COMPETITIVE STRATEGIES AND PERFORMANCE OF ORGANIZATIONS IN THE PHARMACEUTICAL INDUSTRY: CASE OF PHARMA SPECIALITIES LIMITED NAIROBI, KENYA

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ABSTRACT

The study aimed at determining the effect of competitive strategies on the performance of organizations within the pharmaceutical industry in Kenya, a case of Pharma Secialities Limited. The general objective was to establish the effect of competitive strategies on the performance of Pharma Specialities Limited Company. The three main generic strategies of competition which are: cost leadership, differentiation and the focus strategy were considered so as to ascertain their effects on the performance of the company. This study should be of great benefit to Pharma Specialities Limited Company and the stakeholders of this industry for continuous improvement. The study involved a descriptive and cross-sectional study design. Data was collected from respondents who were members of staff of the company and working in the various departments of the company through questionnaires. The data was presented in figures and tables. Measures of central tendency and dispersion were calculated and presented. The study targeted the staff of Pharma Specialities Limited Company which is located in Nairobi along Mombasa road in the Phillips Building Park. The target population was thirty eight which is the total population of the Company's employees composed of three top management staff, twelve middle level staff and twenty three others, mainly the sales representatives. The primary tool for data collection in this study was the questionnaire. The data was keyed into the Statistical Packages for Social Sciences, cleaned and then analysed. Frequencies were run to give charts and percentages of the data and the socio demographic characteristics of the respondents. A Regression analysis was done to test the relationship between the independent variables and the dependent variables. It was found that the four strategies had a positive correlation with the performance of the company.

Key Words: *competitive strategies, performance, organizations, pharmaceutical industry, Pharma Specialities Limited Nairobi, Kenya*

INTRODUCTION

Without the pharmaceutical industry, there will be more illnesses, and even deaths. According to EFPIA Eurostat trade data 1995-2012 of (2013) the pharmaceutical industry was termed as a key asset to the economy of Europe as well as the industry with effective technology. Indian pharmaceutical industry exports drugs to more than two hundred countries and vaccines and biopharmaceutical products to about one hundred and fifty one countries. Globally, India ranks third in terms of volume and fourteenth in terms of value. In a report by African Development Bank Group (2014), it was said that pharmaceutical industry in China grew by 20%, Russia by 14%, India by 11%, and Brazil by 7% over the past five years and noted that in 2011, Africa's' market grew by 2% indicating a tremendous growth in the future. The report further said that Africa's pharmaceutical industry is the fastest growing in the whole world. However, the market is driven by a small number of countries which include Nigeria, South Africa, Ghana and some

Eastern Africa Countries and North Africa. Currently, Kenya is the largest producer of pharmaceutical products in the Common Market for East and Southern (COMESA) region, supplying about 50% of the regions market. Out of the fifty recognized pharmaceutical manufacturers, thirty are based in Kenya. Therefore, the Kenyan market extends to the rest of Africa at large due to the demand and limited supply. More importantly to note is that Kenya is a market hub for pharmaceutical products from India due to the low prices that accompany the generic products in which India is a pioneer of such produce.

The pharmaceutical industry in Kenya is very competitive and is characterized by price wars. This is because returns are in excess of 20% of investment which is lucrative. Government policies dictate the price structure. The price structure is not sustainable and favours those who produce at reasonable prices. To remain competitive in the market the firms have adopted numerous strategies so as to survive.

Competitive Strategies

A strategy is a pattern or plan that integrates an organization's major goal, policies and action sequences into a cohesive whole (Porter 1980). Andrews (1971) argues that, with respect to corporate strategies, a strategist addresses what the firm might and can do as well as what the firm wants to do. Johnson and Scholes (2000) defined strategy as, 'the direction and scope of an organization over a long term, which achieves advantage for the organization through its configuration of the resources within the changing environment and to fulfill stakeholder expectations'. He concludes that, a strategy is the matching of the resources and activities of an organization to the environment in which it is operating. A competitive strategy aims at establishing a profitable and sustainable position against the forces that determine industry competition (Porter, 1998). A competitive strategy can be explained as the fundamental long and short 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 thereby contributing to the achievement of the company goals and its marketing objectives. A competitive strategy is always founded on consistently understanding and predicting changing market conditions and customer needs for it to be on the winning sideHitt (1997). The competitive strategy can be classified into several building strategies.

Firstly, differentiation strategy which is described as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique Davidow and Uttal (1989). The Second one is focus strategy that makes a company manipulate its pricings to affect its market. The focuser's basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors Adhiambo (2013). Thirdly, Cost Leadership Strategy. For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000).

Competitive Advantage

Competitive advantage is the ability of a firm to occupy a superior position in an industry and outperform its rivals on the primary performance-profitability. A company's superior competitive position allows it to achieve a higher profitability than the industry's average (Porter, 1985). Firms strive to achieve success and survival in competition by pursuing strategies that enable them to perform better than their competitors. Barney (2008) defines competitive advantage as being sustainable if competitors are unable to imitate the source of the advantage or if no one conceives a better offering. Barney (2008) distinguishes between two types of competitive advantage as; temporary and sustainable. Competitive advantage typically results in profits, but these profits result in the attraction of competitors and the competition limits the duration of the competitive advantage in most cases. Most competitive advantages are therefore, temporary. On the other hand, competitive advantages are sustainable if the competitors are unable to imitate the source of the competition or if no one conceives a better offering (Barney, 2008). Competitive advantage must then be incorporated in the value chain if it has to be sustainable. Competitive advantage is defined as the strategic advantage one business entity has over its rival entities within its competitive industry.

Competitive advantage arises from various sources. According to Porter (1985), a firm can achieve a higher rate of profit or potential profit over a rival in one way or two ways. Either, the company can supply an identical product or service at a lower cost, in which case, the firm attains a cost advantage; or it can supply a product or service that is differentiated in such a way that the consumer is able to pay a price premium that exceeds the additional cost of the differentiation advantage. Differentiation by a company from its competitors is achieved when it provides a unique product or service that is valuable to the buyers and beyond. While emphasizing the importance of innovation, Grant(1997), points out that innovation not only creates a competitive advantage, but it also provides a basis for overturning the competitive advantage of other firms. A firm with a distinctive competence can differentiate its products by providing something unique that is valuable to the buyers or achieve substantially lower costs than its rivals. Consequently, the firm creates more value than its rivals and earns a profit rate substantially above the industry average. Once established, a competitive advantage is subject to erosion by competition. This arises because a company with a competitive advantage earns higher than the average profits.

Performance of Organizations

Operational performance relates to the firm's performance measured against standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as, cycle, productivity, waste reduction and regulatory compliance. It is a firm's capabilities to more efficiently produce and deliver products or services to customers (Zhu, 2008). It refers to the strategic dimensions by which a company chooses to compete (Narasimhan & Das, 2001). There seems to be a universal agreement in literature that quality, delivery, flexibility and cost are the core and most often mentioned operational performance areas according to Ward (1998), Narasimhan and Jayaram (1998), Pagell and Krause, (2002).

Companies should integrate their marketing strategies into both product and process design in order to respond to customer demand (Thun and Müller, 2010). Competitive strategies and gaining competitive advantage help companies to integrate technological organizational innovations, thus providing for simultaneous improvements in operational performance Lai (2010). Cooperation with customers usually generate benefits in terms of cost, quality, flexibility and gaining delivery (Klassen & Vachon, 2003), (Klassen & Whybark, 1999), (Vachon & Klassen, 2008). With regard to cost, customers are able to acquire the services and goods that can comfortably quench their needs as well as help the company achieve the goal of selling and even gaining profits. If quality performance is a company's primary strategic objective, then its operations matters a lot. They have to offer a further synergistic mechanism to achieve competitive quality gains (Vachon & Klassen, 2008). With regard to flexibility and delivery, (Vachon & Klassen, 2008) further identified a positive relationship between the competitive strategies that a company employs and its operational performance. It is very important for a company to a have a competitive advantage so as to achieve superior firm performance Van (1999), Rao and Holt (2005), Zhu (2008).

Pharmaceutical Industry in Kenya

The pharmaceutical industry in Kenya comprise of companies which can be categorized into three distinct groups (Mwangi, 2003) which are manufacturers, distributors and retailers. The sector consists of thirty licensed concerns which include: one, the manufacturing companies which import raw materials or the concentrates of drugs, manufacture finished products and sell in Kenya and sometimes in neighboring countries. Most of these are local companies and examples of these are Dawa Limited, Universal Corporation Limited, and Cosmos limited, while others are subsidiaries of multinationals like Beta healthcare International limited and GlaxoSmithKline. The second group is the distributors which involve multinational companies which import the finished research based drugs (original brand) from their parent company base or their manufacturing sites. They then undertake the activities of pricing promotion and distribution in Kenya and sometimes other surrounding regions depending on the company‘s market demarcations. Some of them though do the marketing while distribution is done by local distributors. Many multinationals companies which sell their brand drugs either directly or through local partners, interestingly, prefer to work under local distributors so as to cut down on operational costs and allow local agents to do importation and marketing functions for them. Examples of these companies are Novo Nordisk, Johnson & Johnson and Merck which are under Phillips pharmaceuticals, or Abbott which is under Surgipham and Phillips Health care Technologies. The local pharmaceutical importers are also part of the distributors. These are agents who import finished drugs through contractual agreements with foreign pharmaceutical manufacturing companies generally known as principals, to do marketing functions such as product pricing, promotion, distribution to the wholesalers, retailers, hospitals and other institutions. Most of these agents, import generic drugs and source them from countries with low manufacturing costs like India, Pakistan, Egypt and most recently China (Odhiambo, 1999). The ownership of these companies is entirely by Kenyan citizens some of whom are either locals or of Asian origin, and have their premises located in Kenya and their business operations are only within the country and have no international affiliations. The genesis of this group of companies is as a result of the major reductions in brand drug prices which is the norm after a drug patent expires. This offers an opportunity for generic products to be manufactured at lower costs. Importers are therefore able to buy these drugs at much lower cost than the brand drugs which translates to the importer imposing a markup that offers a higher profit margin to the firms while still offering lower priced drugs to the end users in comparison to the original drug. Kenya has been a good market for these drugs due to their affordability.

Pharma Specialities Limited

Pharma Specialities Limited is a distributing company located in Nairobi Kenya at Phillips Business Park, along Mombasa road. It has consignment with manufacturers from India and is owned by a Kenyan of Indian origin. It imports its products either through the sea or the air from India and hence most of its products are generic. Pharma Specialities has several principals which include Steadman Manufacturing Company, Blue Cross Laboratories, Innocia among others. Depending on the principal, the cost of transportation and advertisement goes to the principal. It is however, faced with competition from other registered companies operating in the same industry such as, Ngecha Industries Ltd, Surgik Limited, Phillips Pharmaceutical, August Auto Agencies Limited. To mitigate this, it has to come up strategies that will enable it gain completive advantage over them.

Pharma Specialities has products such as anti-infective, products acting on the central nervous system (CNS), products acting on the respiratory system, products acting on gastrointestinal and metabolic disorders and other pharmaceutical products acting on the cardiovascular and genitourinary systems, dermatological preparations and ophthalmic drugs. Pharmaceutical products in Kenya are channeled through pharmacies, chemists, health facilities and shops. There are about seven hundred registered wholesalers like Njimia Pharmaceutical, Wessex pharmaceuticals, Transwide pharmaceuticals limited, Transchem pharmaceutical limited among others who are the main customers for Pharma Specialities Limited. These customers also buy products from other distributors who compete with Pharma Specialities Limited prompting the need for the company to seek new ways it can employ in order to effectively compete and hence gain a competitive advantage specifically by through the adaption of the completive strategies. KEMSA is a governmental body that is entrusted by the government to do supplies to the public health facilities and some few private facilities. KEMSA purchases these products through a tenderised process from either the manufacturing country or the distributors.

STATEMENT OF THE PROBLEM

Over the recent years, there has been noticeable increase in the number of sellers in the market of pharmaceuticals competing for the same market with the same products. The Kenyan Pharmaceutical domestic market was estimated to be over 240 million USD in 2008 by UNIDO (United Nation Industrial development Organization 2010). 28% was from the domestic production, 32% comprised of imported generics, while 40% was imported original brands from Multinational companies. In order to fit in the almost saturated market, every seller is forced to come up with a strategy that will make them remain in the competitive market niche. Some focus on value addition, cost reduction, advertisement through the media, acquisitions and mergers as well as engaging in CSR activities among others. Market entry strategy is one of the major key areas a business must be concerned with since it the first approach matters on whether it will be able to convince customers who have been using a certain product to change without causing any alarm. In addition, maintaining the customer base through satisfaction is also another element that causes a company has to be keen on. Pharma Specialities limited is one of the distributing companies based in Kenya and therefore faces stiff competition from the companies that manufacture and sell same products locally, those that import the products and sell them to the market as well as multinational companies that have the same products. For example, Zefee, a blood builder that is distributed by Pharma Specialities Limited has the same components with Ranferon that is distributed by Ranbaxy Laboratories limited. In addition there is competition within the company since the company has principals who have products with similarity. The study sought to establish the effect of competitive strategies on the performance of Pharma Specialities Limited company.

GENERAL OBJECTIVE

The general objective of the study was to establish the effect of competitive strategies on the performance of Pharma Specialities Limited company.

SPECIFIC OBJECTIVES

1. To find out how cost leadership affects performance of Pharma Specialities Limited Company
2. To establish the extent to which differentiation strategy affects performance of Pharma Specialities Limited Company
3. To determine the effect of Focus Strategy on performance of Pharma Specialities Limited Company

THEORETICAL LITERATURE REVIEW

The Porter's five Forces of Competition

The Porter's (1980) Five Forces Model illustrates how the competitive landscape in an industry is impacted by five prominent forces. These forces are: Supplier power, Threat of new entrants, Buying power, Threat of substitutes, and Rivalry. The degree of rivalry is the centre of this model as the other four forces branch off of this. Each of the forces influences the nature of competition in the industry. Additionally, organizational strategies are often impacted as companies formulate their strategies in order to respond to the dominant competitive forces in any particular industry.

The bargaining power of suppliers is a reversal of the power of buyers. This force can also be described as the market of inputs. The suppliers of raw materials, labour, and expertise services provide industries and have power over industries (Quick MBA, 2010). The bargaining power is in the price for the materials or services provided. Many industries have a plethora of suppliers that offer these things needed, but some don't. Some industries only have one or two suppliers and those suppliers can put any price on the materials/services they offer.

The Market-Based View theory

The Market-Based View (MBV) of strategy argues that industry factors and external market orientation are the primary determinants of firm performance (Bain, 1968),(Caves & Porter, 1977), (Peteraf & Bergen, 2003). The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position. The strategic position is a firm's unique set of activities that are different from their rivals. Alternatively, the strategic position of a firm is defined by how it performs similar activities compared to other firms, but in very different ways. In this perspective, a firm's profitability or performance is determined solely by the structure and competitive dynamics of the industry within which it operates Schendel (1994).

According to Hoskisson (1999) and Mintzberg (1998), the market-based view (MBV) includes the positioning school of theories of strategy and theories developed in the industrial organisation economics phase of the development of strategic thinking. During this phase, the focus was on the firm's environment and external factors. Research shows that the firm's performance is significantly dependent on the industry environment. They viewed strategy in the context of the industry as a whole and the position of the firm in the market relative to its competitors. Bain (1968) proposed the Industrial Organisation paradigm, also known as the Structure Conduct-Performance (SCP) paradigm. It describes the relationship of how industry structure affects firm behaviour and ultimately firm performance.

Bain (1968) studied a firm with monopolistic structures and found barriers to entry, product differentiation, number of competitors and the level of demand that effect firm's behaviour. The

SCP paradigm explains why organisations need to develop strategy in response to the structure of the industry in which the organisation competes in order to gain competitive advantages. In formulating strategy, firms commonly make an overall assessment of their own competitive advantage via an assessment of the external environment based on the five forces model (Porter, 1979, 1985).

The Resource-Based View theory

The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasises the resources that firms have developed to compete in the environment. During the early strategy development phase of Hoskisson's account of the development of strategic thinking Hoskisson (1999), the focus was on the internal factors of the firm. From the 1980s onwards, according to Furrer (2008), the focus of inquiry changed from the structure of the industry, e.g., Structure-Conduct-Performance (SCP) paradigm and the five forces model) to the firm's internal structure, with resources and capabilities which are the key elements of RBV. Since then, RBV strategy has emerged as a popular theory of competitive advantage (Furrer, 2008) and (Hoskisson, 1999). Penrose (1959) suggested that the resources possessed, deployed and used by the organisation are really more important than industry structure. The term 'resource-based view' was coined much later by Wernerfelt (1984), who viewed the firm as a bundle of assets or resources which are tied semi-permanently to the firm. Barney (1991), argued that the resources of a firm are its primary source of competitive advantage.

Successfully implemented strategies always lift a firm to superior performance by facilitating the firm with competitive advantage to outperform the current or potential players Passemard and Calantone (2000). To gain competitive advantage, a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage Reed and Fillippi (1990) cited by Rijamampianina (2003). Superior performance outcomes and superiority in production resources reflects competitive advantage Day and Wesley (1988) cited by Lau (2002)

EMPIRICAL REVIEW

Cost Leadership Strategy and Performance

In cost leadership strategy, a company decides to produce lower prices in the market. In order for firms implementing the cost leadership strategy to maintain a strong competitive position and sustain their profit margins for a considerable period of time, they have to place a premium on efficiency of operations in all functional areas (Porter, 1980) and cited by (Mbayeh, 2012). The sources of cost advantage include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. By pursuing low costs, companies not only operate efficiently, but also become an effective price leader, undermining competitors' growth in the industry through its success at price war and undercutting the profitability of competitors.

If the firm's cost of sale or cost of raw material is lower than its competitors, then the firm can offer lower prices, higher quality, or both (Spulber, 2009).

Factors such as demand, competition, distribution channels, internal environment and public authorities affect price setting (Woodward, 2004). Developing a coherent pricing strategy assumes a major significance (Jobber, 2004). As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market. The leader then is somewhat insulated from industry wide price reductions (Porter, 1980). Pricing decisions include determining the overall level of prices (low, medium, or high), the range of the prices (lowest to highest), the relationship between price and quality, the emphasis to place on price, how to react to competitors` prices, when to offer discounts, how prices are computed and what billing terms to implement such as cash or credit policy (Olson, 2005).

Price is one of the flexible elements and can be changed quickly (Peter, 2007). As the management works on lowering prices to suit in the cost leadership strategy, they should be sensitive since people will buy a premium priced product because they believe the high price is an indication of good quality and a sign of self-worth. In psychological pricing, the consumers are sensitive to certain prices and tend to avoid purchasing products decreasing the demand. The reason for applying the strategy of cost leadership is to obtain the advantage by reducing the economic costs among its competitors (Barney, 2002). This strategy highlights efficiency. By producing high qualified and standardize products or services, at the same time, with the effects of the economic scale and experience curve, the firm strives to gain a sustainable competitive advantage among its competitors.

Differentiation Strategy and Performance

When a company uses differentiation strategy for marketing, it tries to be unique in its industry along some dimensions that are highly valued by the buyers. The company therefore selects one or more attributes that many buyers in the market admire and term them as important and thus the company uniquely positions to meet those needs. A firm implementing a differentiation strategy is able to achieve a competitive advantage over its rivals because of its ability to create entry barriers to potential entrants by building customer and brand loyalty through quality offerings, advertising and marketing techniques. Differentiation strategies are marketing techniques used by a firm to establish strong identity in a specific market; also called segmentation strategy. Kinyua M.N. (2014).According to Ogbonna and Harris, (2003), differentiation reduces competitiveness and the fight for scarce resources, thereby improving performance; but on the other hand, conformity makes all organizations similar and therefore, the competitive pressures are stronger.

A firm that implements a differentiation strategy enjoys the benefit of price-inelastic demand for its product or service. This would in turn help the firm to avoid potentially severe price competition and allow it to charge premium prices leading to above-normal profits (Porter, 1980). When using this strategy, a company focuses its efforts on providing a unique product or service (Hlavacka, 2001).Since the product or service is unique, the strategy provides a high customer loyalty (Porter, 1985). Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share.

According to McCracken (2002), the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector, quality of work, the size of the firm, the image, geographical reach, and involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm (McCracken, 2002), and this message must reach the clients, as the customer's perceptions of the company are important and suggest bending the customer's will to match the company's mission through differentiation. When using differentiation, firms must be prepared to add a premium to the cost. This is not to suggest costs and prices are not considered; only it is not the main focus (Hlavack, 2001).

In order to maintain this strategy the firm should have: strong research and development skills, strong product reengineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures, be able to communicate the importance of the differentiating product characteristics, stress continuous improvement and innovation and attract highly skilled, creative people Baum and Oliver (1992).

The value added by the uniqueness of the product may allow the firm to charge a premium price for it. Because of the products’ unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily Porter (1985). Well put, within service sector (Phillips and Peterson, 2001) concludes that product differentiation is a common way of differentiating the firm's offerings from those of its competitors. A successful differentiation strategy is based on the study of buyers’ needs and behavior in order to learn what they consider important and valuable.

Focus Strategy and Performance

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001). The firm can choose to focus on a select customer group, product range, geographical area, or service line (McCracken, 2002).It is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in niche market or in markets either not attractive to, or overlooked by, larger competitors. A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy and when the niche has not been pursued by rival firms (David, 2000). Midsize and large firms use focus-based strategies in conjunction with differentiation or cost leadership generic strategies. Focus strategies are most effective when consumers have distinct preferences.

According to Toppinen (2006) the focuser selects a segment of group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve competitive advantage in its target segments even though it does not possess competitive advantage overall. The focus strategy 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 a 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. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments. Such differences imply that the segments are poorly served by broadly-targeted competitors who serve them at the same time as they serve others, Kinyua M.N. (2014).

RESEARCH METHODOLOGY

Research Design

This study adopted both the descriptive research design and cross-sectional research design. This is because of the nature of the nature of the variables that were at hand to produce data which was quantitative. A descriptive survey method leads to an intense accuracy at the phenomena of the moment and then helps the researcher to describe precisely what is being seen (Saunders, 2007). A descriptive research design is concerned with describing characteristics of a problem therefore, it is deemed appropriate for this study. It also allows for in-depth analysis of variables and elements of the study population as well as collection of large amounts of data in a highly efficient way.

The Target Population

The study targeted the staff of Pharma Specialities Limited Company located in Nairobi along Mombasa road in the Phillips Building Park. There is thirty eight (38) such staff who were categorized as follows: Three (3) top management staff purposively chosen because they are the ones in charge of strategy setting and formulation for implementation, other than offering the overall leadership. Twelve (12) middle level staff as the implementers of the strategies and have the responsibility of assigning duties to the frontline staff. Twenty three (23) other staff who actually do the distribution of the products to the market on the ground. The respondents are of both gender for this is the staff establishment of Pharma Specialities Limited Company.

Data Collection Procedure

The primary tool for data collection in this study was the questionnaire. This method is importantly relevant to this study because it goes along well with the research design, the survey and is both cost and time effective. The researcher first all introduced himself to the respondents and then, the purpose of the study explained to the respondents. He then supplied them with the questionnaires to fill in the spaces provided.

Data Analysis Procedures

The data collected was quantitative and so it was analysed quantitatively by keying into the Statistical Package for Social Sciences, cleaned and then analysed. Frequencies were run to give charts and percentages of the data and the socio demographic characteristics of the respondents. A Regression analysis was done to test the relationship between the independent variable: focus strategy, differentiation strategy, cost leadership, vertical integration strategy, and the dependent variable: the performance of the company. The study will be guided by the following regression model to establish the relationship between the study variables:

$$Y=\beta o + \beta_1X_1 + \beta_2X_2+ \beta_3X_3 + \varepsilon$$

Where: Y= Operational performance; βo = Constant factor; Xi = Competitive Strategy adopted; X_1 – Focus; X_2 – Differentiation; X_3 - Cost Leadership; β_i = Coefficient (to be calculated); ε = Error term (constant)

RESEARCH RESULTS

The focus of the study was to determine the effects of competitive strategies on the performance of organizations within the pharmaceutical industry in Kenya, a case of Pharma Secialities Limited. The general objective was to establish the effects of competitive strategies on the performance of Pharma Specialities Limited Company. The three main generic strategies of competition which are: cost leadership, differentiation and the focus strategy together with a fourth one which is vertical integration were considered to ascertain their effect on the performance of the company. The research design employed was the descriptive and cross-sectional design which involved eliciting for opini9on from: top management, middle level staff and the sales representatives so as to have an inter-disciplinary mix of respondents. The data was collected by use of questionnaires for this method if both cost and time effective and responses easy to analysis using the SPSS software.

The study found out that the firm employed all the four strategies that were subjected for the analysis, but to varying degrees. Fifty one percent (53.1%) of the respondents confirmed that the organization has skilled personnel in pharmaceutical marketing specialized in sales and operations, while 50% of them were of the opinion that the firm offers to a little extend a unique service which provides high customer loyalty. All of them 100% were of the view that the firm is not committed to research and development and this was attributed to the fact that the company is in the distribution line and not manufacturing. The respondents rejected the hypothesis that the company outsourced any service which they did not have a low cost strategy. They argued that there were some discontinued lines of marketing but not majorly because of cost leadership reasons. The company offered incentives to the sales and marketing team after meeting their quantitative targets as indicated by 50% who both agreed and strongly agreed. As a result of merging and acquiring more supply lines, Pharma Specialities has been able to sell a wide range of products as well as highly specialized goods as indicated by 81.3% who strongly agreed and 19.7% who agreed approving the adoption of vertical integration strategy in gaining a competitive advantage. The organization did not have global online suppliers providing automatic restocking orders based on sales which is a limitation to the company in its overall performance. The youth, (18-35) years of age were the majority in the study who formed 91% of the total respondents while the rest 9% were aged (36-60) years. This was implicative of a young strong and energetic generation in this company basically for the medical representing and the older generation who had some good experience in the field offered the skills, knowledge and the managerial skills needed in the field of marketing pharmaceutical products.

There was laxity in the adoption of technology since the company neither had an online supplier nor online marketing to enforce their deliveries. Conclusively, Pharma Specialities has strongly used three strategies which are; focus, differentiation and vertical integration and needs strategically introduce the cost leadership strategy so as to exemplarily perform in her operations in the pharmaceutical industry. There was a young energetic generation in the company which could have translated to its good performance, for the employees were very energetic and productive through setting of strict quantitative targets hence increasing the sales income for the company. The reason for employing those with a background in science and more specific in an area related to chemistry was that they were supposed to be knowledgeable of the medical anatomy and description of the products they were selling. This is because all the respondents who participated were of the following disciplines; microbiology, biochemistry, medicine, medical laboratory, pharmacy and food science and technology with the majority being a biochemistry specialization.

INFERENTIAL ANALYSIS

A linear regression model was used to analyze and determine how the three independent variables; focus strategy, differentiation and cost leadership, were related to the dependent variable, the performance of the Pharma Specialities Limited.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764[a]	.653	.685	.73993

a. Predictors: (Constant), focus strategy, differentiation, cost leadership.

R Square is the proportion of variance in the dependent variable and can be explained by the independent variables. The R-squared in this study was 0.685 which shows that the three independent variables; focus strategy, differentiation and cost leadership explained 68.5% of the dependent variable, performance. Other factors not studied in this study explain 31.5% of the dependent variable (organization performance) and therefore need to be studied.

Table 2: The Analysis of variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	9.577	3	3.192	5.8	.002[b]
Residual	24.090	44	.547	1	
Total	33.667	47			

a. Dependent Variable: Performance
b. Predictors: (Constant) focus strategy, differentiation and cost leadership.

The analysis of variance (ANOVA) test was used to determine whether the model was a good fit for the data. The findings shown in the table above shows that; the P-Value was 0.002 which is less than 0.05 indicating a statistical significance and hence the model is good in predicting how the four independent variables (focus strategy, differentiation, cost leadership and vertical integration) influence performance of the Pharma Specialities Company. Further the F-calculated (5.831) was more than the F critical (2.46) which shows that the model was fit in predicting the influence of the independent variables on the dependent variable.

The equation for the regression line analysed was used to explain the exact relationship using the coefficients table as shown in the table below

Table 3: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	3.509	.593		5.922	.000	2.320	4.699
Focus Strategy	.377	.186	.253	2.022	.048	.751	.003
Differentiation	.329	.117	.334	2.813	.007	.563	.094
Cost leadership	.710	.153	.625	4.654	.000	.404	1.017

The equation can then be written as;

$$Y= 0.377X_1 + 0.329X_2+ 0.71X_3 + 3.509.$$

This can also be interpreted as: Organizational Performance (Y) = (0.377 X Focus) + (0.329 X Differentiation) + (0.71 X Cost leadership) + 3.509.

According to the y-intercept (β0), when the four independent variables are held constant, the value of organizational performance will be 3.509. In addition holding the other independent variables constant, a unit increase in the focus strategy would lead to 0.377 increases in organizational performance. Further, holding all the other variables constant, a unit increase in differentiation strategy yields 0.329 increases in the performance, a unit increase in cost leadership and vertical integration would lead to 0.71 increases in performance while if other variables are held constant, a unit increase in the vertical integration strategy gives the organizational performance increase as 0.278.

CONCLUSIONS

Fifty three percent or seventeen (17) of the respondents were of the opinion that target market of the company did not comprise of one or a few market segments only while the rest said that the market was general and that they could sell anywhere. The medical representatives were in charge of selling to specified regions.

The firm was not committed to research and development in order to build strong capabilities as 100% of them completely objected to the preposition. This was mainly due to fact that the company is majorly involved with the distribution rather than production of drugs. Fifty percent (50%) felt to a little extend that the company innovates new products/services regularly in order to beat competition and gain a competitive advantage while the rest 50% felt otherwise. It was evident that Pharma Specialities Limited engaged in building customer satisfaction and brand loyalty through quality offerings, advertising and marketing as seen by the 50% of the respondents whom agreed, 12.5% strongly agreeing and 28.1% moderately supporting the fact. The company had skilled sales and marketing personnel and additionally trained in marketing skills to give them an added advantage over their competitors as 53.1% of them strongly agreed, 28.1% agreed and 18.8% were moderate in their judgment.

It evident that the organization did not have global online suppliers providing automatic restocking orders based on sales as 100% of the respondents strongly disagreed with the opinion, although 78.1% of them moderately agreed that the organization has automated a majority of its operations in order to minimize costs with56.3% of them moderately agreeing that the firm had adopted the lowest product/service unit costs in order to withstand competition.

RECOMMENDATIONS

The study established that Pharma Specialities Limited adopted various competitive strategies in order to achieve competitive advantage. It is recommended that the firm adopts strategies that would ensure that there is production of drugs as well as maintaining low costs so that they can offer products at the lowest price and achieve competitive advantage over its competitors.

Pharma Specialities is a distributing company and not a manufacturing company that deals with imports from other reputable companies in the pharmaceutical manufacturing industry.

Therefore, there is no intense research work on production is required. However, there is need to have a research and development department to deal with product costs, customer needs and complains, marketing strategies and challenges rather than leaving the task to the managers who have a mountain of work in meeting the monthly sales target.

The study recommends to the management to adopt information technology in their marketing strategy where customers are able to see which products that they have and even order online. In addition, they should be connected to the suppliers who they would in turn order their products online making work easier, being cost effective and hence enhancing/increasing their performance.

The company should in addition to the selling of generic products have original brand names that will help them be highly specialized and unique. Brand drugs are highly preferred by medical specialists despite their high prices.

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