outsource this service by entering into a lease hire scheme. The initial contract was awarded to Budget Car Hire who currently manages

GSK's fleet of vehicles. In this arrangement, Budget buys the vehicles and manages the whole fleet at a monthly cost per unit for an initial 4 years. The monthly leasing cost per unit ranges from ksh 60,000 to ksh100,000 depending on the engine capacity and make of vehicle. This strategy has served mainly to save on maintenance costs.

Another strategy was introduction of new technology. GSK started local manufacturing of Zantac, the anti-ulcer drug. This was buoyed by the excellent global Zantac sales and there was a global decision to increase manufacturing sites as a reward for good performance. The upgrading of the Dakar Road site preceded this and it also started manufacturing the cough range of Actifed, Linctifed and Piriton tablets and syrup. Online printing and bio cutting technology was also implemented in the plant to enhance efficiency. However economic hardships resulted in closure of the plant and subsequent relocation to Cairo Egypt. In South Africa, the Midrand plant was also shifted to Cape town. There was also a shift from European and American technology, which is expensive to Asia Pacific technology which is cheaper to maintain in the plant and hence reducing cost of goods.

As recent as July 2004, GSK undertook to outsource distribution services. It contracted Jihan Freighters Limited to oversee distribution of all pharmaceutical and consumer products therefore in essence cutting off a huge wage bill for drivers and loaders and motor vehicle maintenance. Jihan undertook to deliver products all over the country where they have routes. In regions where they have no routes, Securicor Courier, which

initially did all the freighting, still provides the service though these routes are few. For instance Nairobi district is entirely serviced by Jihan. Besides the cost savings on people and vehicle maintenance, GSK has gained in terms of being able to offer better client service since distribution and transport is out of their hands. Lead times between ordering and delivery have also shortened since Jihan employs more people and provides more vehicles for delivery than GSK could ever consider having.

4.4.2 Increased competition

GSK views patients and doctors as its most important stakeholder. As such, GSK has strived to import and distribute medications that are hugely relevant to the needs of East African patients. The vast array of antibiotics, anti-asthma, de-wormers, anti-malarials, anti-retrovirals, vaccines, etc all have relevance for the region. Globally GSK has focused on developing medications that address the needs of the third world. This has stemmed from its corporate responsibility strategy. Recently GSK Global launched the Diseases of the Developing World (DDW) initiative charged with developing medicaments for the developing countries. Under this initiative are certain therapeutic areas like filariasis and giardiasis, malaria, rotavirus, HIV/AIDS. To this end dewormers, antimalarials and ARVs have been launched into the local market. Currently GSK is in the process of developing vaccines against Malaria and Rotavirus diarrhoea.

Additionally since employees are valuable to GSK, management has recognized the crucial role they play in ensuring the company remains

distinctly competitive. Across the whole company there has been an aggressive development of employees. In this regard GSK has a fully-fledged Human Resource department, which undertakes training programmes for employees both locally and abroad. It has achieved this locally through seconding of local employees to foreign markets and also by strengthening the local training capability. Medical representatives whose sole responsibility is to create demand for GSK brands are often trained on new skills in selling and regularly engaged in short trainings to enhance their skills in business presentation, negotiation, commercial thinking and business development. In addition GSK has a training department dubbed The Academy which is based at the Corporate Headquarters in London and which develops training programs and materials and distributes them for GSK staff across the globe. This main objective is to ensure that product and skills competencies for GSK staff worldwide conform to global strategy. The current pass mark for Academy exams is 80% on product and disease knowledge and it is compulsory for all field staff. Locally also the company has been encouraging multi-skilling by employees in order to enhance efficiency. This is especially so in the production plant.

Given the increased competition, more job openings emerged necessitating GSK to offer competitive terms in order to retain the best staff. In this regard GSK is a founder member of the Salary Club Survey, a forum of 20 top-notch firms operating in Kenya. These firms include the Nation Media Group, Kenya Airways, Bamburi, BAT, Barclays Bank, Safaricom, Celtel, East Africa Breweries, Standard Chartered Bank, Unilever, among others.

This initiative began in the late 90s by the then SB, Unilever and BAT and has now grown to 20 members. This club came together and engaged the services of PriceWaterhouseCoopers (PWC) in 2000, which facilitates the comparison of salaries for equivalent job groups among them. Each company in turn strives to be among the 75th percentile of the firms offering the most competitive salaries for similar job groups. In this way GSK ensured that it should never lose good staff to other firms because of non-competitive salaries but only due to other reasons. It was a way of curtailing high employee turn over which, can be demotivating to other staff as well as a costly affair to the organization.

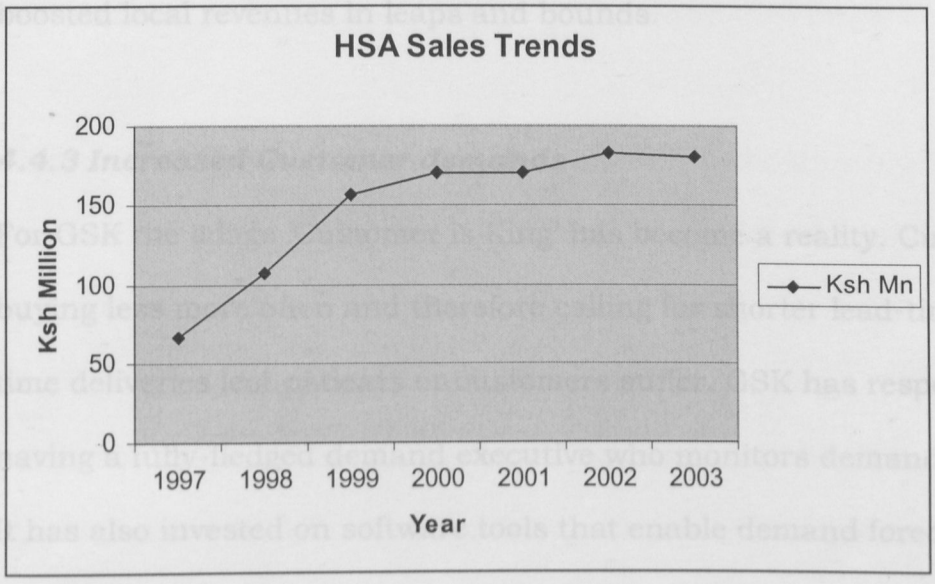
In addition, GSK strives to recognize good performance and has established a Reward and Celebrate forum whereby excellence is rewarded. Excellence is defined in terms of sales turn around, innovation, passion for excellence, product knowledge and performance, marketing intelligence, etc. This usually takes place during annual sales conferences. In addition, quarterly and annual product and team bonuses are awarded on achievement of set targets.

GSK responded swiftly and promptly to the threat of new of generics. In a bid to enhance shareholder value, GSK launched a strategy under the Total HealthCare Solutions (THS) initiative in 1995, which saw it register, import and start and begin distributing generic drugs or what is popularly known as Second Brands. The company from which these products came from was and still is Medreich PLC, a company as old as SB and which often has

manufactured brands for SB under license. The initial second brands to be imported were Penamox (Amoxycillin) and Penbritin (Ampicillin) which were introduced in 1996. This initiative was later changed to what is now popularly referred to as Healthcare Solutions for Africa (HSA) in 2001. This portfolio of generics are directly imported and distributed through Surgipharm Ltd, the largest pharmaceutical distributor for GSK locally. In the arrangement GSK assists in recruitment of medical representatives who work under Surgipharm terms. However, all marketing activities are supported by GSK. GSK also ensures that the HSA portfolio is marketed according to the IFPMA code of ethics, which governs pharmaceutical manufacturers. This portfolio has grown tremendously from 2 products to the current 16 products and a total of 41 presentations.

This business has grown in leaps and bounds as depicted in figure 4 below. This trend is bound to continue as more relevant molecules are introduced to compete with the generics from other companies.

Fig 4. HSA Sales Trends



Source. GSK Data

Another area that GSK Kenya decided to focus on was the seemingly lucrative childhood vaccination segment. By making use of its innovative combination vaccines, GSK management decided to introduce some of these vaccines into the market. By 1997, vaccines against Hepatitis B (Engerix B) and Hepatitis A (Havrix) had already been introduced in Kenya. Given the high rate of prevalence of Hepatitis B in Kenya, GSK with the Ministry of Health embarked on an awareness campaign in 1998 known as 'B Safe Campaign', which was hugely successful. From initial sales of 3000 doses a year, sales shot up to 50000 doses in 1999. Later when the government got a donor (in the form of Global Alliance for Vaccines and Immunization GAVI) to fund inclusion of hepatitis B and haemophillus influenzae type B antigens for childhood immunization in the Expanded Programme on Immunization (EPI), GSK lobbied for its innovative Pentavalent vaccine (Tritanrix-HB-HIB)

and won the tender for an initial 5 years beginning in 2001 to 2006. The supply of approximately 3 million doses annually to the government has boosted local revenues in leaps and bounds.

4.4.3 Increased Customer demands

For GSK the adage 'Customer is King' has become a reality. Customers are buying less more often and therefore calling for shorter lead-times and on-time deliveries lest patients or customers suffer. GSK has responded by having a fully-fledged demand executive who monitors demand and supply. It has also invested on software tools that enable demand forecasting to ensure none or minimal stock-outs. Online data sharing occurs between the local office and the manufacturing sites across the globe (GW Data, 2002). In addition GSK strives to maintain relevance by marketing safe, efficacious and cost effective medicines locally. In response to increased demand for sponsorships, it has become imperative to set aside a budget for such requests. Certain SOPs, governed by the IFPMA code of ethics are followed before such sponsorships are approved.

In the run up to the merger in 2001, SB had only 8 distributors and only Nairobi hospital could access drugs directly from its warehouse. The main reason for maintaining this lean number of distributors was the ease of managing debt and customer care. SB preferred distributors to handle the intricacies and headache of debt collection from the many smaller clients and government institutions. GW on the other hand, had over 30 distributors and most big hospitals could buy medicine directly. GW was

more flexible in it's trading, and therefore more clients could access drugs directly from its warehouse. In fact GW also had a cash account for patients on treatment with ARVs and other equally expensive drugs.

Currently GSK maintains about 20 distributors who in turn sell to retail pharmacies. About 12 hospitals also access products directly including Kenyatta National Hospital, Forces Memorial Hospital, Nairobi Hospital, Aga Khan Hospital in Nairobi, Mombasa and Kisumu among others (See Appendix 3). The primary idea in maintaining these hospitals was as a result of demands from them for better discounts and concessions and therefore the middlemen (wholesalers) had to go. This means that these hospitals get distributor prices and not trade prices. This way GSK maintains profit levels and the hospitals save on drug costs.

During the merger a number of the smaller businesses and those not deemed to have good credit ratings were dropped in order to maintain a smaller leaner structure of distributors and hospitals who would be easier to manage in terms of customer service and debt collection. The cash account was also closed in order to avoid dealing with cash in the premises even as numbers of patients on ARVs soared and the cash account became more complicated to manage. However these patients can now access ARVs cheaply from what is commonly known as the Access Accounts. These are hospitals and institutions which have fully fledged HIV/ AIDS clinics and who are accorded preferential prices for their patients who are on ARVs.

As a response to the more knowledgeable client, GSK ensures thorough training of medical and customer care representatives both on disease areas and product. It has incorporated a Standard Operating Procedure (SOP) that oversees recruitment, hiring, training and development and firing of employees. Competency levels are monitored and audited regularly to ensure world-class representatives. All representatives have also been accorded access to the GSK intranet sites like mygsk.com, move.gsk.com, www.worldwidevaccines.com, etc. These sites give an in depth look into internal events, meetings, conferences, launches, on going research, product information, global personnel directory, etc. They also have access to the Internet in order for them to stay updated. In addition GSK corporate headquarters circulates a quarterly newsletter known as 'Spirit' whose sole objective is to inculcate the GSK spirit and communicate recent happenings in the pharmaceutical world in general and GSK in particular.

4.4.4 Poor regulation and unfair competition

The interviewees contend that GSK has responded fairly appropriately to the effects of poor regulation and unfair competition. GSK has a fully fledged Medical and Regulatory Affairs department whose sole function is to oversee clinical trials, registration of medicines as well as to monitor adverse events resulting from use of GSK products and monitoring counterfeit and parallel products. This department operates under a Medical and Regulatory Affairs Director. Currently, GSK has registered over 85 medicines and vaccines most of which are supported by aggressive selling and marketing activities (See Appendix 4). The average time from application for registration to

actually getting a certificate of registration ranges between 3 and 6 months depending on whether certain demands by the PPB are met sooner than later. These demands range from samples, certificates of assay, quality control, manufacturing site licences, quality of packaging materials, etc. This department also monitors post marketing adverse events and strives to collate data related to side effects as well as trying to obtain possible explanation from experts. This is in a bid to address the need for provision of safer future medications to patients.

On matters to do with counterfeits and parallel products this department liaises with Ministry of Health Inspectorate officials in apprehending and charging importers and/or distributors of these products in court. Other ways of stemming this problem has been to run media campaigns to alert consumers and discrediting counterfeits and/ or parallel imports. In 2003 a campaign was run for the antihistamine Piriton (Chlopheniramine) and this year a campaign against paracetamol tablets mimicking Panadol (Paracetamol) will run. This is because most counterfeit/ parallel products will always have some difference with the original brand for instance different packaging material, size or colour. One ingenious way that GSK fought counterfeits of its antimalarial drug Halfan (Halofantrine) was to incorporate a transparent seal or Hologram that could not be reproduced easily. This has over the years greatly reduced Halfan counterfeits from Asia and China.

One way that GSK has addressed the export reflow snag is to strive to standardize prices across the East African region. This has ensured that trade prices in the various markets are largely the same so that it is not any more profitable to smuggle them across the borders back to Kenya. The product mostly affected by this has been Augmentin, Zentel, Halfan, Panadol and Hedex.

4.4.5 Government Legislation

GSK finally bowed to constant pressure from government, World Vision and Medecins Sans Frontiers and other lobby groups and reduced the cost of ARVs by about 90% in 2003. For instance Combivir (Lamivudine), which used to cost Ksh 20,500 in 1998 came down to Ksh 1980 (Daily Nation, 18.5.2003). This came in the wake of government allowing Lords Healthcare, a local pharmaceutical distributor for a number of Indian generic companies, to start importing generic ARVs from Cipla in India. GSK had to respond by reducing prices to patients if only to remain competitive as well as to uphold social responsibility. Later GSK adopted the Two-Tier of Preferential pricing strategy where by hospitals or institutions running a fully fledged HIV clinic could access ARVs at heavily discounted prices. These are totally different rates compared with normal trade prices. These are mainly government funded hospitals and institutions. Private hospitals were expected to meet the condition to run a HIV clinic if they were to qualify for these heavily discounted prices in which GSK only regains the cost of manufacture. The main objective of this condition is to prevent

unscrupulous hospitals and doctors exploiting the situation and not passing on the discounts to patients on these drugs.

In September 2004, GSK granted Cosmos Ltd, a local indigenous generics manufacturer, a voluntary license to manufacturer its ARVs namely Combivir (Lamivudine & Zidovudine), Retrovir (Zidovudine) and Epivir (Lamivudine). Under the agreement GSK allowed Cosmos to manufacture and sell in Kenya products containing Lamivudine and/ or Zidovudine when used alone or in combination. Cosmos would in turn pay 5% of sales for these drugs as royalties to GSK. In addition GSK would gain since this gesture underlined its commitment to playing a vital role in the global response to the HIV/ AIDS pandemic by taking an innovative, responsible and sustainable approach to meeting this healthcare need. Globally GSK continues to support clinical trials in developing countries including 19 in Africa (GSK Data, 2004) in the search for new combination therapies for HIV/AIDS.

CHAPTER FIVE: SUMMARY AND RECOMMENDATIONS

5.1 Summary

Strategic response is a prerogative for any firm not only to survive but also to remain in profitable business over the long term. GSK has strived to respond appropriately to emerging changes. Granted it has not been possible to respond to all emanating changes especially those occasioned by liberalization. However GSK tried to address key issues relating to changes in the macro environment, social, political-legal, technological and business environment. The business environment is constantly changing and it is important that firms have an open minded or flexible attitude so as to be able to deal with the challenges that the environment will bring from time to time. GSK has been no exception. It faced various environmental challenges that are not unique but cut across most firms. The main challenges it faced included an extended economic slump, increased competition, increased demand by customers, government legislation and poor regulation and unfair competition. Some of the strategies GSK put into place to address these issues are outlined below.

A key observation was GSKs ability to define the worth of all its stakeholders and addressing issues directly affecting them. Even as global economics affected the local economics it was imperative that GSK maintain a focus on the need to enhance shareholder value. Attacking the cost base ensured that even with declining sales over the years, the profit budget was met. Other strategies that added to shareholder value was recognising

available opportunities churned out by a changing environment and acting promptly to develop that business. Such opportunities included entry into the generic business, entry into the vaccines business and introducing locally relevant products.

Employees as ambassadors for any firm are just as important. GSK has been able to ensure productivity and efficiency and maintain its staff through competitive remuneration, training and career development, rewarding excellence and generally implanting an open door policy. In actual facts, many people usually wonder aloud why a GSK employee would want to leave the company for another firm because of the numerous opportunities for growth that GSK seems to offer.

To address the changes in government legislation, GSK is involved in open dialogue with the Ministry of Health, Ministry of Trade and Industry and other government agencies in order to balance views and to align their business decisions with reasonable societal expectations. Despite the threat that some laws posed to business, for instance the IP Bill, GSK was able to lobby discreetly with government but finally agreed to give a voluntary license for manufacture of its still On-Patent ARVs to local firms.

For doctors and patients, GSK Kenya has strived to make available drugs, medicines and vaccines which are relevant to their needs, are cost effective and hence the introduction of the generics or Second Brands. This is further demonstrated by GSK's corporate initiative and willingness to develop

medicines for the developing world in their DDW programme and even to go further and give access prices on essential drugs like ARV and Malaria drugs, to governments in the developing world.

Finally for its distributors, GSK has strived to support their businesses through offering them reasonable margins on the trade prices, giving them reasonable credit terms, investing in a demand department to ensure minimal or no stock-outs, flexible delivery options, standardizing prices across borders to curtail export re-flow from Kenya's neighbours. GSK has also been in the forefront of the fight against illegal imports and counterfeits. This is in a bid to leverage its business with its distributors. In addition GSK liaises with distributors where tenders are floated in order that quotations may benefit either party depending on the sales strategy.

5.2 Recommendations

In essence therefore it is imperative that GSK , and other learning organizations, set strategic priorities that ensure they engage in activities that meet the long term objectives of shareholders which is profitability, activities that enable them to remain relevant to local needs and to conduct business responsibly while adhering to laid out regulations. These principles will guide firms, regardless of their nature of business, to demonstrate responsible corporate conduct across all aspects of their operations.

5.3 Limitations of the Study

Several limitations were encountered during this study.

It was not possible to obtain absolute sales and profit data from the company due to confidentiality concerns. GSK East Africa is a private company and is not required to publicly publish its audited accounts. Due to the turmoil generated by lobbyists against multinationals, it was deemed inappropriate to release actual numbers. However percentage trends were made available.

Another limitation was the unavailability of data dating back to 1993. This was occasioned by the fact that GSK is made up of companies which existed individually for a good part of the study period and also due to the numerous number of mergers and acquisitions that took place in the 90s. The combined Profit and Loss Accounts do not therefore exist before1998. It was therefore not possible to give trends before 1998.

It was also not possible to interview every person who had relevance in this study in terms of planning and implementation of strategy, because a number of those employed in GSK during the study period had left employment. I therefore had to contend with interviewing current management who helped piece together relevant historical data verbally and from the data filed at the Resource Centre.

5.4 Recommendations for further research

This study was an in depth case study on a single firm in the pharmaceutical industry outlining the main environmental challenges it faced soon after liberalisation of the market to date and the strategic responses resulting thereof. Further studies can be carried out on the same period and on all multinational or indigenous firms in the pharmaceutical industry so that strategic responses by the firms can be compared. Another area that can form a basis of interesting and informative study maybe the assessment of the impact of parallel imports, illegal imports and counterfeits on the business for multinational branded manufacturers. This may provide a basis for lobbying government to impose tougher laws to protect genuine investors in the pharmaceutical industry.

REFERENCES

AAR Data. Unpublished AAR Health Services Limited Data, 2004.

Amlani, A. Kenya: Economy on the Up and Up. African Business Magazine, IC Publications, London, March 2004.

Ansoff, H.I. & McDonnell, E.J. Implanting Strategic Management, Prentice Hall, Cambridge.UK, 1990.

Ansoff, H.I. Implementing Strategic Management. Prentice Hall International, Englewood Cliffs, NJ, 1984.

Aosa, E. The Influence of the Linkage Between Strategy and Budgeting of Implementing Strategic Decisions, Nairobi Journal of Management, 1997.

Apungu, C.G. An Investigation into the Factors that Influence Customer Choice: The Case of Retail Petroleum Outlets in Nairobi, Unpublished MBA Project, University of Nairobi, 2003.

Cheluget, E. A Study of Responses of New Kenya Cooperative Creamaries Limited To Increased Turbulence in the Macro Environment of the Diary Industry in Kenya, Unpublished MBA Project, University of Nairobi, 2003.

Cole, S. Land of Giants. Pharmaceutical Visions. BPA International, 1999.

Contact. CFAO Group Newsletter. July 2003.

Cooper, R.C & Emory, C.W., Business Research Methods, Irwin Series, 5th Edition, 1976.

D'Aveni, R. A. Hypercompetition: Managing the Dynamics of Strategic Manoeuvring. The Free Press, New York, 1994.

Forbes Global. Mind The Gap, July 2003.

Grant, R. M. Contemporary Strategic Analysis: Concepts, Techniques, and Applications. Blackwell Publisher, Massachusetts, 3rd Edition, 2000.

GSK Corporate Communications. Emerge Magazine, Issue 10, March 2001

GSK Corporate Communications. GSK Spirit Magazine, December 2003

GSK Intranet site. http://www.mygsk.com

GSK Internet site. http://www.gsk.com

GW Data. Unpublished GlaxoSmithKline Kenya Limited Data, 2002.

Hayes, H.R., Pisano, G.P., Upton, M.D. Strategic Operations: Competing Through Capabilities. The Free Press, New York, 1996.

IFPMA Position Paper. The Kenyan Industrial Property Bill. International Federation of Pharmaceutical Manufacturers Association, 2001.

Image Dynamics. Drugs Import Report, 1999

Johnson, G., & Scholes, K. Exploring Corporate Strategy, Prentice Hall, Fourth Edition, 1997.

Lefebvre, F. Dossier. Intellectual Property, The ACP- EU Courier Magazine, European Commission, Issue No. 201, Nov-Dec 2003.

Mintzberg, H & Quinn, J.B., The Strategy Process – Concepts, Context & Cases. Prentice Hall Inc, Englewood Cliffs, NJ, 1979.

Muraah, W.M. A Survey of Strategic Responses by Kenyan Pharmaceutical Firms to the Challenge of the HIV/AIDS Pandemic, Unpublished MBA Project, University of Nairobi, 2003.

Mwanthi, J.W. Strategic Responses of British American Tobacco Kenya Ltd to Current Environmental Challenges, Unpublished MBA Project, University of Nairobi, 2003.

Mwaura, J. W. Strategic Planning within Television Companies in Kenya, Unpublished MBA Project, University of Nairobi, 2001.

Pearce, J. A. & Robinson, R.B., Strategic Management: Strategy Formulation and Implementation. Third Edition, Richard D. Irwin Inc, 1991.

Porter, M.E. Competitive Strategy, Free Press, 1980.

Porter, M.E. Competitive Advantage of Nations, The Free Press, 1998.

Pharmacy and Poisons Board. Unpublished Pharmaceutical Data, 2003.

Republic of Kenya. Economic Survey, Government Press, 2001.

Republic of Kenya. The Industrial Property Act, Government Press, 2001.

Rosenberg, T. Look at Brazil. New York Times, 28.1.2001

Thuo, N. Diversification Strategy. The Case of Nation Media Group. Unpublished MBA Project, University of Nairobi, 2003.

Wamalwa, C.W. A Survey of the Strategic Implications of the Enactment of the Industrial Property Bill on the Pharmaceutical Firms in Kenya. The Case of Pharmaceutical Manufacturers and Distributors. Unpublished MBA Project, University of Nairobi, 2002.

Appendix 1

INTERVIEW GUIDE

TOPIC: STRATEGIC RESPONSES OF GLAXOSMITHKLINE LTD FOLLOWING LIBERALISATION OF THE PHARMACEUTICAL INDUSTRY IN KENYA.

SECTION A: COMPANY PROFILE:

i. When did GlaxoSmithKline start business in Kenya?

ii. Who are the principal shareholders?

_____

_____

iii. How do you define your core business?

_____

_____

iv. How many employees are currently in GSK EA Ltd?

_____

v. What are the key drivers of change in your business?

_____

_____

vi. What is the strategic intent or positioning that GSK intends to achieve in the Kenyan market?

_____

_____

vii. How has your firm's performance been in achieving this strategic intent or positioning in the market?

_____

_____

SECTION B: ENVIRONMENT INFORMATION

i. What were the challenges faced by GSKEA Ltd soon after liberalisation of the pharmaceutical industry, based on the classification outlined below:

a) Macro Economic environment

_____

_____

b) Political/ Legal environment

_____

_____

c) Social environment

_____

_____

d) Technological environment

_____

_____

e) Business/Operating environment

_____

_____

ii. What strategies have you employed/ or are you planning to employ to manage the challenges raised above?

ENVIRONMENTAL CHALLENGE	STRATEGIC RESPONSE
Macro economic	
Political/ Legal	
Social economic	
Technological	
Business/ Operating	

SECTION C: STAKEHOLDER INFORMATION

i. Kindly rank the listed stakeholders in order of importance between **1** and **8,** 1 being the most significant and 8 being the least significant to your organisation.

- Shareholders
- Government (MoH, PPB)
- Employees
- Distributors
- Retailers
- Suppliers
- Patients
- Medical Professional Organisations (KMA, PSK)

ii. What are the key challenges raised by the stakeholders listed in (i) above?

STAKEHOLDER	KEY CHALLENGES
Shareholders	i) ii)
Government	i) ii)
Employees	i) ii)
Distributors	i) ii)
Retailers	i) ii)
Suppliers	i) ii)
Patients	i) ii)
Medical Professional Organisations	i) ii)

iii. What strategies have been employed in managing the challenges raised by the stakeholders above?

STAKEHOLDER	STRATEGIC RESPONSE
Shareholder challenges	
Government challenges	
Employee challenges	
Distributor challenges	

Retailer challenges	
Supplier challenges	
Patient challenges	
Medical Professional Organisation challenges	

SECTION D: EVALUATION

i. How successful have these strategies been in maintaining a competitive edge for GSK in a fast changing industry? Please explain.

ii. How have the strategies impacted on your stakeholders?

iii. Have the strategies enhanced the company's innovative capabilities?

iv. What do you anticipate will be your greatest challenges with stakeholders, going forward?

v. What plans are there to manage these challenges?

Appendix 2

LETTER OF INTRODUCTION

David M Ng'ang'a,
P.O Box 7392,
00100,
Nairobi.

GlaxoSmithKline Ltd,
P.O Box 78392,
00507,
Nairobi.

Dear Sir,

RE: INTERVIEW FOR MANAGEMENT RESEARCH PAPER

I am a postgraduate student currently studying for an MBA at the Faculty of Commerce, University of Nairobi. I am currently conducting a management research project in partial fulfilment of the requirements for the Masters in Business Administration degree.

GlaxoSmithKline is the main focus for this study. The choice is based on its sustained profitable operations over the years and the Professional Corporate image. I kindly request your assistance by availing your time for a short interview which will be based on the interview guide herein enclosed.

The information you give me will be treated with utmost confidentiality and will be used solely for this research. A copy of the final report will be made available for the company's resource centre.

Your assistance will be highly appreciated.

Thank you

Yours Sincerely

David M Ng'ang'a

Appendix 3

GSK Kenya Pharma Distributors

Name	Address	Town	Telephone Number
Surgipharm Limited	P.O. Box 46043	Nairobi	(02) 337413
Tealands Pharmaceuticals Limited	P.O. Box 38760	Nairobi	(02) 3748624
Veteran pharmaceuticals Limited	P.O. Box 63575	Nairobi	(02) 763817
Makadara Chemist	P.O. Box 95	Mombasa	(041) 884137
Kentons Chemists	P.O. Box 21	Kisumu	(057) 40957
Howse & McGeorge Laborex Limited	P.O. Box 72030	Nairobi	(02) 535344
Omaera Pharmaceuticals Limited	P.O. Box 78780	Nairobi	(02) 3753400
Eldochem Limited	P.O. Box 417	Eldoret	0
Sky Pharmacy Limited	P.O. Box 45563	Nairobi	(02) 230778
Njimia Pharmacy	P.O. Box 68502	Nairobi	(02) 341633
Batian Peak Pharmaceuticals Limited	P.O. Box 58751	Nairobi	(02) 726300 Ext. 44322
Transchem Pharmaceuticals Limited	P.O. Box 8545	Nairobi	(02) 250089
Karuri Stores Pharmaceuticals	P.O. Box 47449	Nairobi	(02) 242895
Transwide Pharmaceuticals Limited	P.O. Box 12276	Nairobi	(02) 241039
Rangechem Pharmaceuticals Limited	P.O. Box 57051	Nairobi	(02) 311082
Shriji Chemists	P.O. Box 33555	Nairobi	(02) 3740784
Care Chemist	P.O. Box 333	Nakuru	(051) 211983
Hewan Pharmacy	P.O. Box 1646	Nyahururu	(051) 212302
Jack's Pharmacy	P.O. Box 1	Kisii	(058) 30343
Pyat			

HOSPITALS

Aga Khan Hospital- Nairobi	P.O. Box 30270	Nairobi	(02) 740000
AAR Health Services	P.O. Box 41768	Nairobi	
Aga Khan Hospital- Mombasa	P.O. Box 83013	Mombasa	(041) 312953
Aga Khan Hospital- Kisumu	P.O. Box 530	Kisumu	(057) 435161
Coptic Church Nursing Home	P.O. Box 21570	Nairobi	(20) 725856
Eldoret Hospital	P.O. Box 2234	Eldoret	
Gertrude Children Hospital	P.O. Box 42325	Nairobi	
Kenyatta National Hospital	P.O. Box 20723	Nairobi	
Mater Hospital	P.O. Box 30325	Nairobi	(02) 531199
Moi Teaching & Referral Hospital	P.O. Box 3	Eldoret	(053) 334141
Nairobi Hospital	P.O. Box 30026	Nairobi	(02) 2722160
MP Shah Hospital	P.O. Box 14497	Nairobi	(02)3742763

INSTITUTIONS

Central Bank Clinic	P.O. Box 60000	Nairobi	(02) 226431
ICRC Logistics Centre	P.O. Box 34071	Nairobi	(02) 533657
Meds	P.O. Box 78040, Viwandani 00507 BOX 14059, Westlands	Nairobi	(02) 551633
Barclays Bank Clinic	P.O. Box 301120	Nairobi	(02) 219976
MMAAK			

ACCESS

Kenya Ports Authority	P.O. Box 20723	Mombasa	
Nairobi Women Hospital	P.O. Box 30026	Nairobi	(02) 2726821
Nyumbani Children home	P.O. Box 21399	Nairobi	
Rehema Pefa Home	P.O. Box 746	Nairobi	(02) 803466
St. Mary's Hospital	P.O. Box 3409	Nairobi	
Magadi Soda Company	P.O. Box 2	Magadi	(0303) 33000

Appendix 4

GSK Pharma Product Range

AGENERASE CAPSULES 150MG 60'S	**BETNOVATE OINTMENT 30GM**
	BETNOVATE SCALP APPL. 30ML
ALKERAN TABLETS C/C 2MG 25	
	CEPOREX CAPSULES 250MG 100'S
AMOXIL CAPSULES 250MG 100'S	**CEPOREX CAPSULES 500MG 100'S**
AMOXIL CAPSULES 500MG 100'S	**CEPOREX GRANULES 125MG/5ML 100ML**
AMOXIL SYRUP 125MG/5ML 100ML	**CEPOREX GRANULES 250MG/5ML 60ML**
AMOXIL SYRUP 250MG/5ML 100ML	
	CICATRIN CREAM 15GM
AMPICLOX NEONATAL DROPS 8ML	CICATRIN POWDER 15GM
AMPICLOX CAPSULES 500MG 100'S	
AMPICLOX SYRUP 250MG 100ML	COMBIVIR TABLETS 60'S
AMPICLOX VIALS 500MG 10'S	
	CUTIVATE CREAM 15GM
AUGMENTIN VIALS 1.2MG 10'S	**CUTIVATE CREAM 30GM**
AUGMENTIN VIALS 600MG 10'S	**CUTIVATE OINTMENT 15GM**
AUGMENTIN SYRUP 228MG/5ML 70ML	**CUTIVATE OINTMENT 30GM**
AUGMENTIN SYRUP 457MG/5ML 70ML	
AUGMENTIN TABLETS 1G 14'S	DARAPRIM TABLETS 25MG 30'S
AUGMENTIN TABLETS 375MG 20'S	
AUGMENTIN TABLETS 625MG 14'S	**D.F. 118 TABLETS 30MG 100'S**
AVANDIA TABLETS 4MG 28'S	DERMOVATE CREAM 25GM
	DERMOVATE OINTMENT 25GM
BACTROBAN OINTMENT 15G	DERMOVATE SCALP APPL 30ML
BACTROBAN CREAM 15G	
	ELTROXIN TABLETS 0.1MG 100'S
BABYHALER	
	ENGERIX B ADULT 1 DOSE
BECLOFORTE INHALER 200D	ENGERIX B ADULT 10 DOSE
	ENGERIX B PAEDATRIC 1 DOSE
BECONASE AQUEOUS NASAL SPRAY 200D	ENGERIX B PAEDATRIC 10 DOSE
BECOTIDE INHALER 200D	EPIVIR TABLETS (3TC) 150MG X 60'S
	EPIVIR (3TC) SUSPENSION 240ML
BETNOVATE CREAM 15GM	
BETNOVATE CREAM 30GM	**EUMOVATE CREAM 25GM**
BETNOVATE N CREAM 15GM	**EUMOVATE OINTMENT 25GM**
BETNOVATE N OINTMENT 15GM	
BETNOVATE OINTMENT 15GM	**FLIXONASE AQUEOUS 50MCG/120 DOSE**

FLIXOTIDE INHALER 125MCG/120 DOSE
FLIXOTIDE INHALER 250MCG/120 DOSE
FLOXAPEN CAPSULES 250MG 100'S
FLOXAPEN SYRUP 125MG/5ML 100ML
FLOXAPEN VIALS 250MG 10'S
FORTUM INJECTION 1GM
FORTUM INJECTION 2GM
FORTUM INJECTION 250MG 5'S
GRISOVIN TABLETS 125MG 100'S
GRISOVIN TABLETS 500MG 100'S
HALFAN SUSPENSION 30ML
HALFAN TABLETS 250MG 6'S
HAVRIX 1 DOSE INJECTION 1440 EU
HAVRIX 1 DOSE INJECTION 720 EU
HIBERIX MONODOSE VIALS
IMIGRAN INJECTION 0.5ML 2'S
IMIGRAN TABLETS 100MG 6'S
IMURAN TABLETS 50MG 100
INFANRIX 1 DOSE VIALS
LACIPIL 2MG X 28'S
LACIPIL 4MG X 28'S
LAMICTAL TABLETS 100MG 30's
LAMICTAL TABLETS 25MG 30's
LAMICTAL TABLETS 5MG 30's
LANOXIN INJ. 0.5MG/2ML X5
LANOXIN PAED. ELIXIR 60ML
LANOXIN TABLETS 0.25MG X 500'S
LAPDAP TABLETS 80/100MG 6'S
LAPDAP PAEDIATRIC TABLETS 15/18.75 6'S

FLIXOTIDE INHALER 50MCG/120 DOSE
LEUKERAN TABLETS C/C 2MG 25's
MENCEVAX ACWY 0.5ML 1 DOSE
MYLERAN TABLETS 2MG 100's
NIMBEX INJECTION 2.5ML 5'S
NIMBEX INJECTION 10ML 5'S
NEOSPORIN EYE DROPS 5ML
OTOSPORIN EAR DROPS 5ML
PEAK FLOW METERS
PENTOSTAM INJECTION 100ML
PRIORIX 1 DOSE 0.5ML
PURINETHOL TABLETS 50MG 25
RETROVIR CAPS 100MG 100's
RETROVIR SYRUP 200ML
SEPTRIN FOR INFUSION 5ML 10's
SEPTRIN FORTE TABLETS 10'S
SEPTRIN PAED SUSP 100ML
SEPTRIN PAED SUSP 50ML
SEPTRIN TABLETS 1000'S
SEPTRIN TABLETS 250'S
SERETIDE ACCUHALER 50MCG/100MCG 60D
SERETIDE ACCUHALER 50MCG /250MCG 60D
SERETIDE ACCUHALER 50MCG /500MCG 60D
SEREVENT INHALER 60D
SEROXAT TABLETS 20MG 20'S
SPACERS/VOLUMATICS

SUPRAPEN CAPSULES 500MG 100'S	**ZINNAT SUSPENSION 50ML**
SUPRAPEN SYRUP 100ML	ZINNAT SUSPENSION 125MG/5ML 70ML
	ZINNAT SUSPENSION 250MG/5ML 50ML
TRITANRIX HB MONODOSE	ZINNAT TABLETS 125MG 10'S
	ZINNAT TABLETS 250MG 10'S
TRIZIVIR TABLETS 60'S	**ZINNAT TABLETS 500MG 10'S**
TRACRIUM INJECTION 2.5ML X5 AMPS	ZOFRAN INJECTION 4MG/2ML 5'S
TRACRIUM INJECTION 5ML X5 AMPS	ZOFRAN INJECTION 8MG/4ML 5'S
	ZOFRAN TABLETS 4MG 10'S
TYPHERIX 25MCG 0.5ML	ZOFRAN TABLETS 8MG 10'S
VALTREX TABLETS 500MG 42'S	ZOVIRAX CREAM 10GM
VALTREX TABLETS 500MG 10'S	ZOVIRAX CREAM 2GM
	ZOVIRAX I.V. 5 VIALS 250MG
VENTIDE INHALER 200D	**ZOVIRAX OPTH OINT 4.5GM**
	ZOVIRAX SUSPENSION SYRUP 125ML
VENTOLIN COUGH EXPECT 100ML	ZOVIRAX TABLETS 200MG 25'S
VENTOLIN INHALER 200D	ZOVIRAX TABLETS 400MG 70'S
VENTOLIN INJ 0.5MG/1ML 5'S	
VENTOLIN RESP SOLUTION 10ML	**ZYBAN TABLETS 150MG 60'S**
VENTOLIN SYRUP 2MG/5ML 100ML	
VENTOLIN TABLETS 2MG 480'S	**ZYLORIC TABLETS 100MG X 100**
VENTOLIN TABLETS 2MG 1000'S	**ZYLORIC TABS 300MG X 28**
VENTOLIN TABLETS 4MG 240'S	
VENTOLIN TABLETS 4MG 250'S	
VENTOLIN TABLETS 4MG 500'S	
VOLMAX TABLETS 4MG 14'S	
VOLMAX TABLETS 8MG 14'S	
ZANTAC EFFERVESCENT TABS 150MG 10'S	
ZANTAC INJECTION 5 X 2ML	
ZANTAC TABLETS 150MG 20'S	
ZANTAC TABLETS 300MG 10'S	
ZENTEL SUSPENSION 20ML	
ZENTEL TABLETS 200MG 2'S	
ZIAGEN SYRUP 20MG/ML 240ML	
ZIAGEN TABLETS 300MG 60'S	

Appendix 5

HSA/ SECOND BRANDS

AMOXIL VIALS 250mg X 10 (amoxycillin)
COTRIECH TABLETS 480mg X 1000 LOOSE (cotrimoxazole)
COTRIECH TABLETS 480mg X 1000 BLISTER PACK (cotrimoxazole)
COTRIECH TABLETS D.S. 960mg X 10 BLISTER PACK (cotrimoxazole)
COTRIECH TABLETS D.S. 960mg X 100 BLISTER PACK (cotrimoxazole)
COTRIECH PAEDIATRIC SUSPENSION 240mg/5ml X 100ml (cotrimoxazole)
DYCLOMAX TABLETS 50mg X 100 BLISTER PACK (diclofenac)
DYCLOMAX SR TABLETS SR 100mg X 30 BLISTER PACK (diclofenac)
DYCLOMAX INJECTION 75mg/3ml X 10 X 10 (diclofenac)
ESKADOX CAPSULES 100mg X 100 BLISTER PACK (doxycycline)
ESKADOX CAPSULES 100mg X 1000 LOOSE (doxycycline)
FEFOL SPANSULE CAPSULES 150mg/0.5mg X 30 BLISTER PACK (iron with folic acid)
FENBID TABLETS 200mg X 1000 LOOSE (ibuprofen)
FENBID TABLETS 400mg X 500 LOOSE (ibuprofen)
FENPAR TABLETS 400/325mg X 10 BLISTER PACK (ibuprofen and paracetamol)
KETORAL TABLETS 200mg X 10 (ketoconazole) BLISTER PACK
MALAREICH TABLETS 500/25mg X 300 BLISTER PACK (sulfadoxine and pyrimethamine)
MALAREICH TABLETS 500/25mg X 1000 LOOSE (sulfadoxine and pyrimethamine)
ORBENIN VIALS 250mg IM/IV X 10 (cloxacillin)
PENAMOX CAPSULES 250mg X 1000 LOOSE (amoxycillin)
PENAMOX CAPSULES 250mg X 1000 BLISTER PACK (amoxycillin)
PENAMOX CAPSULES 500mg X 500 LOOSE (amoxycillin)
PENAMOX CAPSULES 500mg X 500 BLISTER PACK (amoxycillin)
PENAMOX SYRUP 125mg/5ml X 60ml (amoxycillin)
PENAMOX SYRUP 125mg/5ml X 60ml X 12 (without outer carton)
PENAMOX SYRUP 125mg/5ml X 100ml (amoxycillin)

PENAMOX SYRUP 250mg/5ml X 100ml (amoxycillin)
PENBRITIN CAPSULES 250mg X 1000 LOOSE (ampicillin)
PENBRITIN CAPSULES 500mg X 500 LOOSE (ampicillin)
PENBRITIN CAPSULES 500mg X 500 BLISTER PACK (ampicillin)
PENBRITIN SYRUP 125mg/5ml X 100ml (ampicillin)
PENBRITIN VIALS 500mg X 10 (ampicillin)
REICHLOX CAPSULES 500mg X 100 BLISTER PACK (ampicillin + cloxacillin)
REICHLOX CAPSULES 500mg X 500 BLISTER PACK (ampicillin + cloxacillin)
REICHLOX SYRUP 250mg/ 5ml X 100ml (ampicillin+cloxacillin)
RYTHRO TABLETS 250mg X 100 BLISTER PACK (erythromycin)
RYTHRO TABLETS 250mg X 1000 LOOSE (erythromycin)
RYTHRO TABLETS 500mg X 100 BLISTER PACK (erythromycin)
RYTHRO TABLETS 500mg X 500 LOOSE (erythromycin)
TAGAMET TABLETS 400mg X 20 BLISTER PACK (cimetidine)
ZAGOLE TABLETS 200mg X 1000 LOOSE (metronidazole)
ZAGOLE TABLETS 400mg X 1000 LOOSE (metronidazole)
ZAGOLE SYRUP 200mg/5ml X 60ml (metronidazole)
ZAGOLE SUSPENSION 200mg/5ml X 100ml (metronidazole)