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**AN EXPLORATION OF STRATEGIES ADOPTED BY
PHARMACEUTICAL COMPANIES IN KENYA TO
ACHIEVE SUSTAINABLE COMPETITIVE ADVANTAGE**



**MASTER OF BUSINESS ADMINISTRATION IN HEALTHCARE
MANAGEMENT**

2016

**AN EXPLORATION OF STRATEGIES ADOPTED BY
PHARMACEUTICAL COMPANIES IN KENYA TO ACHIEVE
SUSTAINABLE COMPETITIVE ADVANTAGE**

By

Dr. Winnie Munene

**A Thesis submitted to the Institute of Healthcare Management in partial
fulfillment of the requirements for the degree of Master of Business
Administration in Healthcare Management**



JUNE 2016

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Dr. Winnie Munene

Date

Approval

The thesis of **Dr. Winnie Munene** was reviewed and approved* (for examination) ** by the following:



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LIST OF ABBREVIATIONS

SPSS	Statistical Package for Social Science
USA	United States of America
SKU	Store keeping Unit



ABSTRACT

Competitive strategies are a broad range of strategies firms resort to in order to cope with competition, beat competition or keep ahead of competitors. In the pharmaceutical industry in Kenya, pharmaceuticals companies have developed competitive advantage that was only short lived due to quick imitation by fellow competitors especially companies manufacturing generic products. This study sought to determine strategies adopted by pharmaceutical companies in Kenya to develop sustainable competitive advantage, to describe the internal organizational capabilities contributing to pharmaceutical companies in Kenya competitive advantage, to analyze the external environmental factors influencing pharmaceutical companies in Kenya competitive advantage.

The study adopted a descriptive survey design. The study population comprised of 25 Pharmaceutical companies in Kenya. Purposive Sampling was used to select two senior employees in each pharmaceutical company from the finance and operation department, thus a sample size of 50 respondents. Primary data was collected using pre-determined questionnaires. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. Multiple regression analysis was conducted.

The study found that the strategies adopted by pharmaceutical companies in view of developing sustainable competitive advantage include cost leadership strategy, product differentiation strategy, market focus, as well as investment in research. Among the external organizational capabilities include strategic customer targeting, evaluating organizational strengths and exploring market niches. The internal organizational capabilities contributing sustainable competitive advantage pharmaceutical companies include, investment in staff development, resource allocative efficiency, maintenance of quality accounting standards. This study recommends that differentiation strategy should be highly adopted in order to promote organizational performance, that organizations should highly adopt cost leadership strategy and should periodically conduct SWOT analysis as this will be helpful in establishing business objectives and achieving the organization's mission, vision and goals.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of The Study

Competitive strategies are a broad range of strategies firms resort to in order to cope with competition, beat competition or keep ahead of competition. There are various models of competitive strategies. One such model is Michael Porter's (Porter, 1998) generic competitive strategies which propose that firms can apply cost leadership, differentiation or focus strategies to gain competitive advantage against competitors. The other is the resource based competitive strategies model which proposes that a firm can compete effectively by capitalizing on its unique resources which competitors may be lacking and may not easily duplicate. The third model is that of the grand strategies (Pearce & Robinson, 1997) which is a conglomeration of all kinds of strategies which firms resort to in order to be competitive or weather competition. Included here are strategic alliances, acquisitions, diversification and many others. This study is anchored more on generic competitive strategies and grand strategies.

The modern thinking on business strategy evolved considerably since 1960s in USA. Early writers on the subject included Peter Drucker, Alfred Chandler, Igor Ansoff and Kenneth Andrews. These and many more writers have tried to define strategy with different reference points. Mintzberg, Ahlstrand and Lampel (2009) see strategy as a plan, pattern, position, ploy or perspective. They posit that strategy is a plan to get one from one point to another; it is one's course of action to guide into the unknown future. Thus Strategy is what one has been doing consistently over a period of time, the pattern that can be seen when actions are reviewed over time.

To other scholars, strategy is one's place in the market, the place that a company's products occupy with reference to other products. Strategy may also be viewed as the tactics that can be employed to outdo competitors and clinch the coveted top spot. While there is no simple single definition of strategy the common thread that runs through all the definitions is strategy sets direction for and defines the company (Mintzberg *et al*, 2009). Strategic management is the process of implementing strategy decided on in order to achieve a company's objectives. This will involve planning, directing, organizing and controlling of a

company's strategies to achieve the company's objectives (Pearce & Robinson, 2007). The strategy that a company will choose dictates to a large extent whether that company will be successful or not. Successful business strategies are those that use the capabilities and resources of the firm to address customer needs and wants in a way that leads to sustainable competitive advantage (Macmillan & Tampoe, 2000).

In an attempt to answer the perennial strategy question on why some firms perform better than others, Ritala and Ellonen (2010) hold the cause is related to the existence of sustained superior performance, existence of specifiable causes and these causes are tied to the concept of competitive advantage. Hence for firms to have any chance of thriving in today's turbulent and increasingly-competitive world, businesses need sustainable competitive advantage and how they get it is a crucial component of managements' approach. Ritala and Ellonen (2010) define competitive advantage as the ability of a firm to outperform its industry and earn a higher rate of profit than the industry norm. It is having some sort of "value added" strategy to give you an advantage over the competition.

It should be noted that some firms tend to see sustainable competitive advantage as the enabler of superior profitability, (Christensen, 2010). While some organizations have clearly identifiable competitive advantages and robust profits, other organizations may choose to for-go profits in the near term in order to build a stronger competitive position for the future, as the Japanese auto companies did in the US market during the last third of the 20th century. According to Christensen (2010), taking profit as a proxy for competitive advantage can lead to underestimating the longer-term threat of a less profitable competitor currently focused on building share, or of overestimating the threat of a more profitable one, which might even be harvesting and planning to exit the business.

Kamukama (2013) posits, sustained competitive advantage is attributable to strategic assets which are regarded as those assets which are internally controlled and strategic to the firm. Competitive advantage is whatever value a business provides that motivates its customers (or end users) to purchase its products or services rather than those of its competitors and that poses impediments to imitation by actual or potential direct competitors (Christensen, 2010).

The sustainability of a firm's competitive advantage hinges on the substitutability and imitability of its critical assets (Sun & Tse, 2014). When a firm can do something that rival firms cannot do, or owns something that rival firms desire, that can represent competitive advantage (Lumpkin, 2013). One of the key cornerstones of strategic management is the development of competitive advantage but the long term survival of the organization is based on how sustainable the advantage is. Possessing competitive advantage is likened to having an edge over fellow competitors in the industry making the organization the primary choice for customers which increases market share and eventually profitability levels. Firms must choose which competitive advantage provides the basis for distinguishing the firm in the customer's mind from other reasonable alternatives. Businesses with a dominant product or service line must also choose among alternate grand strategies to guide the firm's activities, particularly when they are trying to decide about broadening the scope of the firm's activities beyond its core business (Pearce & Robinson, 2007).

Competitive advantage is sustainable when it persists despite efforts by competitors or potential entrants to duplicate or neutralize it (Barney, 1991). For this to occur there must be persistent asymmetries among the firms. Firms must possess different resources and capabilities and it must be difficult for underperforming firms to obtain the resources and capabilities of the performers. If all firms in a market have the same stocks of resources and capabilities, no strategy for value creation is available to one firm that would not also be available to all other firms in the market. Any other firm could immediately replicate a strategy that confers advantage. To be sustainable, competitive advantage must be underpinned by resources and capabilities that are scarce and imperfectly mobile. Scarcity and immobility of critical resources and capabilities are necessary for competitive advantage to be sustainable but they are not sufficient. Isolation mechanisms therefore need to be used to limit the extent of duplication or neutralization (Besanko, Dranove & Schaefer, 2014).

Businesses traditionally strive to achieve market leadership in their respective industries, thanks to strategy and management gurus who vote in favor of such tactics (Barat, 2013).

This market leadership is however short lived if an organization cannot establish an edge over other players in the industry over a considerable amount of time. The massive investment in resources to produce advantage that is only short term is not viable for a business that aims at long term survival and growth. All business organizations are faced by turbulent environment with various elements at play both in the micro and macro environments within which the firm exists. The levels of turbulence however different, pose various challenges that organizations have to encounter amidst other competitors coupled with the need to remain strategically different which translates to being competitive.

The pharmaceutical industry in Kenya consists of three segments namely, manufacturers, distributors and retailers who actively support the Ministry of Health and other key players in developing the health sector in Kenya. Companies in the three segments are either large multinational corporations (MNCs), subsidiaries, joint ventures or locally owned corporations. The MNCs manufacture their products locally or import directly from designated manufacturing sites and supply the drugs directly to distributors who in turn supply the retail outlets, hospitals, government and non-governmental institutions, (Kenya's Pharmaceutical Industry, 2010).

Kenya has a well-developed pharmaceutical industry, manufacturing a wide range of products. The industry is dominated by foreign firms which were established to tap the Kenyan and regional markets. Exports of pharmaceutical products increased rapidly after 1982 due to the greater accessibility of the Eastern and Southern African market. By the late 1980s, exports to neighbouring countries accounted for more than 51 per cent of Kenyan pharmaceutical exports, with Tanzania and Uganda alone taking 40 percent.

Kenyan pharmaceutical exports face stiff competition from European traders and manufacturers who had long-established contacts in the regional market. Some of the Kenyan firms, however, have been able to compete with Eastern Europe, the Middle East and the Far East markets. The range of products manufactured by Kenyan firms includes capsules, injections, creams, syrups, suspensions, suppositories, antibiotics, analgesics, anti-

acids, diuretics, glucocorticoids, haemopoietics, hormones, hypnotics, sedatives, tranquillizers, tonics, multi-vitamins, anti-malarias, anti-amoebic, anti-spasmodic and chemotherapeutics. However, the country still imports large amounts of these drugs. Only about 30 per cent of total annual requirements were produced locally. Capacity utilization varied widely within individual factories for particular products as well as between firms.

Although the industry relies heavily on imported raw materials for its requirements, it has substantial backward linkages. The major domestic raw materials used are sugar, starch, spirits, gum, acacia and crushed capsicum. The industries which produce these raw materials in Kenya include grain and sugar millers, CPC (K) Ltd and the Agro-Chemical and Food Company (ACFC). The pharmaceutical industry in Kenya consists of three segments namely the manufacturers, distributors and retailers. All these play a major role in supporting the regions health sector, which is estimated to have about 4,557 health facilities in Kenya alone. Kenya is currently the largest producer of pharmaceutical products in the Common Market for Eastern and Southern Africa (COMESA) region, supplying about 50% of the regions' market. Out of the region's estimate of 50 recognized pharmaceutical manufacturers, approximately 30 are based in Kenya (MoH, 2008). Pharmaceutical firms often rely on trade barriers or intellectual property rights to charge different prices in different countries in response to local market conditions. Changes in trade or intellectual property law can therefore have important effects on market segmentation.

1.2 Statement Of The Problem

Firms can sustain competitive advantage for only a certain period due to rival firms imitating and undermining that advantage. Thus it is not adequate to simply obtain competitive advantage (Lumpkin, 2013). A firm must strive to achieve sustained competitive advantage that gives it an edge over a substantial period of time for it to make returns on investments for developing its resources. A firm that has built competitive advantage from a set of scarce and immobile resources may find that advantage undermined if other firms can develop their own stocks of resources and capabilities that

duplicate or neutralize the source of the firm's advantage (Besanko, Dranove & Schaefer, 2014).

In the pharmaceutical industry in Kenya, firms have developed competitive advantage that was only short lived due to quick imitation by fellow competitors especially companies manufacturing generic products. The regulatory framework in Kenya has also made it hard for pharmaceutical companies to engage in traditional marketing activities of their products. Developing sustained competitive advantage will therefore be a major problem since the key differentiation of product promotions has been leveled thus the need for pharmaceutical companies to come up with more innovative strategies within the regulated environment that can enable them to achieve sustained competitive advantage. This research sought to analyse the strategies that pharmaceutical companies in Kenya can adopt for them to gain a competitive edge that cannot be easily copied by other players in the industry.

1.3 Objectives of The Study

1.3.1 General Objective

The general objective of the study was to analyze the strategies adopted by pharmaceutical companies in Kenya to achieve sustainable competitive advantage

1.3.2 Specific Objective

The study was guided by the following specific objectives, which are:

- i. To determine strategies adopted by pharmaceutical companies in Kenya to develop sustainable competitive advantage
- ii. To describe the internal organizational capabilities contributing to sustainable competitive advantage for pharmaceutical companies in Kenya
- iii. To analyse the external environmental factors influencing sustainable competitive advantage for pharmaceutical companies in Kenya

1.4 Research Questions

The study sought to answer the following research questions

- i. What strategies are adopted by pharmaceutical companies in Kenya to develop sustainable competitive advantage?
- ii. How do internal organizational capabilities contribute to pharmaceutical companies in Kenya competitive advantage?
- iii. How do external environmental factors influence pharmaceutical companies in Kenya competitive advantage?

1.5 Significance of the Study

This research is important to the following:

Pharmaceutical Companies; The research will provide information to pharmaceutical companies on a range of effective strategies that can be applied to create sustainable competitive advantage over a long period of time.

Researchers: The research will create new knowledge in the pharmaceutical field relating to attaining sustainable competitive advantage as a marketing tool. The study will provide the basis for future research and also provide literature to future research. The study will add to the body of knowledge on the strategies adopted by pharmaceutical companies to achieve sustainable competitive advantage

Pharmaceutical Industry: The findings of this research will be vital to any potential players wishing to enter the pharmaceutical industry as well as the current players in the market industry as it will provide information on how to remain competitive across a longer time horizon.

1.6 Scope of The Study

This research was limited to the study of pharmaceutical companies in Kenya; the study targeted the employee of these companies involved in designing of competitive strategies. The study sought to analyze the strategies adopted by pharmaceutical companies in Kenya to achieve sustainable competitive advantage. The limit in scope provides for future studies encompassing a larger geographical area to validate the findings of this study. The research was carried out in March and April 2016 and was limited to the events and issues as at the year of study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter describes the views and perspectives of different scholars of areas that touch on the research questions; these are theoretical review, strategies that business organizations adopt to develop sustainable competitive advantage, internal organizational factors contributing to sustainable advantage, external factors contributing to sustainable competitive advantage, conceptual framework and chapter summary.

2.2 Theoretical Review

2.2.1 Porters Theory of Competitive Advantage

The study will make use of Porter's theory of competitive advantage. The study will however be restricted to the fourth element among the four major determinants of competitive advantage which in this case is the strategy. According to Porter (1985) competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price.

Closing the circle of factors which determine the existence of competitive advantage, it is necessary to consider the context in which firms are created, organized and managed as well as the nature of domestic rivalry. The goals, strategies, and ways of organizing firms in industries are widely influenced by national circumstances. The achievement of national advantage depends on the degree to which these choices correspond to the sources of competitive advantage in an industry. Firm strategy and structure are reflective of company goals and individual goals as well as national prestige and national priority. Company goals are most strongly determined by ownership structure, the motivation of owners and holders of debt, the nature of the corporate governance, and the incentive processes that shape the motivation of senior managers (Porter, 1998).

Provided that the goals of owners and managers match the needs of the industry, the opportunities for success are greatly enhanced. As far as the goals of individuals who work

in firms are concerned, they also have a significant role for creating and upgrading competitive advantage. The achievement of the latter depends on the motivation of people to develop their skills as well as to expend the necessary effort needed for the company's success. Another source of powerful influence on the way firms are organized is national prestige or national priorities. These factors affect the process of attracting qualified human resources to particular industries as well as the strength of individuals' and shareholders' motivation. Provided that the latter is quite pronounced it also turns into an important conductor of corporate success. The reason for it is that it assures sustained commitment of capital and human resources to an industry, to a firm, and for employees, to a profession. This in turn enhances productivity and effectiveness (Porter, 1998).

Domestic rivalry not only creates pressures to innovate but to innovate in ways that upgrade the competitive advantages of a nation's firms. The presence of rivals lowers the significance of advantages created through little effort and investment (e. g. those which stem simply from being in a nation). It, therefore, forces a nation's firms to seek higher and ultimately more sustainable sources of competitive advantage. So, contrary to the wrongly perceived notion of "national champions" reaping economies of scale in the home market, the existence of strong domestic rivalry keeps from reliance on factor advantages as well as conditions their more efficient deployment (Porter, 1998).

According to Porter, a firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus (Porter 1980, 1985, and 1998).

2.2.2 Resource-Based Theory

This theory analyzes long-term relationships with a group of key suppliers on the basis of a win-win philosophy, which can result in a long lasting competitive advantage than provided by a system of competitive bidding (Harrison & St. John, 1996). This theory established unique organizational resources as the bedrock of organizational competitiveness. According to Ni (2006) viewing relationships as resources satisfies all four

resource criteria in the resource-based view perspective, namely (Barney, 1991): value; rareness; uniqueness (inimitability); and non-substitutability. Capabilities can't be bought; rather, they must be built; with internal capabilities and combined with external partnerships (Su *et al.*, 2009).

The theory supports that as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. In our study the strategies adopted by pharmaceutical companies are the resources used by the companies to achieve sustainable competitive advantage.

2.3 Strategies that Business Organizations Adopt to Develop Sustainable Competitive Advantage

According to Porter (1985) competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. The research questions will evaluate literature in light of Porter's discussion of competitive advantage.

2.3.1 Cost Leadership Strategy

According to Porter (1985), a low cost producer must find and exploit all sources of cost advantage. Low cost producers typically sell standard or no frills, product and place considerable emphasis on reaping scale or absolute cost advantages from all sources. If a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average, like coca cola.

According to Porter (1998): cost leadership requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like

research and development, service, sales force and advertising. A firm's cost position gives it an advantage over its competitors, its lower cost base ensures it earns returns in a competitive field and retains its market share or leadership. With a cost-based structure a firm can improve its competitive stance by lowering its production and marketing costs. A lower cost structure can improve profitability and market share (Koo, Koh & Nam, 2004). Business strategy based on cost leadership must be associated with capabilities focused on cost reduction to be effective. A strategy based on differentiation must be associated with capabilities focused on flexibility. Capabilities stand out as internal contingencies that link business strategy with performance (Benito & Gonzalez, 2009).

Downside of Cost leadership - According to Smith (2006), most businesses cannot exist by being the lowest-cost providers; still too many companies allow price to be their only differentiator. All those companies racing to the bottom are ignoring the vital fact that price isn't everything, when you compete on price, you're accepting commodity status. A company concentrating on price therefore becomes a commodity supplier rather than a marketer and if it does not enjoy vast economies of scale, it will be whistling through to the graveyard. There are other ways to help one's customers cut costs that have nothing to do with lowering prices. If one's products and services are more reliable, they can save customers costly down time.

2.3.2 Differentiation Strategy

According to Porter (1985), in differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important and uniquely positions itself to meet those needs. The means for differentiation are peculiar to each industry. Differentiation can be based on the product itself, the delivery system by which it is sold, the marketing approach and a broad range of other factors. A firm that can achieve and sustain differentiation will be an above-average performer in its industry if its premium price exceeds the extra costs incurred in being unique.

Differentiation provides insulation against competitive rivalry because of brand loyalty by customers and results in lower sensitivity to price. It also increases margins, which avoids the need for a low-cost position. The resulting customer loyalty and the need for a competitor to overcome uniqueness provide entry barriers. Differentiation yields higher margins with which to deal with supplier power and clearly mitigates buyer power since buyers lack comparable alternatives and are thereby less price sensitive (Porter, 1998). Firms following a differentiation strategy can charge a higher price for their products based on the products characteristics, the delivery system, the quality of service or the distribution channels (Allen & Helms, 2012).

Smith (2012) claims that to remain competitive, you have to become more conscious about why you are in business in the first place and what you are delivering that makes you unique; it is in differentiation that the vast majority of successful businesses find their competitive advantage. Without competitive advantage, price becomes your only differentiator. When all a customer has to go on is cost, it is easy for him to perceive you as the same as the competition and that leads to margin erosion. Businesses that thrive offer the customer something more important than the lowest possible price. Customers will pay more for convenience, higher quality and trendier products, expert advice and personal service as well as their own image. Strength is not a competitive advantage; a company needs strengths to be in business but they are not differentiators.

2.3.3 Focus Strategy

In this strategy the firm can choose to concentrate on a select customer group, product range, segment of a market, geographical areas or service lines. Focus strategy is also based on adopting a narrow competitive scope within an industry that large firms may have overlooked. A successful focus strategy depends upon an industry segment large enough to have good growth potential but small enough not to be important to other major competitors (Akan, Allen, Helms & Sprawls III, 2012).

According to Porter (1998), the strategy rests on the premise that the firm is thus able to serve its narrow strategic target more effectively or efficiently than competitors who are

competing more broadly. A company can create strategic advantage by choosing to become specialized and focus on a market niche instead of competing broadly in the market. (Koo, Koh & Nam, 2014).

The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focuser has two variants. In cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between the focuser's target segments and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments (Porter, 1985).

2.4 Internal Organizational Factors Contributing to Sustainable Advantage

2.4.1 Firms Products

Product differentiation mean that established firms have brand identification and customer loyalties which stem from past advertising, customer service, product differences or simply being first in the industry (Porter, 1998). Because superior products tend to enhance customer loyalty and perceived quality, a firm that can exploit its resource-capability combinations to effectively attain a differentiation based competitive advantage should be able to improve its performance compared to competitors by selling more units at the same margin or by selling the same number of units at a greater margin (Zou, Fang & Zhao, 2003).

2.4.2 Firms Inimitable Resources

Inimitable resources give sustained competitive advantage when they are valuable, rare, imperfectly imitable and non-substitutable. Resources must yield a superior product/service or lower costs in order to be valuable and they must be rare to ensure that the resource holders do not compete away the value they create. The resources must be imperfectly imitable and not substitutable in order to prevent entry using either the same resource or an equivalent one (Greve, 2009). The need to invest large financial resources in order to compete creates an edge, particularly if the capital is required for risky or unrecoverable up-front advertising or research and development. Even if capital is available

on the capital markets, imitation represents a risky use of that capital which should be reflected in risk premiums charged the prospective entrant; these constitute advantages for going firms (Porter, 1998).

Although a specific resource or capability may be found to exhibit a strong correlation with competitive advantage or performance in a particular context, that resource or capability may simply not fit with the enterprise level of all firms operating in that context. Managers need to autonomously identify and in turn seek out and exploit resources and capabilities that might not only contribute to their firm's competitive position but also fit with their idiosyncratic business models. The magnitude of a firm's competitive advantage is a function of its resources and capabilities; firms whose resources and capabilities are of marginal value will at best attain competitive advantage while firms whose resources and capabilities are of great value will likely attain sustainable advantage (Newbert, 2013).

2.4.3 Learning or Experience Curve

There is an observed tendency for unit costs to decline as the firm gains more cumulative experience in producing a product. Costs decline because workers improve their methods and become more efficient, layout improves, specialized equipment and processes are developed, better performance is coaxied from equipment, product design changes make manufacturing easier, techniques for measurement and control or operations improve (Porter, 1998). A firm may have lower average costs than its rivals because it has been able to realize production process efficiencies that its rivals have not achieved; that is, the firm uses fewer inputs than its competitors to produce a given amount of output, or its production technology uses lower-priced inputs than those utilized by rivals (Besanko, Dranove & Schaefer, 2007).

2.4.4 Management Expertise and Human Resources

While the variety of elements that top teams can attend to is virtually infinite, the elements that top teams actually come to focus upon are restricted by both the inherent limitations of human information processing and the kinds of strategic choices that are perceived to be viable in a setting. As a result of organizational and environmental characteristics that are

critical to competition regardless of industry, there are a limited number of strategic configurations viable in any industry (Doty, Glick & Huber, 1993, Ketchen, Thomas & Snow, 2013).

Two key features of strategic groups that managers belong to are that organizational members of different groups have attributes that are not readily imitable by members of other groups, creating mobility barriers and restrictions on mobility enable some groups in a favorable 'niche 'in their industry to consistently outperform others (Kabanoff & Brown, 2013). Firms can generate human capital advantage through recruiting and retaining outstanding people, that is, through capturing a stock exceptional human talent. Valuable and inimitable employees who are properly managed can be associated with the development of competitive advantage (Cabral, Valle & Herrero, 2012).

2.4.5 Other Factors

Consumers who have had a positive experience with a firm's brand will be reluctant to switch to competing brands if there is a chance that the competing brands will not work. Buyer uncertainty coupled with reputational effects can make a firm's brand name a powerful isolating mechanism (Besanko, Dranove, Shanley & Schaefer, 2014). Consumers often place higher value on a product if other consumers also use it. The network effect arises because consumers can communicate with other users in the network. The more users in the actual network, the greater the opportunities for communication and the greater the value of the network.

Pricing is an important means by which a firm appropriates value through market-based exchange. If a firm sets a price too low, it may cede some of the value created to the customer. In contrast, if the firm sets a price too high, then the quantity sold will be too low. A firm's ability to set the right prices is an important means of appropriating value and therefore an important determinant of the ability of the firm to generate rents (Dutta, Zbaracki & Bergen, 2003).

Asymmetries are typically skills, processes or 'assets' a firm's competitors do not and cannot copy at a cost that affords economic rents. They are rare, inimitable and non-substitutable, although not connected to any engine of value creation, and, in fact, often act as liabilities. By discovering and re-conceptualizing these asymmetries, embedding them within a complementary organizational design, and leveraging them across appropriate market opportunities, many firms can turn asymmetries into sustainable capabilities (Miller, 2013). Switching costs can arise when buyers develop brand specific know-how that is not fully transferrable to substitute brands (Besanko, Dranove & Schaefer, 2007). If switching costs are high, competitors must offer a major improvement in cost or performance in order for the buyer to switch from an incumbent (Porter, 1998).

2.5 External Factors Contributing to Sustainable Competitive Advantage

Research question three aims to establish the external environmental factors that contribute to competitive advantage

2.5.1 Government policy and Regulation Pressure

Government can limit or even foreclose entry into industries with such controls as licensing requirements and limits on access to raw materials (Porter, 1998). Corporate strategy needs to be acutely aware of the benefits and problems associated with government policies. Influencing major political decisions is part of corporate strategy as long as this is done openly and with integrity. Any corporate strategy that does not take account of the history and momentum of politics is ignoring an essential element of the environment (Lynch, 2010).

Regulatory pressures constrain heterogeneity by prescribing uniform resource standards, competencies and ways of deploying resources across given industries and by defining what resources are socially acceptable or permissible as inputs. These pressures limit diversity by constraining the range of firms' permitted resource options and by imposing common societal expectations across competing firms about how inputs should be combined and deployed in production (Oliver, 1997).

Political processes and legislation influence the environmental regulations with which industries must comply; as with many factors in the general environment, changes can benefit or damage an industry (Dess, Lumpkin and Eisner, 2006). According to Thompson Jr, Strickland III and Gamble, (2005), government regulatory actions can often force significant changes in industry practices and strategic approaches. Deregulation has proven to be a pro-competitive force in the airline, banking, natural gas, telecommunications and electric utility industries. Governments can drive competitive changes by opening their domestic markets to foreign participation or closing them to protect domestic companies.

2.5.2 Market Conditions

According to Lynch (2000) market growth rate is important because markets that are growing rapidly offer more opportunities for sales than lower growth markets. Rapid growth is less likely to involve stealing share from competition and more likely to come from new buyers entering the market.

Porter (1998) claims that recognizing and accurately reading market signals is of major significance for developing competitive strategy and reading signals from behavior is an essential supplement to competitor analysis. A prerequisite to interpreting signals accurately is to develop a baseline competitor analysis; an understanding of competitors' future goals, assumptions about the market and themselves, current strategies and capabilities. It is not uncommon for competitors to comment on industry conditions, including forecasts of demand and prices, forecasts of future capacity and the significance of external changes. Such commentary is laden with signals because it may expose the commenting firm's assumptions about the industry on which it is presumably building its own strategy.

An emerging industry is typically characterized by much uncertainty over potential market size, how much time and money will be needed to surmount technological problems and what distribution channels and buyer segments to emphasize. When firms are successful in introducing new ways of marketing their products, they spark a burst of buyer interest,

widen industry demand, increase product differentiation and lower unit costs-all of which can alternative the competitive position of a firm (Thompson Jr, Strickland & Gamble, 2005).

2.5.3 First Mover Advantage

Early movers are able to preempt resources of various types including: superior positions in geographical space, technological space, or customer perceptual space. Pioneers may be able to expand and defend their position by blocking product space with a broadening product line. Preemption of superior human resources is also possible if the organization can retain existing employees (Lieberman & Montgomery, 1998).

Being first to initiate a strategic move can have a high payoff in terms of strengthening a company's market position and competitiveness when: pioneering helps build a firm's image and reputation with buyers; early commitments to new technologies, new-style components and distribution channels can produce an absolute cost advantage over rivals; first-time consumers remain strongly loyal to pioneering firms in making repeat purchases and moving first constitutes a preemptive strike, making imitation extra hard or unlikely (Thompson Jr, Strickland & Gamble, 2005).

Thompson Jr et.al adds that a first mover also needs to be a fast learner (to sustain advantage of being a pioneer) and it helps immensely if the first-mover has deep financial pockets, important competencies and competitive capabilities, and high-quality management. Just being a first-mover by itself is seldom enough to yield competitive advantage. The proper target in timing a strategic move is not that of being the first company to do something but rather that of being the first competitor to put together the precise combination of features, customer value and sound revenue-cost profit economics that gives it an edge over rivals in the battle for market leadership.

Being a fast follower or even a wait-and-see late-mover doesn't always carry a significant or lasting competitive penalty. There are times when a first mover's skills, know-how and actions are copied or even surpassed, allowing late-movers to catch or overtake the first-

mover in a relatively short period. There are also times when there are actually advantages of being an adept follower rather than a first-mover. Late-mover advantages are when: pioneering leadership is more costly than imitating followership and only negligible experience or learning-curve benefits accrue to the leader (follower has lower costs than leader); the products of an innovator are somewhat primitive and do not live up to buyer expectations thus allowing a clever follower to win disenchanted buyers away from the leader with better-performing next-generation products; and technology is advancing rapidly giving fast-followers the opening to leapfrog a first mover's products with more attractive and full-featured second and third generation products (Thompson Jr, Strickland & Gamble, 2005).

2.5.4 Strategic Alliances

Strategic alliances allow firms to procure assets, competencies or capabilities that are not readily available in competitive factor markets particularly, specialized expertise and intangible assets such as reputation. Alliances allow firms to tap into time compression diseconomies and history dependent competencies that are difficult to trade in strategic factor markets (Oliver, 1997). While competitors can surely be threats, the right competitors can strengthen rather than weaken a firm's competitive position in many industries. Competitors can serve a variety of strategic purposes that increase a firm's sustainable competitive advantage and improve the structure of its industry (Porter, 1985).

According to Wheelen and Hunger (2014), companies form strategic alliances to obtain technology and manufacturing capabilities, obtain access to specific markets, reduce financial risk, reduce political risk and achieve or ensure competitive advantage. Even the largest and most financially sound companies have concluded that simultaneously running the races for global market leadership and for a stake in the industries of the future requires more diverse and expansive skills, resources, technological expertise and competitive capabilities than they can assemble and manage alone. Such companies, along with others that are missing the resources and competitive capabilities needed to pursue promising opportunities have determined that the fastest way to fill the gap is often to form alliances with enterprises having the desired strengths (Thompson Jr, Strickland & Gamble, 2010).

2.6 Sustainable Competitive Advantage

Sustainable competitive advantage is the unique position that an organization develops in relation to competitors that allows it to outperform them consistently (Hofer and Schendel, 1978). A sustainable competitive advantage is when a firm possesses value creating processes and positions that only cannot be easily duplicated or imitated by other firms that lead to the production of above normal rents. SCA is different from a competitive advantage because it provides long-term advantage that is not easily replicated. Therefore, SCA is one that can and must be maintained for a significant amount of time even in the presence of competition (www.wikipedia.org). SCA will allow the maintenance and improvement of the company's competitive position in the market. It enables business to survive against its competition over a long period of time.

SCA can be built over a period of time based upon some unique competencies. They can be based upon knowledge, know-how, experience, innovation, and unique information use (Lowson, 2002). According to Coyne (1986) competitive advantage will be meaningful only if it's felt in the market and the differentiation must be perceived as an important buying criterion to a substantial customer base. Therefore, such advantage will be sustainable only if it cannot be imitated. (Barney, 1991). Barney (1991) maintained that a firm will obtain a SCA over competitors, by implementing strategies that exploit their internal strengths, only if they can response environmental opportunities and at the same time neutralizing external threats and avoiding internal weaknesses. He maintained that, a firm can only acquire SCA when such firm possesses a particular valuable resource only if it can improve its efficiency and effectiveness in ways that competing firms cannot. According to Wernerfelt (1984) firms can acquire SCA in many ways for example using human capital resource, physical capital resources, organizational capital resources and corporate entrepreneurship. Chandler and Hanks (1994) suggests that a firm to use its capabilities based on the resources, in order to gain and keep competitive advantage.

2.7 Conceptual Framework

The following subsection presents the conceptual framework that will be adopted in the study. This will include the independent as well as the dependent variables and how they relate to each other and how intervening variables affect them.

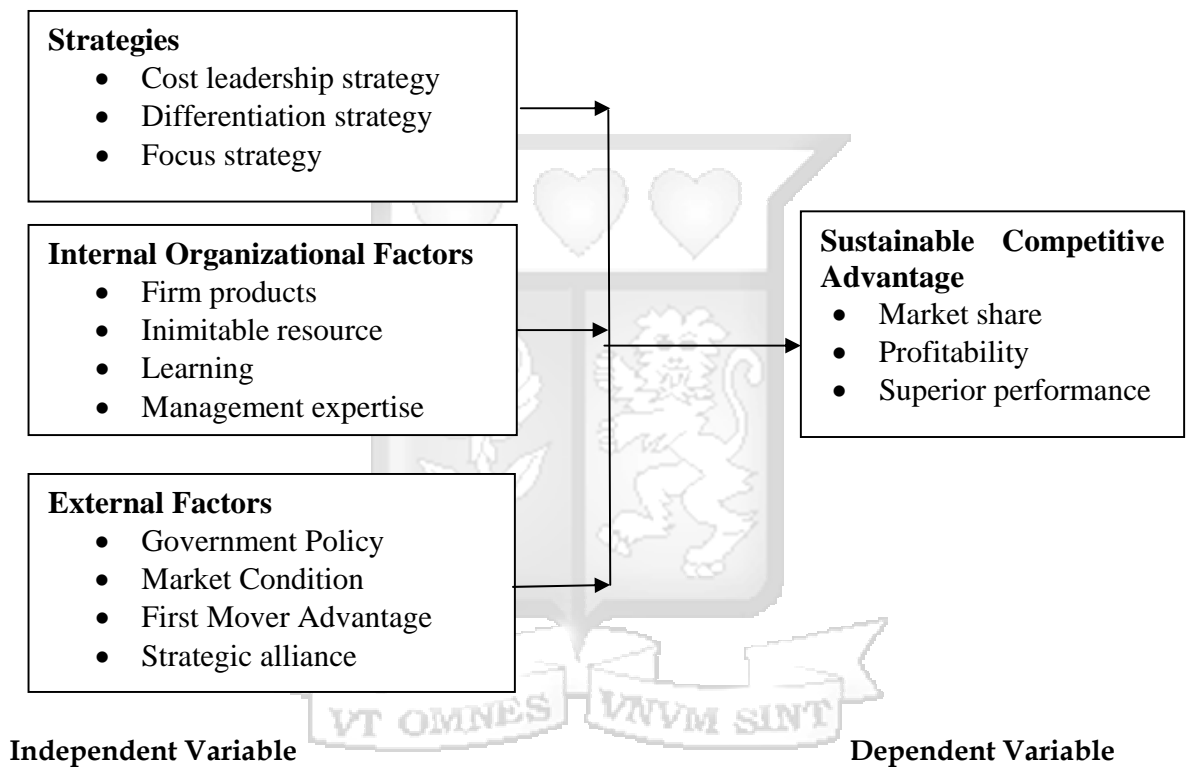


Figure 2.1: Conceptual Framework

Source: Author (2016)

2.8 Summary

This chapter has reviewed literature that provides answers and insights to the three research questions of this study. Views of scholars have been analyzed on the three strategies for competitive advantage: cost leadership, differentiation and focus strategy. The chapter also offers an overview of internal factors contributing to competitive advantage such as product differentiation, reputation and buyer uncertainty, network effects, switching costs, learning or experience curve, management expertise and human resources, inimitable resources asymmetries and pricing. Finally, the chapter has reviewed literature on the external factors influencing competitive advantage which include government policy and regulation pressure, market, first mover advantage and strategic alliances.



CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology of the study. Research methodology is the procedural plan that was adopted by the researcher to validly, objectively, economically and accurately answer the research questions. It is a detailed explanation of the procedures and techniques that were applied for collecting, processing and analyzing data. This section of the study therefore describes the research design, target population and area, sampling frame, sample and sampling technique, data collection instruments, procedures, analysis management and the ethical considerations that the study will use.

3.2 Research Design

Research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Babbie, 2002). The study adopted descriptive survey design aiming to analyze the strategies adopted by pharmaceutical companies in Kenya to achieve sustainable competitive advantage. This design refers to a set of methods and procedures that describe variables.

It involves gathering data that describes events and then organizes, tabulates, depicts, and describes the data. Descriptive studies portray the variables by answering who, what, and how questions (Babbie, 2002). According to Cooper and Schindler (2004), a study concerned with finding out who, what, when, where and how of a phenomenon is a descriptive study, which is the concern of the proposed research project. This research design was deemed appropriate because it showed an in-depth investigation of the strategies adopted by pharmaceutical companies in Kenya to achieve sustainable competitive advantage.

3.3 Target Population

A study population comprises the entire groups of individuals, objects, items, cases, articles, or things with common attributes or characteristics existing in space at a particular point in time (Majumdar, 2005). The study population comprised of 25 Pharmaceutical companies in Kenya. According to Mugenda and Mugenda (2008) a target population is that population which the researcher wants to generalize results. The target population for this study was all the employees of 25 Pharmaceutical companies in Kenya.

3.4 Sample and Sampling Technique

Purposive sampling was used to select two senior employees in each pharmaceutical company from the finance and operation department, thus a sample size of 50 respondents; they were purposively selected as they are the ones conversant with the strategies adopted by pharmaceutical companies in Kenya to achieve sustainable competitive advantage.

3.5 Data Collection Instruments

Primary data was collected using pre-determined questionnaires. Both open and closed ended questions were used to collect primary data. According to Creswell (2000), data collection methods for primary data include: structured and semi-structure questionnaires, mailed questionnaires, structured and semi-structured interviews (personal and telephone interviews), observation and focus group discussions. Questionnaires are commonly used methods when respondents can be reached and are willing to co-operate.

Questionnaires can reach a large number of subjects who are able to read and write independently. The study used questionnaires containing closed-ended, open ended and dichotomous questions. Likert scale questions were used since they are appropriate; abide by the principles of validity, reliability and consideration. Unstructured questions were used so as to encourage the respondents to give an in-depth and felt response without feeling held back in revealing of any relevant information. Unstructured questionnaire was easy to fill and they save on time.

3.6 Data Collection Procedures

The study used primary data. The drop and pick method was used to collect primary data. The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis (as they are in immediate usable form).

3.7 Pilot Testing

Prior to the main study, a pilot study was conducted with ten (10) management staff that was different from the actual respondents to ensure possibility of bias in the study is avoided. This process helped to refine the questionnaire, enhance its readability and minimize the chances of questions being misinterpreted ((Eriksson & Wiedersheim-Paul, 2011).

3.7.1 Reliability

Reliability refers to a measure of the degree to which research instruments yield consistent results (Mugenda and Mugenda, 2003). In this study, reliability will be ensured by pre-testing the questionnaire with a selected sample of ten (10) management staff that was different from the actual respondents to ensure possibility of bias in the study is avoided. In order to check reliability of the results, study used Cronbach's alpha methodology, which is based on internal consistency. Cronbach's alpha measures the average of measurable items and its correlation. The current and desirable situation was tested to analyse the strategies adopted by pharmaceutical companies in Kenya to achieve sustainable competitive advantage. SPSS software was used to verify the reliability of collected data. Overall scales' reliability of the present situation and the desirable situation was tested by Cronbach's alpha, which should above the acceptable level of 0.70 (Hair *et al.*, 1998).

3.7.2 Validity

The accuracy of data to be collected largely depends on the data collection instruments in terms of validity. Validity as noted by Robinson (2002) is the degree to which result obtained from the analysis of the data actually represents the phenomenon under study. Validity was ensured by having all the objective questions included in the questionnaire.

3.8 Data Presentation and Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. This study was interested in analyzing the strategies adopted by pharmaceutical companies in Kenya to achieve sustainable competitive advantage. In addition, the study conducted a multiple regression analysis to establish the relationship between dependent and independent variables.

The regression equation was : $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$

Whereby Y = Sustainable Competitive Advantage X_1 = Strategies, X_2 = Internal Factors and X_3 = External factors, while β_1 , β_2 and β_3 are coefficients of determination and ϵ is the error term. This generated quantitative reports through tabulations, percentages, and measures of central tendency. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS (version 20) to communicate research findings.

3.9 Ethical Considerations

Other researcher's work used or quoted was cited accordingly. Integrity and honesty was the guiding values of the researcher and the team in the field and throughout the data collection process from the beginning to the end. The researcher exercised utmost caution while administering the data collection instruments to the respondents to ensure their rights and privacy is upheld. Prior to actual administration of the instruments, an introduction on the aim and the purpose of the study was made to the respondents in the language they best understand. The study sought the consent of the respondents before they are provided with all the requirements of the study. To ensure confidentiality, the respondents' names did not appear on the questionnaire. Furthermore, no respondent was coerced into the exercise at any level. The study findings were presented without any manipulation or influence by the researcher in any way.

CHAPTER FOUR

4.0 DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study.

The study targeted a sample size of 50 respondents from which 45 filled in and returned the questionnaires making a response rate of 90%. This response rate was satisfactory to make conclusions for the study as it acted as a representative.

According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

4.2 Demographic Data of Employees

4.2.1 Position in the organization

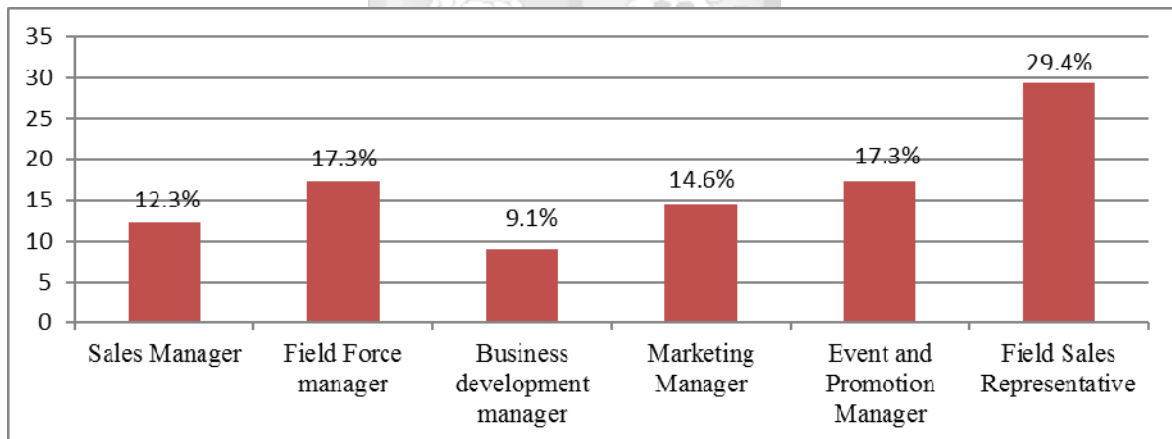


Figure 4.2: Position in the organization

Most of the respondents were field sales representative as shown by 29.4%, 17.3 % of the respondents indicated they held the position of event and promotion manager or field force manager, 14.6% of the respondents indicated that they held the position of marketing manager , 12.3% of the respondents indicated that they held the position of sales manager whereas 9.1% of the respondents indicated that they held the position of business development manager.

4.2.2 Highest academic level

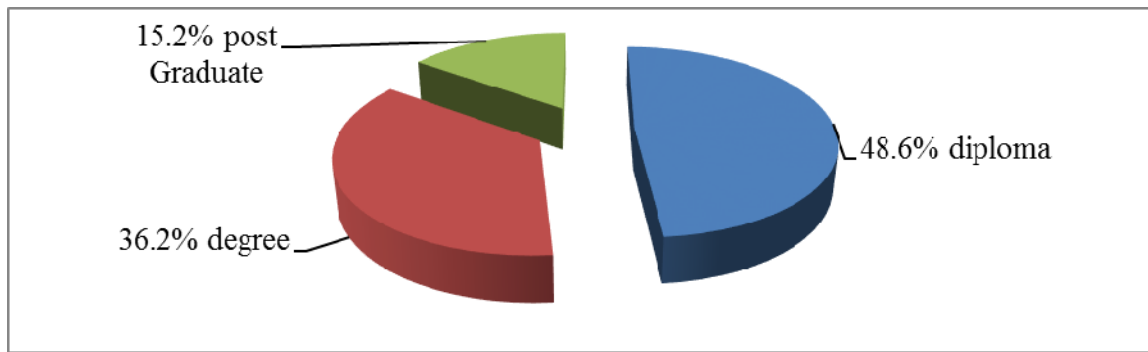


Figure 4.3: Highest Academic Level

Results obtained from investigation on respondent's educational qualification show that most of the respondents as show by 48.6% held college diploma certificates, 36.2% of the respondents indicated that they held bachelor's degree whereas 15.2% of the respondents indicated that they held post graduate degree. This implies that majority of the responded were well educated and that they were in a position to respond to research questions with easy.

4.2.3 Period of Service in the Organization

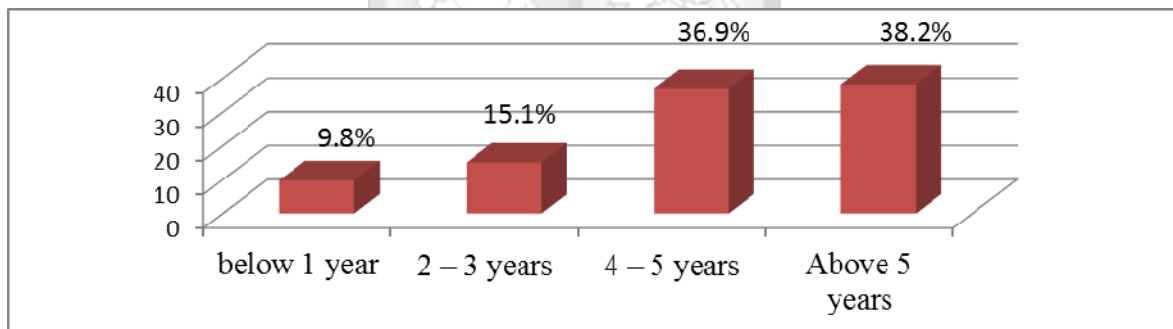


Figure 4.4: Period of Service in the Organization

The study sought to establish the respondent's period of service in the organization, from the research findings, the study revealed that most of the respondents as shown by 38.2% had served for more than 5 years 36.9% of the respondents had for a period of 4 to 5 five years, 15.1 % of the respondents had served for a period of 2 to 3 years, whereas 9.8% of the respondents had served for a period not exceeding one year. This implies that majority of the respondents had worked with the organization for a considerable period of time and that they were in a position to give credible information relating to this research.

4.2.4 Age Bracket

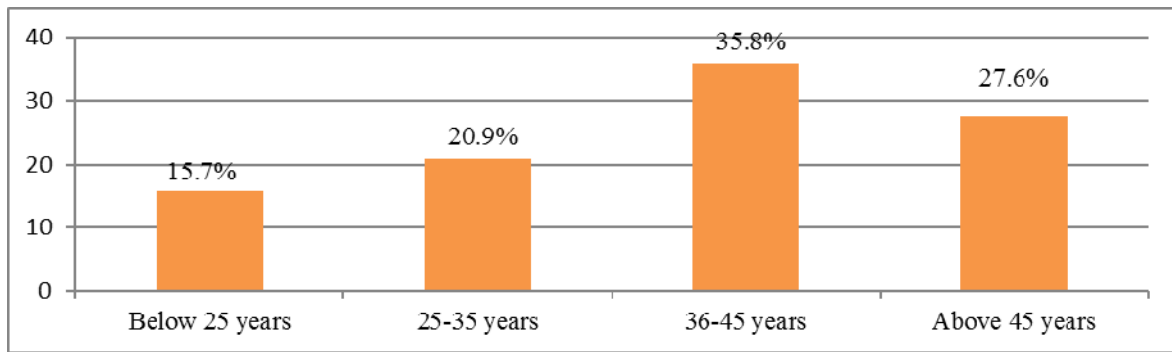


Figure 4.5: Age Bracket of the Respondent

The study sought to determine the age category of the respondents and therefore requested the respondents to indicate their age category. From the findings as shown in the figure above the study established that most of the respondents as shown by 35.8% were aged between 36-45 years, 27.6% of the respondents were aged above 45 years, and 20.9% of the respondents were aged between 20-35 years, whereas 15.7% of the respondents were aged below 25 years. This implies that respondents were well distributed in terms of their age.

4.3 Competitive Advantage

Table 4.1: Period Which the Company Has Been in Competition

Period	Frequency	Percentage
0-2 years	5	11.1
3-5 years	10	22.2
6-8 years	14	31.1
More than 10 years	16	35.6
Total	45	100

The research sought to determine the period which the company been in the competition, from the research findings, most of the respondents as shown by 35.6% indicated that the company been in the competition for more than 10 years, 31.1% indicated that the company been in the competition for a period of 6-8 years, 22.2% indicated that the company been in the competition for a period of 3-5 years while 11.1% indicated that the company been in the competition for not more than 2 years. This implies that most of the companies engaged had been in competition for a period of exceeding 10 years.

Table 4.2: Aspects of Competitive Advantage

Category						Mean	Std deviation
	No competition	Weak competition	Strong competition	Very strong competition	Hyper competition		
Product advantage	1	1	4	25	15	4.18	0.24
Knowledge advantage	1	1	3	23	17	4.20	0.23
Cost advantage	1	2	1	24	18	4.22	0.24
Relationship advantage	0	1	2	26	16	4.27	0.24
Structural advantage	1	1	2	22	20	4.31	0.24

Respondents were requested to rate the above aspects of competitive advantage in order of their importance. From the research findings the following in order of competitive advantage were rated as very strong measure of competitive advantage: structural advantage as shown by a mean of 4.31, relationship advantage as shown by a mean of 4.27, Cost advantage as shown by a mean of 4.22, knowledge advantage as shown by a mean of 4.20 and product advantage as shown by a mean of 4.18, all the cases were supported by a low mean of standard deviation which implies that respondents were of similar opinion. The findings are in support of the research by Benito and Gonzalez, (2009) competitive advantages give a company an edge over its rivals and an ability to generate greater value for the firm and its shareholders. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage.

Table 4.3: Whether the Organization Has a Competitive Advantage

Opinion	Frequency	Percentage
Yes	39	87.1
No	6	12.9
Total	45	100

The study sought to determine whether the organization have a competitive advantage over its competitors, from the findings, majority of the respondents as shown by 87.1% agreed that the organization have a competitive advantage over its competitors whereas 12.9% of the respondents were of the contrary opinion. This implies that the organization have a competitive advantage over its competitors

Table 4.4: Competition from Other Players in the Same Field

Opinion	Frequency	Percentage
Yes	32	71.8
No	13	28.2
Total	45	100

The study sought to determine whether the organization considered the competition from other players in the industry before adopting the competitive strategies, from the findings, majority of the respondents as shown by 71.8% agreed that the organization considered the competition from other players in the industry before adopting the competitive strategies whereas 28.2% of the respondents were of the contrary opinion. This implies that the organisation consider the competition from other players in the industry before adopting the competitive strategies.

Table 4.5: Competitive Initiatives Adopted by The Organisation

Opinion	Frequency	Percentage
We offer low cost services	15	34.1
We provide a unique service and charge a premium for it	17	37.6
We focus on a niche market and serve it only	13	28.2
Total	45	100

Respondents were requested to indicate the best statement that describes the organisation intermesh of competitive initiative adopted.

From the research findings, most of the respondents as shown by 37.6% indicated that the organisation provides a unique service and charge a premium for it, 34.1 % of the respondents indicated that the organisation offers low cost services whereas 28.2% of the respondents indicated that the organisation focused on a niche market and serves it only. This implies that among the competitive initiative adopted includes provision of low cost services, focus on a niche market and dedication to serve it only and provision of a unique service and charge a premium for it.

Table 4.6: Statements Relating to Low Cost Competitive Strategy

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std deviation
Our company is the low cost leader in the industry	1	2	3	24	15	4.13	0.23
Our company has a broad scope and serves many clients	1	1	2	22	19	4.28	0.24
We achieve our economies of scale through providing high volumes of standardized services	2	1	2	21	20	4.25	0.23
We maintain our strategy by constantly searching for cost reduction avenues or ways	1	0	2	25	18	4.33	0.26
Our extensive branch network enables us to maintain our low cost strategy	1	1	1	24	18	4.28	0.25
Our low cost strategy has enabled us to attain a large market share	1	2	1	23	18	4.25	0.24
We have been able to meet our target clientele using our low cost strategy	1	1	3	24	17	4.26	0.24

The research sought to establish the extent to which respondents agreed with the above statements relating to low cost competitive strategy. The organisation maintain their strategy by constantly searching for cost reduction avenues or ways as shown by a mean of 4.33, the company has a broad scope and serves many clients extensive branch network enables the organizational maintain low cost strategy as shown by a mean of 4.28 in each case, the organisation have been able to meet its target clientele using low cost strategy as shown by a mean of a mean of 4.26, the organisation has achieved economies of scale through providing high volumes of standardized services, low cost strategy has enabled the organisation to attain a large market share as shown by a mean of 4.25 in each case, the company is the low cost leader in the industry as shown by a mean of 4.13. the findings support porters (1998) argument that cost leadership requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service, sales force and advertising.

Table 4.7: Factors That Enable Companies Provide Services at Low Cost

Factors	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std deviation
Being located near the customers	1	1	2	24	17	4.22	0.24
Having a large network in the country	0	2	2	22	19	4.29	0.24
Ensuring low labour costs	0	0	1	24	20	4.42	0.27
Having minimal operational cost	0	1	1	27	16	4.29	0.27
Having cost reduction strategies	0	1	2	22	20	4.36	0.24

The study sought to determine the extent to which the above factors enable the organisation to provide services at low cost. From the research findings, majority of the respondents agreed that the company was committed in ensuring low labour costs as shown above.

The company had cost reduction strategies as shown by a mean of 4.36, the company had a large network in the country as well as having minimal operational cost strategy in place employment cost reduction strategies as shown by a mean of 4.29 in each case and that the company was located near the customers in view of reducing operational cost as shown by a mean of 4.22. The study also noted that in the low cost strategy, a company must have a thorough understanding of costs and how to continually reduce them. The findings are in line with the research by Porter (2008) that the company must be willing to standardize its offerings in order to manage costs, which implies that exceptions requested by prospective customers must be limited or excluded in order to keep costs down.

Table 4.8: Extent to Which Firms Apply Differentiation Strategies

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std deviation
Our company has designed services perceived as unique by our clientele	2	1	2	21	19	4.22	0.23
Our profitability is pegged on our ability to offer a unique service and charge a premium for it	1	1	3	22	19	4.24	0.23
We maintain our differentiation strategy by constantly looking for ways of charging a premium that exceeds the cost of differentiating.	1	1	1	22	20	4.33	0.25
Our differentiation is based on the understanding of unique customer needs and seeking to meet them.	1	1	1	24	19	4.31	0.25
Through differentiation, our unique service features provide superior value for our customers	0	1	2	21	22	4.42	0.25

We always strive to differentiate our services in such a way that our competitors cannot imitate us.	0	1	1	23	20	4.36	0.25
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Through differentiation, the companies unique service features provide superior value for the customers as shown by a mean of 4.42, the company always strived to differentiate our services in such a way that competitors cannot imitate as shown by a mean of 4.36, company maintained differentiation strategy by constantly looking for ways of charging a premium that exceeds the cost of differentiating as shown by a mean of 4.33, the company's differentiation is based on the understanding of unique customer needs and seeking to meet them as shown by a mean of 4.31, the company's profitability is pegged on their ability to offer a unique service and charge a premium for it as shown by a mean of 4.24, the company has designed services perceived as unique by their clientele as shown by a mean of 4.22. the study also noted that differentiation involves being perceived by the market place as having a relatively higher value to the customer or user than the offerings of its competitors, and often at the same or even higher pricing level, the findings are in support of the literature by Porter (2008) that in a differentiation strategy, the company must totally understand its customers' needs and preferences, it must be driven to innovate to continually address those wants and needs, and, it must build its brand to maintain its position and visibility.

Table 4.9: Extent to which factors ensured the sustainability of differentiation strategy

Factors	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std deviation
Strong research and development skills	0	1	1	22	21	4.40	0.25
Strong product engineering skills	1	2	1	24	18	4.28	0.25
Strong creativity and innovation skills	0	1	2	25	17	4.29	0.26

Presence of strong marketing skills	1	1	1	25	17	4.27	0.25
Adequate communication of the benefits of our products	1	0	2	26	17	4.31	0.26

The study sought to determine the some of the initiatives that enable the company to sustain its differentiation strategy. from the research findings, majority of the respondents agreed that the company has invested in strong research and development skills as shown by a mean of 4.40, the company provides adequate communication of the benefits of their products as shown by a mean of 4.31 the organisation has instituted strong creativity and innovation skills as shown by a mean of 4.29, the company has instituted strong product engineering skills as shown by a mean of 4.28 and that the company has instituted presence of strong marketing skills as shown by a mean of 4.27. The findings are in support of the research by

Porter (2008) a combination of low cost and differentiation strategies, when, done well, can be extremely effective in the market place.

Table 4.10: Statements Relating To Focus Strategy

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std deviation
Our company concentrates on a specific / niche market	1	2	1	24	18	4.27	0.23
Our focus strategy rests on the choice of a narrow competitive scope within the insurance industry	1	1	1	23	19	4.32	0.23
We strive to meet the needs of our niche market by tailoring our market mix to these specialized markets	1	2	1	24	17	4.21	0.23
Through our cost focus, we exploit cost	1	1	0	26	17	4.26	0.24

behaviour in specific market segments

Through our differentiation focus we exploit the special needs of buyers in specific segments

1	0	2	25	18	4.33	0.24
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The study sought to establish the initiatives being employed by pharmaceuticals companies in ensuring focus strategy, from research findings majority of the respondents agreed that through the differentiation focus the company exploits the special needs of buyers in specific segments as shown by a mean of 4.33 the company's focus strategy rests on the choice of a narrow competitive scope within the insurance industry as shown by a mean of 4.32 the company concentrates on a specific /niche market as shown by a mean of 4.27 and that through the companies cost focus, the organisation exploits cost behaviour in specific market segments as shown by a mean of 4.26, further the study revealed that companies that succeed with a focus strategy understand the dynamics and unique customer needs of their market niche. as a result of developing and promoting "niche" products and services, the company can attract a higher share of customers in that market segment than competitors further the company can earn above average profits and reduce the threat of competitors entering the niche, the findings further concur with David (2000) who points out that the advantages of focus strategy include having control over customers as the firm could be the only supplier, customer loyalty is as well enhanced hence cushioning the firm against entry of new competitors and substitutes.

Table 4.11: Whether the Organisation Have Unique Resources

Opinion	Frequency	Percentage
Yes	33	72.9
No	12	27.1
Total	45	100

The study sought to determine whether the organisation has unique resources that enhance its competitive advantage, from the findings, majority of the respondents as shown by 72.9% agreed that the organisation have unique resources that enhance its competitive advantage

whereas 27.1% of the respondents were of the contrary opinion. This implies that the organisation have unique resources that enhance its competitive advantage.

Table 4.12: Influence of Resources in Maintaining Sustainability of Competitive Advantage

Opinion	Frequency	Percentage
Yes	31	69.4
No	14	30.6
Total	45	100

The study sought to determine whether the resources formed the main sustainability for the organizational competitive advantage, from the findings, majority of the respondents as shown by 69.4% agreed that the resources formed the main sustainability for the organizational competitive advantage whereas 30.6% of the respondents were of the contrary opinion. This implies that the resources formed the main sustainability for the organizational competitive advantage.

Table 4.13: Categories Of Resources

Opinion	Frequency	Percentage
Tangible	27	60.0
Non-tangible	18	40.0
Total	45	100

Respondents were requested to categories the organizational resources, from the research findings majority of the respondents as shown by 60% indicated non-tangible whereas 40% of the respondents indicated tangible.

Table 4.14: Changes in Business Environment

Opinion	Frequency	Percentage
Yes	34	76.5
No	11	23.5
Total	45	100

The study sought to determine whether changes in business environment was among the reasons for the implementation competitive strategies, from the research finding majority of the responders as shown by 76.5% agreed that changes in business environment was among the reasons for the implementation competitive strategies whereas 25.5% of the respondents indicated otherwise. This implies that changes in business environment were among the reasons for the implementation competitive strategies in the company.

Table 4.15: Competition In Business Environment

Opinion	Frequency	Percentage
Yes	35	78.8
No	10	21.2
Total	45	100

The study sought to determine whether competition in business environment was among the reasons for the implementation competitive strategies, from the research finding majority of the responders as shown by 78.8% agreed that competition in business environment was among the reasons for the implementation competitive strategies whereas 21.2% of the respondents indicated otherwise. This implies that competition in business environment was among the reasons for the implementation competitive strategies in the company.

Table 4.16: Active Pursuit of Strategic Benefits

Opinion	Frequency	Percentage
Yes	40	89.4
No	5	10.6
Total	45	100

The study sought to determine whether active pursuit of strategic benefits was among the reasons for the implementation competitive strategies, from the research finding majority of the responders as shown by 89.4% agreed that active pursuit of strategic benefits was among the reasons for the implementation competitive strategies whereas 10.6 % of the

respondents indicated otherwise, this implies that active pursuit of strategic benefits was among the reasons for the implementation competitive strategies in the company.

Table 4.17: Opportunities Offered By New Technologies

Opinion	Frequency	Percentage
Yes	38	83.5
No	7	16.5
Total	45	100

The study sought to determine whether opportunities offered by new technologies was among the reasons for the implementation competitive strategies, from the research finding majority of the responders as shown by 83.5% agreed that opportunities offered by new technologies was among the reasons for the implementation competitive strategies whereas 16.5% of the respondents indicated otherwise. This implies that opportunities offered by new technologies were among the reasons for the implementation competitive strategies in the company.

Table 4.18: Financial Condition of The Company

Opinion	Frequency	Percentage
Yes	27	60.0
No	18	40.0
Total	45	100

The study sought to determine whether financial condition of the company was among the reasons for the implementation competitive strategies, from the research finding majority of the responders as shown by 60% agreed that financial condition of the company was among the reasons for the implementation competitive strategies whereas 40% of the respondents indicated otherwise, this implies that financial condition of the company was among the reasons for the implementation competitive strategies in the company.

Table 4.19: Extent to Which the Following Risks Were Experienced

Risks						Mean	Std deviation
	Not at all	Minimal	Moderate	High	Very High		
Challenges of Change management	1	1	7	29	7	3.87	0.23
Implementation Time Frame	1	2	1	25	17	4.25	0.23
Resources Adequacy	1	1	2	24	17	4.26	0.22
Management support	1	2	1	24	17	4.19	0.22
Technological competence	1	1	1	21	22	4.35	0.23
Competitor's reaction	1	1	1	19	24	4.42	0.23
Inadequate marketing channels	1	1	1	26	16	4.24	0.24

The study sought to establish the extent to which the above risks were experienced, From the research findings majority of the respondents agreed that the organisation experienced the following risks to a high extent; competitor's reaction as shown by a mean of 4.42, technological competence as shown by a mean of 4.39, resources adequacy as shown by a mean of 4.26, implementation time frame as shown by a mean of 4.25, inadequate marketing channels as shown by a mean of 4.24, management support as shown by a mean of 4.19, challenges of change management as shown by a mean of 3.87.

Table 4.20: Whether Strategies or Resources Enabled the Firm Sustain Its Competitive Advantage

Opinion	Frequency	Percentage
Yes	35	77.6
No	10	22.4
Total	45	100

The research sought to establish whether the above strategies or resources enabled the company sustain its competitive advantage, from the research from the research finding majority of the responders as shown by 77.6% agreed that some of the above strategies or

resources enabled the company sustain its competitive advantage whereas 22.4% of the respondents indicated otherwise. This implies that the company sometimes sustained its competitive advantage from strategies or resources.

4.4 Marketing Strategies

Table 4.21: Extent to Which Firms Applied Marketing Strategies

Marketing Strategies	Not at all	Little Extent	Moderate Extent	great extent	Very great extent	Mean	Std deviation
Product taste	0	1	1	21	23	4.48	0.24
Product colour	0	1	1	26	17	4.35	0.25
Product shape	1	0	1	25	19	4.35	0.24
Product size	0	1	2	23	20	4.38	0.24
Brand personality	0	0	1	24	20	4.42	0.24
Product quality	1	1	1	21	22	4.40	0.23
Brand based product strategy	0	0	1	23	22	4.47	0.25
Offering multiple product choices	0	1	1	22	22	4.44	0.24
New product development approach	1	0	1	21	23	4.47	0.24
Customized product strategy	0	1	0	28	17	4.35	0.26
Repositioning based strategy	0	1	1	24	20	4.40	0.25

The study sought to determine some of the product development strategies used by the company in view of maintaining competitive advantage, from the research findings majority of the respondents agreed that the company ensured high product taste as shown by a mean of 4.48, new product development approach and brand based product strategy as shown by a mean of 4.47 in each case, offering multiple product choices as shown by a mean of 4.44, brand personality as shown by a mean of 4.42, repositioning based strategy and product quality as shown by a mean of 4.40 in each case product size as shown by a mean of 4.38, customized product strategy, product shape and product colour as shown by a mean of 4.35 in each case, the study also noted that marketing strategy has the fundamental goal

of increasing sales and achieving a sustainable competitive advantage, marketing strategy includes all basic, short-term, and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contributes to the goals of the company and its marketing objectives. The findings are in line with the research by Lynch (2000) that a good marketing strategy should be drawn from market research and focus on the right product mix in order to achieve the maximum profit potential and sustain the business

4.5 Pricing Strategies

Table 4.22: Pricing Strategies

Pricing Strategies	Not at all					Little Extent		Moderate Extent		Mean	Std deviation
	0	1	2	3	4	5	6	7			
Market penetration pricing	0	1	1	25	19	4.41	0.25				
Market skimming pricing	0	0	1	23	21	4.44	0.24				
Time based pricing	1	1	2	23	20	4.34	0.23				
Location focused pricing	0	0	1	26	19	4.40	0.25				
Discount pricing	0	1	0	24	20	4.42	0.25				
Customary pricing	0	0	1	26	18	4.39	0.25				

The study sought to determine some of the pricing strategies used by from the research findings majority of the respondents agreed that the company ensured market skimming pricing as shown by a mean of 4.44, discount pricing as shown by a mean of 4.42, market penetration pricing as shown by a mean of 4.41, location focused pricing as shown by a mean of 4.40, customary pricing as shown by a mean of 4.39, and time based pricing as shown by a mean of 4.34. The study also noted that pricing strategy is an important element of a product marketing campaign since pricing strategy directly impacts the amount of profit you make, choose a pricing strategy that helps the firm meet its sales objectives and enhances the firm's reputation and ultimately providing the best profit point for the market

demand. the findings are in line with the research by Dutta, Zbaracki and Bergen, (2003), A firm’s ability to set the right prices is an important means of appropriating value and therefore an important determinant of the ability of the firm to generate rents adding that competitive pricing for high-quality products requires constant monitoring to ensure that the pricing is comparable to similar products in the market.

4.6 Promotion Strategies

Table 4.23: Promotion Strategies

Promotion Strategies	Not at all	Little Extent	Moderate Extent	great extent	Very great extent	Mean	Std deviation
Demonstration	0	1	1	25	18	4.34	0.24
Telephone handling	1	1	0	23	21	4.41	0.24
Personal selling	1	1	2	22	21	4.36	0.22
Flyer and brochure	0	0	1	26	19	4.40	0.25
Office setting	0	1	0	23	21	4.45	0.24
Sponsorships	0	0	2	25	18	4.35	0.23
Exhibitions	0	1	1	29	15	4.27	0.25

The study sought to determine some of the promotional strategies used by from the research findings majority of the respondents agreed that the company ensured promotional strategies through physical office setting as shown by a mean of 4.45, telephone handling as shown by a mean of 4.41, used of flyer and brochure as shown by a mean of 4.40, employment of personal selling as shown by a mean of 4.36 sponsorships as shown by a mean of 35 used of demonstration as shown by a mean of 4.34 and use of exhibitions as shown by a mean of 4.27. the study also noted that product promotion helped to increase sales, attract customers, improve product recognition and enhance brand identity and it is critical to plan an effective strategy before initiating a promotion campaign and particularly important for small businesses to utilize their limited resources effectively the findings are in line with the research by Akan, Allen, Helms and Sprawls III, (2012) that Product

promotion benefits businesses by generating consumer demand, and benefits consumers by providing needed information about product availability and uses. Because of intense competition,

4.7 Distribution Strategies

Table 4.24: Distribution Strategies

Distribution Strategies						Mean	Std deviation
	Not at all	Little Extent	Moderate Extent	great extent	Very great extent		
Brokers	1	1	1	24	19	4.32	0.24
Personal selling	0	2	1	23	20	4.35	0.24
Retailing	0	0	0	22	23	4.42	0.25
Mail order	0	1	1	27	17	4.34	0.25
Distributors	1	0	1	24	20	4.40	0.24
Wholesaling	0	1	1	25	19	4.39	0.25

The study sought to determine some of the distribution strategies used by from the research findings majority of the respondents agreed that the company employed distribution strategies through retailing as shown by a mean of 4.42, distributors as shown by a mean of 4.40, wholesaling as shown by a mean of 4.39 personal selling as shown by a mean of 4.35, mail order as shown by a mean of 4.34, brokers as shown by a mean of 4.32. the study also noted that effacing distribution channel helped to ensure competitive advantage though Cost Saving, Time Saving, Customer Convenience and provision of valuable information. the findings are in line with the research by Smith (2012) who claims that to remain competitive, the firm must choose right distribution channel the ensures that customers in different locations can buy the firms products and get the right level of service from same company.

4.8 People Strategies

Table 4.25: People Strategies

People Strategies	Not at all	Little Extent	Moderate Extent	great extent	Very great extent	Mean	Std deviation
Employing knowledgeable and experienced staff	1	1	1	25	19	4.34	0.24
Training staff on customer care relations	0	1	2	26	16	4.28	0.24

The study sought to determine some of the people strategies used by from the research findings majority of the respondents agreed that the company employed people strategies through employing knowledgeable and experienced staff as shown by a mean of 4.34 and training staff on customer care relations as shown by a mean of 4.28 the study noted that People Strategy helps to direct the investment in talent and the programs to manage them. Companies without an articulated strategy run the risk of developing programs that don't meet organizational needs or further the business. The findings are in line with the research by Greve, (2009) that People Strategy can unify and focus an organization, improve the return on human capital, and raise the organization to higher performance.

4.9 Process Strategies

Table 4.26: Process Strategies

Process Strategies	Not at all	Small extent	Not sure	Some extent	Great extent	Mean	Std deviation
E-marketing of services	0	1	1	25	18	4.35	0.26
E-procurement	0	1	1	23	20	4.36	0.25
E-form applications	1	1	1	22	21	4.36	0.25

The study sought to determine some of the process strategies used by from the research findings majority of the respondents agreed that the company employed process strategies through adoption of e-procurement and e-form applications as shown by a mean of 4.36 in each case and e-marketing of services as shown by a mean of 4.35 the study also noted that Electronic procurement ensured cost efficient, Internet marketing was fast and efficient compared to traditional marketing forms. E-marketing enabled the firm to attend to millions of customers and consumers simultaneously. The findings are in line with the research by Zou, Fang and Zhao, (2000) that email marketing provides a lower cost compared to mainstream marketing channels.

4.10 Physical Evidence Strategies

Table 4.27: Physical Evidence Strategies

Physical Evidence Strategies	Not at all	small extent	Not sure	some extent	great extent	Mean	Std deviation
Decent office layouts/branding	1	2	2	29	12	4.07	0.24
Neat and presentable employees	1	0	3	24	18	4.31	0.23
Marketing materials	1	2	1	25	16	4.20	0.23

The study sought to determine some of the physical evidence strategies used by from the research findings majority of the respondents agreed that the company employed physical evidence strategies through adoption employment of neat and presentable employees as shown by a mean of 4.31, marketing materials as shown by a mean of 4.20 and decent office layouts/branding as shown by a mean of 4.07

4.11 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions. The model summary is presented in the table below

Table 4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.819 ^a	.671	.653	.37290

The study used coefficient of determination to evaluate the model fit. The adjusted R², also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. The model had an average adjusted coefficient of determination (R²) of 0.653 and which implied that 65.3% of the variations in sustainable competitive advantage are explained by the independent variables understudy (competitive strategies, internal factors and external factors).

The study further tested the significance of the model by use of ANOVA technique. The findings are tabulated in table below.

Table 4.2: Summary of One-Way ANOVA results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	15.54	3	5.18	37.252	.000 ^b
1 Residual	4.309	31	.139		
Total	19.849	44			

From the ANOVAs results the probability value of 0.000 was obtained which indicates that the regression model was significant in predicting the relationship between sustainable competitive advantage and the predictor variables (competitive strategies, internal factors and external factors) as it was less than $\alpha=0.05$.

In addition, the study used the coefficient table to determine the study model. The findings are presented in the table below.

Table 4.3: Coefficients

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.176	.327		-.538	.592
1 Competitive Strategies	.517	.096	.397	5.375	.000
Internal Factors	.397	.043	.670	9.336	.000
External Factors	.269	.048	.394	5.660	.000

As per the SPSS generated output as presented in table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$) becomes:

$$Y = 0.176 + 0.517X_1 + 0.397X_2 + 0.269X_3$$

From the regression model obtained above, a unit change in competitive strategies holding the other factors constant would enhance sustainable competitive advantage by a factor of 0.517; a unit change in internal factors holding the other factors constant would enhance sustainable competitive advantage by a factor of 0.397, and a unit change in external factors holding the other factors constant would enhance sustainable competitive advantage by a factor of 0.269

The findings conform with Bain (2006) that competitive strategies are directly related to firm performance which is observed through increased profitability. The findings concur with Argyres and McGaha (2002) who found out that differentiation and lower cost were directly connected with profitability. The findings further agree with Power and Hahn (2004) that careful analysis of organisational internal factors could offer a significant performance advantage.

The analysis was undertaken at 5% significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the obtained probability value and $\alpha=0.05$. If the probability value was less than α , then the predictor variable was significant otherwise it wasn't. All the predictor variables were significant in the model as their probability values were less than $\alpha=0.05$.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, conclusions drawn from the findings highlighted and recommendations made there-to. The conclusions and recommendations drawn were focused on addressing the general objective of the study which was to determine strategies adopted by pharmaceutical companies in Kenya to develop sustainable competitive advantage, to describe the internal organizational capabilities contributing to pharmaceutical companies in Kenya competitive advantage and to analyze the external environmental factors influencing pharmaceutical companies in Kenya competitive advantage.

5.2 Summary of Findings

5.2.1 Competitive Advantage

From the analysis the study revealed that structural advantage, relationship advantage, cost advantage, knowledge advantage and product advantage were strong measures of competitive advantage, the research also identified that pharmaceutical companies in Kenya have a competitive advantage over their competitors, organizations considered the competition from other players in the industry before adopting the competitive strategies, among the competitive initiative adopted includes provision of low cost services, focus on a niche market and dedication to serve it only and provision of a unique service and charge a premium for it.

Further investigation on competitive strategies adopted by pharmaceutical companies in Kenya showed that companies maintained their strategies by constantly searching for cost reduction avenues or ways, companies have a broad scope and serve many clients. Extensive branch network enables them maintain low cost strategy, companies have been able to meet their target clientele using low cost strategy. Companies have achieved economies of scale through providing high volumes of standardized services, and low cost strategy has enabled companies to attain a large market share.

Investigations on factors that enable companies provide services at low cost, include companies commitment to provide low labour costs; companies had a large network in the country; employment cost reduction strategies; companies had minimal operational cost strategy in place and that companies were located near the customers in view of reducing operational cost.

In view of ensuring product differentiation, the research identified that the management of pharmaceutical companies always strived to differentiate their services in such a way that competitors cannot imitate, companies maintained differentiation strategy by constantly looking for ways of charging a premium that exceeds the cost of differentiating, company's differentiation was based on the understanding of unique customer needs and seeking to meet them the company's profitability was pegged on their ability to offer a unique service and charge a premium for it, companies have designed services perceived as unique by their clientele.

In view of sustaining differentiation strategy, the research noted that the management of pharmaceutical companies ensured that company has invested in strong research and development skills, the company provides adequate communication of the benefits of their products, companies had instituted strong creativity and innovation skills, companies had instituted strong product engineering skills and that companies had instituted presence of strong marketing skills.

Investigations on initiatives being employed by pharmaceutical companies in ensuring focus strategy, showed that through the differentiation focus companies exploited the special needs of buyers in specific segments, the focus strategy rests on the choice of a narrow competitive scope within the insurance industry, company concentrates on a specific /niche market and that through the companies cost focus, the organisation exploits cost behaviour in specific market segments.

The study found that the organisation have unique resources , to enhance its competitive advantage, resources in both non-tangible and indicated tangible played a key role in ensuring sustainability for the organizational competitive advantage, changes in business environment, competition in business environment, active pursuit of strategic benefits, opportunities offered by new technologies and financial condition of the company were among the reasons for the implementation competitive strategies in the company. Investigation on Extent to which the following risks were experienced showed that the organisation experienced the following risks to a high extent; competitor's reaction, technological competence, resources adequacy, implementation time frame, inadequate marketing channels, management support as well as challenges of change management.

5.2.2 Marketing Strategies

In view of improving attaining high quality product strategies, the research revealed that the management of pharmaceutical companies have invested in product taste, new product development approach and brand based product strategy, offering multiple product choices, brand personality, repositioning based strategy and product quality, product size, customized product strategy, product shape and product colour the study also noted that Marketing strategy has the fundamental goal of increasing sales and achieving a sustainable competitive advantage. Marketing strategy includes all basic, short-term, and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contributes to the goals of the company and its marketing objectives. The findings are in line with the research by Lynch (2000) that a good marketing strategy should be drawn from market research and focus on the right product mix in order to achieve the maximum profit potential and sustain the business.

5.2.3 Pricing Strategies

In the process of attaining sustainable competitive advantage the study noted that the management of pharmaceutical companies has adopted the following pricing strategies: Market skimming pricing, discount pricing, market penetration pricing, location focused pricing, customary pricing and time based pricing. The study also noted that pricing strategy is an important element of a product marketing campaign since pricing strategy

directly impacts the amount of profit you make, choose a pricing strategy that helps the firm meet its sales objectives and enhances the firm's reputation and ultimately providing the best profit point for the market demand. The findings are in line with the research by Dutta, Zbaracki and Bergen, (2003), a firm's ability to set the right prices is an important means of appropriating value and therefore an important determinant of the ability of the firm to generate rents adding that competitive pricing for high-quality products requires constant monitoring to ensure that the pricing is comparable to similar products in the market.

5.2.4 Promotion Strategies

The study noted that the management of pharmaceutical companies has adopted the following promotion strategies: physical office setting, telephone handling, flyers and brochures, employment of personal selling, sponsorships, use of demonstration and exhibitions. The study also noted that product promotion helped to increase sales, attract customers, improve product recognition and enhance brand identity and it is critical to plan an effective strategy before initiating a promotion campaign and particularly important for small businesses to utilize their limited resources effectively. The findings are in line with the research by Akan, Allen, Helms and Sprawls III, (2012) that product promotion benefits businesses by generating consumer demand and benefits consumers by providing needed information about product availability and uses. Because of intense competition companies must promote their products in the market.

5.2.5 Distribution Strategies

The study noted that the management of pharmaceutical companies has adopted the following distribution strategies: retailing, distributors, wholesaling, personal selling, mail order and use of brokers. The study also noted that effacing distribution channel helped to ensure competitive advantage though cost saving, time saving, customer convenience and provision of valuable information. The findings are in line with the research by Smith (2012) who claims that to remain competitive, the firm must choose right distribution channel that ensures that customers in different locations can buy the firms products and get the right level of service from same company.

5.2.6 People Strategies, Process Strategies and Physical Evidence Strategies

The study noted that the management of pharmaceutical companies had adopted the following promotion strategies: employing knowledgeable and experienced staff, training staff on customer care relations, companies without an articulated strategy run the risk of developing programs that don't meet organizational needs or further the business. The findings are in line with the research by Greve, (2009) that people strategy can unify and focus an organization, improve the return on human capital, and raise the organization to higher performance.

The study noted that the management of pharmaceutical companies has adopted e-procurement and e-form applications, e-marketing of services, neat and presentable employees, marketing materials and decent office layouts/branding. The study also noted that Electronic procurement ensured cost efficient, Internet marketing was fast and efficient compared to traditional marketing forms. E-marketing enabled the firm to attend to millions of customers and consumers simultaneously. The findings support the argument by Zou, Fang and Zhao, (2000) that email marketing provides lower cost compared to mainstream marketing channels.

5.3 Conclusions

Based on the research findings the study concludes that some of the strategies adopted by pharmaceutical companies in view of developing sustainable competitive advantage include cost leadership strategy, product differentiation strategy, market focus, as well as investment in research

The study concludes that among the external organizational capabilities contributing sustainable competitive advantage pharmaceutical companies include strategic customer targeting, evaluating organizational strengths, exploring market niches that bigger competitors were not pursuing, teaming up with other businesses to gain market share, periodic analysis of organization weakness, and continuous innovation process through market research and development.

The study concludes that among the internal organizational capabilities contributing sustainable competitive advantage pharmaceutical companies include, investment in staff development, resource allocative efficiency, maintenance of quality accounting standards, maintenance of quality products, and strong focus on internal processes and systems in view of meeting customer needs.

5.4 Recommendations

The study found out that differentiation strategy is positively related to organizational performance and it affects to a very great extent. This study therefore recommends that differentiation strategy should be highly adopted in order to promote organizational performance. The study furthers recommends for continuous efforts of differentiation as the study findings established that there are high imitation levels from the competitors.

The study findings revealed that cost leadership strategy is highly influential on organizational performance. As a result, this study recommends that organizations should highly adopt cost leadership strategy. The study however recommends that staff reduction should not be used as a means of promoting organizational performance. This is based on the study findings that staff reduction affects organizational performance to less extent as indicated by the respondents.

The study advocates for adoption of market focus strategy due to its great influence on organizational performance and the positive relationship as well as revealed by the study findings.

The study found out that focusing on internal and external organizational capabilities affects organizational performance through sustained competitive advantage. Hence the study recommends that analysis of internal and external organizational capabilities should be in order to reap the benefits accrued from its adoption. The study strongly recommends that efforts be undertaken to fight against imitations as it's a key drawback to organizational performance as established by the study findings.

The management of pharmaceutical companies should periodically conduct analysis, for strengths, weaknesses, opportunities and threats, as this will be helpful in establishing business objectives and achieving the organization's mission goals.

5.5 Areas For Further Research

This study sought to analyze the strategies adopted by pharmaceutical companies in Kenya to achieve sustainable competitive advantage. The study recommends that an in-depth study should be done on the challenges facing pharmaceutical companies in the adoption of competitive strategies.



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APPENDICES

APPENDIX I: QUESTIONNAIRE

SECTION A: DEMOGRAPHIC DATA OF EMPLOYEES

Please supply the required data by filling in the blanks where space is provided or by ticking against the most appropriate answer.

Respondents name..... [Optional]

1. What is your position in this organization?

- a) Sales Manager []
- b) Field Force manager []
- c) Business development manager []
- d) Marketing Manager []
- e) Event and Promotion Manager []
- f) Field Sales Representative []

2. Please indicate your highest academic level

- a) Diploma []
- b) Degree []
- c) Post graduate []

3. For how long have you worked in this organization?

- a) below 1 year []
- b) 2 - 3 years []
- c) 4 - 5 years []
- d) Above 5 years []

4. What is your age bracket?

- | | | | |
|----------|-----|----------|-----|
| Below 25 | [] | 25-35 | [] |
| 36-45 | [] | Above 45 | [] |

SECTION B: COMPETITIVE ADVANTAGE

5. For how long have the company been in the competition?

- | | | | |
|-----------|-----|--------------------|-----|
| 0-2 years | [] | 3-5 years | [] |
| 6-8 years | [] | More than 10 years | [] |

6. Competitive advantage can be categorized into the following five categories. Please rate them in order of their importance using the following scale (4. Hyper competition 3. Very strong competition 2. Strong competition 1. Weak competition)

Category	4	3	2	1
Product advantage				
Knowledge advantage				
Cost advantage				
Relationship advantage				
Structural advantage				

7. Does your organization have a competitive advantage over its competitors?

Yes

No

8. Did the firm consider the competition from other players in the industry before adopting the competitive strategies?

Yes

No

9. Which of the following best describes your competitive strategies?

We offer low cost services

We provide a unique service and charge a premium for it

We focus on a niche market and serve it only

10. Using a scale of 1 - 5 where 1 is Strongly agree, 2 - Agree, 3 - Neutral, 4 - Disagree and 5 strongly disagree, respond to the following statements

Statements	5	4	3	2	1
Our company is the low cost leader in the industry					
Our company has a broad scope and serves many clients					
We achieve our economies of scale through providing high volumes of standardized services					
We maintain our strategy by constantly searching for cost reduction avenues or ways					

Our extensive branch network enables us to maintain our low cost					
Our low cost strategy has enabled us to attain a large market share					
We have been able to meet our target clientele using our low cost strategy					

11. On a scale of 1 – 5 where 1 is Strongly agree, 2 – Agree, 3 – Neutral, 4 – Disagree and 5 strongly disagree, indicate the extent to which the following factors enable you to provide your services at low cost.

Factors	5	4	3	2	1
Being located near the customers					
Having a large network in the country					
Ensuring low labour costs					
Having minimal operational cost					
Having cost reduction strategies					

12. Using a scale of 1 – 5 where 1 is Strongly agree, 2 – Agree, 3 – Neutral, 4 – Disagree and 5 strongly disagree, respond to the following statements.

Statements	5	4	3	2	1
Our company has designed services perceived as unique by our clientele					
Our profitability is pegged on our ability to offer a unique service and charge a premium for it					
We maintain our differentiation strategy by constantly looking for ways of charging a premium that exceeds the cost of differentiating.					
Our differentiation is based on the understanding of unique customer needs and seeking to meet them.					
Through differentiation, our unique service features provide superior value for our customers					
We always strive to differentiate our services in such a way that our competitors cannot imitate us.					

13. On a scale of 1 – 5 where 1 is Strongly agree, 2 – Agree, 3 – Neutral, 4 – Disagree and 5 strongly disagree, indicate the extent to which the following factors enable you to sustain your differentiation strategy

Factors	5	4	3	2	1
Strong research and development skills					
Strong product engineering skills					
Strong creativity and innovation skills					
Presence of strong marketing skills					
Adequate communication of the benefits of our products					

14. Using a scale of 1 – 5 where 1 is Strongly agree, 2 – Agree, 3 – Neutral, 4 – Disagree and 5 strongly disagree, respond to the following statements.

Statements	5	4	3	2	1
Our company concentrates on a specific / niche market					
Our focus strategy rests on the choice of a narrow competitive scope within the insurance industry					
We strive to meet the needs of our niche market by tailoring our market mix to these specialized markets					
Through our cost focus, we exploit cost behaviours in specific market segments					
Through our differentiation focus we exploit the special needs of buyers in specific segments					

15. Does the organisation have unique resources that enhance its competitive advantage?

Yes ()

No ()

16. Are these resources the main sustainability for the Organisational competitive advantage?

Yes ()

No ()

17. How can the organisation categorise its resources?

Tangible ()

Non-tangible ()

18. What were the reasons for the implementation of your Competitive Strategies?

a) Changes in business environment

Yes ()

No ()

b) Competition in business environment

Yes ()

No ()

c) Active pursuit of strategic benefits

Yes ()

No ()

d) Opportunities offered by new technologies

Yes ()

No ()

e) Financial condition of the company

Yes ()

No ()

19. To what extent were the following risks or implementation problems experienced?

(Please note 1 = Very High, 2 = High, 3 = Moderate 4 = Minimal and 5 = Not at all)

Risks	5	4	3	2	1
Challenges of Change management					
Implementation Time Frame					
Resources Adequacy					
Management support					
Technological competence					
Competitor's reaction					

20. Have any of the above strategies or resources enabled you sustain your competitive advantage?

Yes ()

No ()

SECTION C: MARKETING STRATEGIES

21. To what extent does your firm apply the following marketing strategies?

(Please note: Very Great Extent [5], Great Extent [4], Moderate Extent [3], Little Extent [2]
No Extent [1])

PRODUCT STRATEGIES TO IMPROVE:

Marketing Strategies	5	4	3	2	1
Product taste					
Product colour					
Product shape					
Product size					
Brand personality					
Product quality					
Brand based product strategy					
Offering multiple product choices					
New product development approach					
Customized product strategy					
Repositioning based strategy					

PRICING STRATEGIES THROUGH:

Pricing Strategies	5	4	3	2	1
Market penetration pricing					
Market skimming pricing					
Time based pricing					
Location focused pricing					
Discount pricing					
Customary pricing					

PROMOTION STRATEGIES THROUGH:

Promotion Strategies	5	4	3	2	1
Demonstration					
Telephone handling					
Personal selling					
Flyer and brochure					
Office setting					
Sponsorships					
Exhibitions					

DISTRIBUTION STRATEGIES THROUGH:

Distribution Strategies	5	4	3	2	1
Brokers					
Personal selling					
Retailing					
Mail order					
Distributors					
Wholesaling					

PEOPLE STRATEGIES

People Strategies	5	4	3	2	1
Employing knowledgeable and experienced staff					
Training staff on customer care relations					

PROCESS STRATEGIES

Process Strategies	5	4	3	2	1
E-marketing of services					
E-procurement					
E-form applications					

PHYSICAL EVIDENCE STRATEGIES

Physical Evidence Strategies	5	4	3	2	1
Decent office layouts/branding					
Neat and presentable employees					
Marketing materials					

Sustainable Competitive Advantage

22. To what extent does the strategies adopted by your company influence the following?

	Very great extent	Great extent	Moderate	Less extent	Not at all
Market share					
Profitability					
Superior performance					
Competitiveness					

23. How have these strategies contributed towards achieving sustainable competitive advantage?

.....

.....

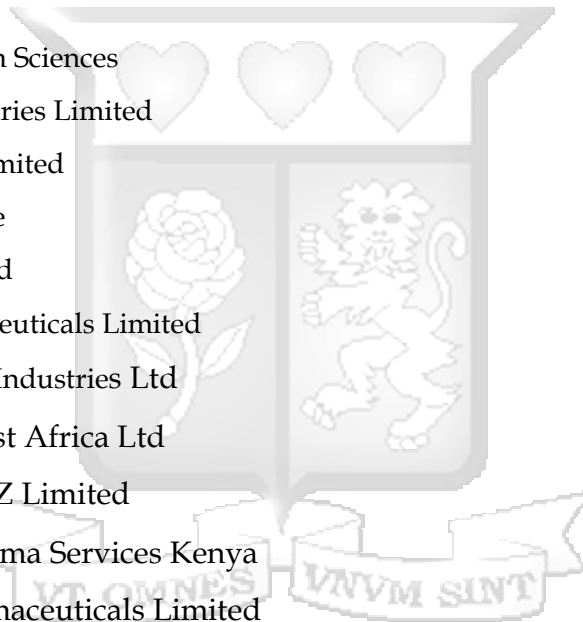
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THANK YOU FOR YOUR TIME

APPENDIX II: PHARMACEUTICAL COMPANIES

1. Adcock Ingram East Africa Ltd
2. Astra Zeneca
3. Boehringer Ingelheim
4. Bayer East Africa
5. Beta Healthcare International
6. Eli Lilly
7. GlaxoSmithKline Pharmaceutical Ltd
8. MSD
9. Merck
10. Sanofi
11. Imperial Health Sciences
12. Pfizer Laboratories Limited
13. Surgipharm Limited
14. Beta Healthcare
15. Cosmos Limited
16. Dawa Pharmaceuticals Limited
17. Elys Chemical Industries Ltd
18. Highchem East Africa Ltd
19. Ivey Aqua EPZ Limited
20. Novartis Pharma Services Kenya
21. Phillips Pharmaceuticals Limited
22. Regal Pharmaceutical Ltd
23. Universal Pharmaceutical Limited
24. Sandoz GMBH Kenya
25. Glenmark Pharmaceuticals



APPENDIX III: CERTIFICATE OF CONSENT

I have received information about a study *Dr. Winnie Munene* will conduct titled: ***AN EXPLORATION OF STRATEGIES ADOPTED BY PHARMACEUTICAL COMPANIES IN KENYA TO ACHIEVE SUSTAINABLE COMPETITIVE ADVANTAGE***

I have been informed that the study will be conducted as academic research and that the Information I provide will be treated in the strictest confidence.

I express my approval and my intention to voluntarily participate in this study

Name:

Signature:

Date:

Researcher:

