FOREIGN MARKET ENTRY STRATEGIES USED BY MULTINATIONAL PHARMACEUTICAL FIRMS IN KENYA

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DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

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D61/67040/2011

This Research Project has been submitted for examination with my approval as University Supervisor:

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I thank the almighty God for the wisdom, knowledge and courage and for guiding me throughout my life and studies, without Him I would not have come this far.

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Lastly I would like to thank my loved ones, who supported me throughout the entire process, both by keeping me harmonious and helping me putting pieces together. I will be grateful forever for you all.
DEDICATION

I dedicate this project to my family and friends. A special feeling of gratitude to my loving parents. Mr. Maurice Barasa and the late Alice Scholastica Nafula whose words of encouragement and push for tenacity ring in my ears. My brothers and sisters who have supported me along the way.

I also dedicate this project to my friends and church family who supported me throughout the process. I will always appreciate all they have done.
ABSTRACT
The main objective of this study was to determine entry strategies used by multinational pharmaceutical firms in Kenya. Despite abundant research on entry strategies in International Business (IB) studies, scholars have paid scant attention to the social context within which entry strategies into foreign markets are embedded. The research adopted cross-sectional and descriptive survey method aimed at establishing entry strategies used by multinational firms in Kenya. The study relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions; developed in line with the objectives of the study. The target population of this study consisted of 15 multinational pharmaceutical firms in Kenya with an average 3 to 5 partners in each firm giving 45 partners. The response was from 35 respondents who returned the questionnaire fully answered giving a response rate of 77.7% which was adequate for the study. The data was analyzed using tables and percentages, C, mean and standard deviations. Statistical Package on Social Sciences version 17 was used for statistical analysis views on entry strategies used by multinational pharmaceutical firms in Kenya. The research findings show that Firms that want to internationalize must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources. According to Wood and Robertson (2004) the age of globalization has both facilitated and necessitated business to move towards the internationalization of organizations of all sizes. Once an entry mode has been chosen, the company has to decide the degree of its marketing involvement and commitment. If companies assess all the factors positively, they are likely to decide to make capital investments in that foreign market. If the company assesses some of the factors negatively, they are likely to choose non-equity modes of entry, or to exclude that market from doing business. It is recommended that companies that want to expand their activities in global markets need to do some market research and analysis. One of the fundamental steps that need to be taken prior to beginning international Pharmaceutical Firms is the environmental analysis, to ensure these firms have the strategies to cope with future challenges and exploit the opportunities fully. In many cases, there are many obstacles that companies have to meet while deciding to enter other markets, for example; safety, environmental, trademarks and copyrights, are factors that businesses depend on being successful.
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<td>Kenya Medical Supplies Agency</td>
</tr>
<tr>
<td>MNE</td>
<td>Multi National Enterprise</td>
</tr>
<tr>
<td>OTC</td>
<td>Outlet As Free- Sales</td>
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<td>WHO</td>
<td>World Health Organisation</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000). Organizations exist as open systems and hence they are in continuous interaction with the environment in which they operate. The environment in which the organizations operate is never static. Firms depend on the environment for the required resource and a profitable market for their goods and services. All organizations lend themselves to this environment which is highly dynamic, chaotic and turbulent that it is not possible to predict what will happen and or when it will happen. Consequently, the ever changing environment continually presents opportunities and challenges (Mintzberg and Quinn, 1988).

The pharmacy practice has continuously changed in the current era of patient oriented activities. Pharmaceutical care emerged in 1990 and has been accepted as the philosophy of pharmacy practice since then. The challenge to provide pharmaceutical care has brought the attention of pharmacists to modify their practices in community settings (Kittipibul et al, 2006). In developing and industrialized countries alike, efforts to provide health care, including pharmaceutical care, are facing new
challenges. These include the rising cost of health care, limited financial resources, a
shortage of human resources in the health care sector, inefficient health systems, the
huge burden of disease, and the changing social, technological, economic and political
environment which most countries face.(Mil et al, 2006). These challenges have
hindered the full implementation of the practice of pharmaceutical care in Kenya.

Pharmacy practice has evolved significantly since prescriptions were first written,
thought to be around 2700BC although medicines were probably used before this with
their agencies. Healthcare systems throughout the world continue to develop as
society attempts to respond to the ever increasing need for quality cost effective
healthcare. The role of pharmacist has evolved from that of a compounder and
supplier of pharmaceutical products towards that of a provider of services and
information and ultimately that of a provider of patient care. Increasingly, the
pharmacists task is to ensure that a patients drug therapy is appropriately indicated,
the most effective available, the safest possible, and convenient for the patient. The
concept of the seven-star pharmacist, introduced by WHO and taken up by FIP in
2000 in its policy statement on good pharmacy education practice, sees the
pharmacist as a care giver, communicator, decision-maker, teacher, life-long learner,
leader and manager.

through the provision of safe and efficient health care, while respecting the needs of
health care professionals and society in general. The pharmacists should not just be
out to sell medicines at the expense of quality pharmaceutical care. Most companies
start their internationalization according to Root’s ‘pragmatic entry selection
approach’. This approach focuses at an entry mode that works, but may not be the most suitable entry mode. For that reason other kinds of entry strategy are only assessed if the chosen entry is not suitable. One of the main problems regarding market entry decisions is the fact that it is ill-defined, complex and dynamic (Young & Okoroafo, 1989). Scholars often have different opinions about the criteria influencing the choice of entry mode. Different samples, different time period.

1.1.1 Pharmaceutical Industry in Kenya
The market for pharmaceutical products in Kenya is estimated at KShs 8 billion per annum. The government, through Kenya Medical Supplies Agency (KEMSA) is the largest purchaser of drugs manufactured both locally and imported, in the country. It buys about 30% of the drugs in the Kenyan market through an open-tender system and distributes them to government medical institutions.

The pharmaceutical industry consists of three segments namely the manufacturers, distributors and retailers. All these play a major role in supporting the country’s health sector, which is estimated to have about 4,557 health facilities countrywide. 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 estimated of 50 recognised pharmaceutical manufacturers; approximately 30 are based in Kenya. It is approximated that about 9,000 pharmaceutical products have been registered for sale in Kenya. These are categorized according to particular levels of outlet as free-sales/OTC (Over The Counter), pharmacy technologist dispensable, or pharmacist dispensable/ prescription only.
Kenya’s pharmaceutical exports grew by 96 per cent between 2004 and 2008, corresponding to a Compound Average Growth Rate (CAGR) of 18.3 per cent over this period. About half of Kenyan exports of pharmaceutical products are destined for the United Republic of Tanzania and Uganda and the expanding market in these countries may be attributed to: The general growth in demand in pharmaceuticals markets in these destination countries, and the advantages enjoyed by Kenyan exporters in these neighbouring markets relative to overseas suppliers.

1.1.2 Internationalization theory
Melin (1992) has highlighted the limited attention that has been paid to the link between ‘internationalization theory’ and strategy issues at both conceptual and practical levels. The absence of linkages is perhaps most evident in relation to small firm strategies and internationalization. In some respects this situation is surprising, given that Ansoff (1965) identifies new market development (i.e. internationalization) as a viable strategy for rapid small firm growth in his product-market expansion matrix, as an alternative to developing new product/service offerings for the domestic market. However, in other respects the lack of attention is less remarkable and may be partially explained by a number of factors.

First, much of the early literature characterizes small firms’ export behaviour as essentially unplanned and reactive, with firms responding to unsolicited orders or enquiries rather than pursuing proactive strategies (Bilkey and Tesar, 1977). Second, many of these contributions tend to regard international involvement as of secondary importance to domestic market activities and something that firms only consider once they have established a secure foothold in the home market. Thus, domestic and
international developments are often viewed as diverse strategic solitudes, rather than complementary strategies for firm growth.

1.2 Research Problem
Entry strategy selection is the perceived institutional difference between home and host countries (Kostova, 1999) or between prior entries and prospective host countries (Johanson and Wiedershiem-Paul, 1975). Institutional distance hinders the flow of information between the MNE and the market (Xu and Shenkar, 2002) and may promote the adoption of strategies that are not more efficient but rather more legitimate. For example, if the prospective host country’s environment is perceived to be substantially institutionally different from MNEs’ home institutional environments or prior entry experience in other foreign countries, MNEs may prefer to commit fewer resources to its operations in the foreign country. Competitive strategy gives a company an advantage over its rivals in attracting customers and defending against competitive forces (Ansoff, 1985).

The pharmacy practice has continuously changed in the current era of patient oriented activities. Pharmaceutical care emerged in 1990 and has been accepted as the philosophy of pharmacy practice since then. The challenge to provide pharmaceutical care has brought the attention of pharmacists to modify their practices in community settings (Kittipibul et al, 2006). In developing and industrialized countries alike, efforts to provide health care, including pharmaceutical care, are facing new challenges. These include the rising cost of health care, limited financial resources, a shortage of human resources in the health care sector, inefficient health systems, the huge burden of disease, and the changing social, technological, economic and political
environment which most countries face (Mil et al, 2006). These challenges have hindered the full implementation of the practice of pharmaceutical care in Kenya.

Despite abundant research on entry strategies in International Business (IB) studies, scholars have paid scant attention to the social context within which entry strategies into foreign markets are embedded (Granovetter, 1985). To adapt, survive, and grow, MNEs need to respond effectively to internal institutional pressures as well as to the demands imposed by external environments (DiMaggio & Powell, 1983; Kostova & Roth, 2002; Scott, 2003). Foreign entry strategies have been studied as the outcome of the internalization of market imperfections and the minimization of transaction costs by organizing exchanges within the MNE (Williamson K, 1975). According to these studies, the best foreign entry strategy minimizes transaction and production costs and overcomes market imperfections (Teece, 1986). The higher the market imperfection (e.g., imperfections in the market for knowledge) the more likely the MNE will internalize those markets and adopt, for example, greenfield entry strategies (Dunning, 1988). Shah (2003) suggests that international marketing is a tool used to obtain improvement of one’s present position.

A study by Okoth K. (2005), Market saturation can be avoided by lengthening or rejuvenating product life cycles in other countries Williamson, (1991, found that Multinational corporations (MNCs) operate in a global environment unfamiliar in political, economic, social, cultural, technological and legal aspects. multinational corporations and the entry of other players in the Kenyan market. It is unclear, for example, how different entry mode strategies reflect internal, inter-firm and external environment pressures. It is accepted, however, that the models of interaction between
firms and their institutional environments determine the firms’ adjustment to external constraints and may promote the firms’ survival, even if the external environments are unknown and cannot be accurately predicted. In the case of multinational enterprises (MNEs), the difficulties are heightened because MNEs are exposed to multiple and distinctly complex foreign business environments (Guisinger, 2001). The question is, what entry strategy have multinational pharmaceutical firms adopted to enter the Kenyan market?

1.3 Research Objectives
The objectives of the study were;

i. To determine entry strategies used by multinational pharmaceutical firms in Kenya.

ii. To determine the factors influencing the foreign market entry strategies adopted by Kenya multinational pharmaceutical firms.

1.4 Value of the Study
The study will be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. The study will also highlight important relationships that require further research on use entry strategies used by multinational pharmaceutical firms in Kenya.

The findings of this study will be beneficial to all pharmaceutical firms both large and small since they will enhance entry strategy. The findings will also provide a useful reference document to stake holders in the medical and academic institutions in their endeavours’ to formulate work plan to meet the managing skills transfer.
Most importantly, it will help the policy makers within public and private sector to identify crucial areas in their organizations and make appropriate decisions to ensure that entry strategy is critically emphasized on. Also, through this study leaders and managers in multinational pharmaceutical firms in Kenya will learn and make responsible strategic plans and policy decisions that are meant to facilitate and sustain high organizational performance, and manage organizational and national resources so that corporations and societies can benefit from them in the future.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter shall review the literature available on entry strategies used by multinational pharmaceutical firms in Kenya. The first section focuses on entry mode strategies, factors influencing the entry strategy decision and the last sections covers problems facing companies entering transition countries.

2.2 Theoretical Perspective of the study
The process theory of internationalization focuses on why companies gradually increase their international involvement. According to Czinkota & Ronkainen (2003) international marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of the individuals and organizations. The attitudes and actual behavior are in a close relationship; thereby the attitudes constitute the basis for decisions to begin international activities from which the experience affects these attitudes. Czinkota & Ronkainen (2003) suggests that international marketing is a tool used to obtain improvement of one’s present position. Internationalization results to an expansion of national markets, opening new opportunities in a global economic and technological system, in which a growing integration of national economies occurs (Czinkota & Ronkainen 2003, 7). The way to obtain leadership, economically, politically or morally is not through passivity but rather through a continuous alert adaptation to the changing business environment, Luostarinen (1994, 1-2).
2.3 Foreign Entry Strategies

Once a company has decided upon a suitable target country for its operations, it needs to choose an appropriate market entry strategy (Root, 1994). The foreign market entry strategies for both manufacturing and service companies can be divided into exporting, contractual and investment entry modes (Bradley, 1995). Grönroos (1999), however, mentions a fourth mode of entry for services; the electronic mode.

To begin with, most manufacturing companies perform their initial internationalisation through exporting modes (Bradley, 1995). Exporting is a low resource commitment entry mode and when the firm later on has gained knowledge and experience it may shift to a high resource commitment entry mode, such as foreign investment (Kwon and Konopa, 1992). Exports for manufactured goods can further be divided into direct and indirect export, of which indirect export can be performed through selling to intermediaries such as export agents, whereas direct export is when companies are selling directly to the foreign buyers (Brassington and Pettit, 2000).

Export strategies for service firms contain direct export and systems export. Direct export of services often take place in industrial markets when consultants and firms repairing and maintaining valuable equipment are based on the domestic market, but on demand move their resources and system required to produce the service to the client abroad. In this situation, gradual learning cannot be applied, as the service has to be immediately produced. This creates a considerable risk of making mistakes. Systems export, on the other hand, is a shared export effort by two or more firms that have solutions that complement each other. As an example, when a manufacturer
delivers its goods to international buyers, a need for engineering services, distribution, cleaning and other services is often present (Grönroos, 1999).

Contractual entry modes, on the other hand, are long term relationships between companies in different countries that involve transfer or technology or human skills, and include licensing, franchising, and other types of contracts. Contractual entry modes are used when the firm wants to avoid starting up completely new operations in the new market. For this reason, this is the least risky of the entry strategies for service firms. (Grönroos, 1999) Furthermore, contractual entry modes can be separated from the exporting modes since the previous are transfers of knowledge and skills and the latter involve transfers of products. However, contractual entry modes can later lead to export opportunities. (Root, 1994)

Licensing is avoiding the risk of product and/or market development by using already established firms in the process. The licensee is, via the licensor, allowed to manufacture the product, use patents, and particular processes and/or use existing trademarks in a specific market in exchange for a fee or royalty. (Brassington and Pettitt, 2000) The main advantage of licensing is the circumvention of import barriers. In addition, licensing helps the firm to overcome the problem of high transportation costs that might occur in exporting. Licensing also implies lower political risk than the investment entry modes. The largest disadvantage of licensing is the licensor’s lack of control over the marketing plan and programme in the target country. Another disadvantage is the limited amount of income since the licensing contract usually lasts for only five to ten years. The risk of creating a new competitor is also high, since the licensee can use the licensor’s technology after the contract is finished (Root, 1994).
Franchising is when an individual or an organization in a country is granted the right to use the company name, trademark and technology. However, the franchisor also assists the franchisee in organization, marketing, and general management under an arrangement that is intended to be permanent. The advantages of franchising are rapid expansion to new markets with low investment, standardized method of marketing with a distinctive image, highly motivated franchisees, and low political risk. The disadvantages of franchising are mainly the same as for licensing. Further, licensing and franchising are suitable modes of entry when the company sells a service that cannot be exported (Root, 1994).

Finally, the investment entry modes include international company ownership of manufacturing plants or other production units in the foreign country in the form of new establishments which, according to Williams (1997), are also called greenfield sites), acquisitions, joint ventures, (Root, 1994) or mergers (Floyd, 2002). These modes have a considerable capability of impacting on the host economy. Williams (1997) also claims that arguments that are mounted in favour of foreign direct investments revolve around the notion that it will improve competitiveness, and through this increase employment and the welfare of the host nation. Through foreign investments, the foreign company can gain relatively more control of the market than through exporting, and it implies an expectation of a relatively higher rate of return (Kwon and Konopa, 1992).
2.4 Factors Influencing Foreign Market Entry Strategy Decision

The selection between the entry modes described in the previous section depends on the risk the company is prepared to take and its desired degree of control (Farhang, 1990). According to Root (1994), it depends on whether the managers of the international firm follow the naive, the pragmatic or the strategy rule when deciding which mode of entry should be used when entering foreign markets. Root (1994) further states that the naive rule implies that the firm only considers one way to enter foreign markets, no matter of which country the firm is entering. To follow the pragmatic rule means that the company does not set aside time to investigate other modes when a mode of entry that is working has been found. Finally, companies following the strategic rule systematically compare other modes of entry in order to eventually find the most suitable one.

Albaum and Strandskov (1994), on the other hand, argue that the decision can be based on either, or both, of two broad approaches, which are experience or analysis. That is, the company can decide what mode of entry is desirable for its products from its own experience, or from other firms’ experiences. In contrast, the choice can also be made after making an analysis of the marketing task, needs, and buying habits of potential customers, and the competence of marketing organizations to perform various activities. No matter which of these theories is used, the final result is based on needs and capabilities, which implies that the decision of entry mode revolves around both external and internal factors (Albaum and Strandskov, 1994).

The external factors that affect the entry mode decision include market, production and environmental factors in both the target and home countries. As these are external
to the company, they can seldom be affected by management decisions. The external factors can further be divided into target country market factors, target country production factors, target country environmental factors and home country factors (Root, 1994).

Target country market factors are the size of the market, the competitive structure and the marketing infrastructure of the target country. In small markets it is favourable to use entry modes that require low breakeven sales volumes (indirect and agent/distributor exporting, licensing, and some contractual arrangements). On the other hand, entry modes that require high breakeven sales volumes (branch/subsidiary exporting and equity investment in local production) can be used in markets with high sales potential. (Root, 1994) Large markets present a great foreign market opportunity, which can strongly determine the choice of foreign market entry mode. Companies usually select a high resource commitment mode of entry when the foreign market opportunity is extensive in order to facilitate a higher rate of return (Kwon and Konopa, 1992).

The competitive structure of a market can range from atomistic (many non-dominant competitors), to oligopoly (a few dominant competitors), and to monopolistic (a single firm). The atomistic market is usually more favourable for export entry than the others, since these often require entry through equity investment modes. If the competition is estimated to be too strong, licensing or other contractual modes of entry might be considered in order to reduce risk. Lastly, when the marketing infrastructure is non-existing or of poor quality, an exporting company may, for example, decide to use a branch/subsidiary entry mode (Root, 1994).
Target country production factors include the quality, quantity and cost of raw materials, labour, energy and other productive variables. It also includes the quality and cost of the economic infrastructure. Low production costs in the target country support some form of local production. High costs, on the other hand, discourage local manufacturing (Root, 1994). To begin with, target country environmental factors that affect the choice of entry mode include the political, economic and socio-cultural character of the target country. Of these, government policies and regulations concerning international business are the factors of greatest importance. They relate to, for example, restrictive import policies such as tariffs, quotas and other barriers that discourage export entry and favour other modes of entry that do not involve these costs.

Geographic distance concerns whether the transportation costs of the company’s products are high due to vast distances. If this is the case, non-export entry modes will be in favour, as these do not incur the same costs as exports. (Kwon and Konopa, 1992). Further, whether the economy is a centrally planned socialist economy or a market economy also plays a significant role in the choice of market entry strategy. The reason for this is because equity investment entry modes most of the times only are possible in the latter. (Root, 1994) Other attributes influencing the choice of strategy are the country’s economic development and performance (GDP and GDP/capita) (Kwon and Konopa, 1992). These two are closely intertwined with the market size the company has for its product in the target country (Root, 1994).

Finally, the cultural distance between the home country and the target country societies affects a company’s choice of entry mode. Significant cultural differences
might create a fear for foreign firms to be able to handle operations in the foreign
country and high costs of information acquisition. (Root, 1994) This implies that a
substantial cultural distance favours export entry modes as these limits the company’s
commitment in the target country (Kwon and Konopa, 1992).

Home country factors that affect a company’s choice of foreign market entry mode
are influenced by market, production, and environmental factors in the home country.
Firstly, a large domestic market allows a company to grow before it ventures into new
foreign markets.

Further, large companies are more inclined to use investment entry modes when
entering new markets than small companies. Moreover, firms in oligopoly industries
tend to imitate other domestic firms within the same industry. In other words, when
one firm invests abroad, other rival firms will follow. Continually, high production
costs in the home country in comparison to the foreign target country encourage entry
modes involving local production, such as licensing, contracting manufacturing, and
investment. Finally, governments often favour exporting and therefore offer tax
reductions or similar to exporting companies, and at the same time act restrictive on
foreign investment. This creates a situation in which there is a bias that supports
exporting, licensing and other contractual modes of foreign market entry (Root, 1994)

The way a firm respond to the external factors discussed above depends on a number
of internal factors. These can be divided into product factors and
resource/commitment factors. (Root, 1994) For the reason that highly differentiated
products allow for high pricing and therefore can absorb high transport costs and
import duties, they favour exporting entry strategies. Further, a product that require pre- and post purchase services is more difficult to market at a distance, and is therefore more suitable to use together with a branch/subsidiary exporting and local production mode of entry. Technologically intensive products give companies an option to license technology in the foreign target country rather than to use alternative entry modes.

Continuously, products that require considerable adaptation before marketing abroad are most appropriate together with an entry mode that brings the company close to the foreign market, such as branch/subsidiary exporting and a local production mode of entry. Finally, services, such as engineering, advertising, and telecommunication, require that the company finds a way to produce the service in the foreign target country, as these cannot be traditionally exported physically (Root 1994).

A company with limited resources in management, technology, production skills and marketing skills, is constrained to use entry modes that require only a minor amount of resource commitment. Once again, this implies that the company size has a large impact on the choice of entry mode. As an example, establishing fully owned subsidiary often involves very substantial investment and corresponding high risk levels. Also, the entry specific mode depends on industry specific resources and their relevant preferences depend on industry specific resource demands for individual market entry modes (Koch, 2001).
2.5 Factors Influencing Foreign Market Entry Strategies

New establishments are when companies start up completely new operations in a new country (Root, 1994). It is preferred when the company has a technology incompatible with already existing firms on the foreign market or if the acquisition price of another company is too high (Grahn and Khoshnam, 1999). The largest problems with new establishments are the start-up costs and the associated risks (Andersson and Arvidsson, 1992). The advantages of acquisitions differ depending on how successful the selection of the acquired company is, and a poor selection can turn any advantage into a disadvantage (Root, 1994).

The first possible advantage with acquisitions is a faster start in exploiting the target market than if the investor would start up as a new establishment. The second is that acquisitions prove a shorter payback period by creating immediate income for the investor. Continually, other possible advantages are that the acquisition might provide a resource (usually managerial, or of a technical nature) that is scarce in the target country and not available on the open market, and that the firm might take over new product lines (Root, 1994).

Lastly, a joint venture is when two companies share the ownership of a firm in order to complement assets and/or skills (Brassington and Pettitt, 2000). A joint venture occurs either when a foreign and a domestic firm together start up a completely new company within the new market, or through an acquisition or a partial ownership of an existing local company by the foreign firm (Root, 1994).
Investment through joint venture brings advantages such as risk diversification, capital requirements reductions and lower start-up-costs (Williams, 1997). It will also create growth opportunities for the local firm simultaneously as the international firm will gain much local know-how (Grönroos, 1999). Joint ventures normally facilitate a rapid market entry and fast return of the initial investment (Bradley, 1995). A joint venture also allows a company with limited human and financial resources to enter a new market, instead of creating expensive foreign subsidiaries. This, together with the fact that the managers in the local establishment have the knowledge of the host country environments facing the company, minimizes the risk.

2.6 Problems Facing Companies Entering Transition Countries
As previously mentioned, the internationalization process will not always run without any complications. Companies might lack international experience and competence to exploit the international business opportunities, which often creates problems. (Karagozoglu and Lindell, 2001) Most importantly, however, when a company is entering international markets there are dissimilarities in the economic, political, legal and cultural environments that pose incentives for, as well as obstacles to, successful expansion (Ghauri and Holstius, 1996). These dissimilarities are especially large in transition economies, where it, in addition, might be difficult to gather reliable information about the global markets, technologies, and competitors.

First of all, in several transition economies there are problems with economic, political and legal factors such as high interest rates, the rate of exchange, high inflation, an unstable government, and poor banking and court systems (Bartley and Minor, 1994). There might be contradictory laws, and several laws are not functioning
at all in practice (Bond and Tykkyläinen, 1996). In Russia, as an example, the Mafia serves as law where in fact there is none. The Mafia requires money in order to let companies continue their operations. (Raiszadeh and Helms, 1995) Other types of corruption are also common in Russia (Sveriges Exportråd, 2003). Further, duties and fees within the country may vary or be introduced suddenly. Heavy bureaucracy is also often a problem for the international company. In addition, it is in many cases complicated for a foreign firm to know the value of pieces of land and real estates in a transition economy, and there can even be questions concerning who actually owns an asset (Raiszadeh and Helms, 1995)

The service sector is generally underdeveloped and the lack of service culture is substantial and creates confusion among western clients. Moreover, if a foreign company deal with the local government, it might have to accept barter trade, as the local government often lack insufficient funds (Bond and Tykkyläinen, 1996). Also, many local firms have non-westernised business practices including non-existent inventory and no accounts receivable records, and calculate their revenues based on production rather than sales (Raiszadeh and Helms, 1995). To make up the losses, factories have been used to getting a governmental aid in order to continue their operations and maintain full employment (Bartley and Minor, 1994).

Raiszadeh and Helms, (1995) claim that, in general, there are problems with the quality of job applicants. Furthermore, it is argued that most personnel are ignorant of the basic economic principles and western business practices. In many countries, the problem also lies in the fact that even though there is a desire to learn new ways to conduct business, there are not enough schools and instructors available. (ibid.)
Bartley and Minor (1994) further claim that in some transition economies, “no profits can be generated without a change in the way local management behaved under the statist production system.

As the quote above implies, some transition economies such as Russia, have an evident socialist legacy from their past. In the state controlled industries, alcoholism and absenteeism has been high, which have influenced the work habits of today. Also, it can be difficult to find dependable help, as workers tend to easily lose their enthusiasm for work once they have earned sufficient money to live decently for a while. In many local firms, it is further claimed that the personnel are also selling the equipment and raw materials through the back door of the factory for personal gain.

However, the lack of consumer goods in transition markets is still immense. (Raiszadeh and Helms, 1995) Despite this, the customers are very sensitive to quality and highly demand novelties (Raiszadeh and Helms, 1995), even though they have a low purchasing power (Paliwoda, 1997). When a new product enters the market, it sells quickly at high prices until the supply increases and the price decreases.

Furthermore, many transition economy countries have never placed any emphasis on environmental issues or the health of their inhabitants. It can be complicated to apply western environmental standards in locations where there are no such formal requirements, and this presents foreign investors with an ethical and economic dilemma. Living conditions are further a major concern of people being transferred to foreign locations. These can be problematic for firms, as the living conditions in
transition economies cannot be compared to western standards. Naturally, local cultural norms and values are also something that can cause problems for foreign companies if they do not realise and accept the differences (Raiszadeh and Helms, 1995).
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter outlines the method that was adopted by the study in obtaining information on entry strategies used by multinational pharmaceutical firms in Kenya. The chapter also describes and explains the research instrument that was used in the study. The chapter was thus structured into research design, target population, sample and sampling techniques, data collection and data analysis techniques.

3.2 Research Paradigm
According to Taylor, Kermode, and Roberts (2007, p. 5), a paradigm is “a broad view or perspective of something”. Additionally, Weaver and Olson’s (2006, p. 460) definition of paradigm reveals how research could be affected and guided by a certain paradigm by stating, “paradigms are patterns of beliefs and practices that regulate inquiry within a discipline by providing lenses, frames and processes through which investigation is accomplished”. Therefore, was to clarify the researcher’s structure of inquiry and methodological choices, an exploration of the paradigm adopted for this study was to be discussed prior to any discussion about the specific methodologies utilized in this study.

3.3 Research Design
The research design that was used in this study was both descriptive survey and cross sectional method aimed at establishing entry strategies used by multinational pharmaceutical firms in Kenya. The method was preferred because it allowed for prudent comparison of the research findings. A cross sectional and descriptive survey
attempts to describe or define a subject often by creating a profile of a group of problems, people or events through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated (Dooley (2007)).

3.4 Data Measurement
Independent variables were those which influenced the dependent or criterion variables and account for the variance or difference in the dependent variables (Mugenda and Mugenda, 2003). A dependent variable is one that is influenced by other variable (Boyd et al., 2004). The dependent variable that serves as a function of the independent variable tries to help conceptualizing and explaining the influence of the independent variable on the dependent variable on factors strategies used by multinational pharmaceutical firms in Kenya.

3.5 Population of Study
Target population was defined as all the members of a real or hypothetical set of people, events or objects to which a researcher wished to generalize the results of the research study (Borg & Gall, 1989). The target population of this study consisted of all the 15 multinational pharmaceutical firms in Kenya with 450 employees

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive officer</td>
<td>15</td>
</tr>
<tr>
<td>Operation manager</td>
<td>70</td>
</tr>
<tr>
<td>Support Staff</td>
<td>375</td>
</tr>
<tr>
<td>Total</td>
<td>450</td>
</tr>
</tbody>
</table>

Source, (Field Data, 2013)
3.6 Data Collection
The study relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions; developed in line with the objectives of the study. The study sought responses from Chief Executive officer, Operation manager and Support Staff owing to their experience and participation in multinational pharmaceutical firms in Kenya.

The questionnaire was used for data collection because it offers considerable advantages in the administration. It also presented an even stimulus potentially to large numbers of people simultaneously and provided the investigation with an easy accumulation of data. Gay (1992) maintains that questionnaires gave respondents freedom to express their views or opinion and also to make suggestions. It was also anonymous. Anonymity helps to produce more candid answers than is possible in an interview. Each item in the questionnaire is developed to address a specific objective, or research question of the study. The researcher must also know how information obtained from each question item will be analyzed (Mugenda & Mugenda, 2003). The drop and pick method was used to collect data. The structured questions were used to facilitate an easier analysis as they were immediately be in usable form. The questionnaires were used to collect data from head teachers and teachers.

3.7 Instrument Validity
Instrument validity is the degree to which research results obtained from the analysis of the data actually represent the phenomenon under study (Mugenda Mugenda, 1999). To ensure instrument validity content validity was tested. Validity, according to Borg and Gall (1989) is the degree to which a test measures what it purports to
measure. According to Borg and Gall (1989) content validity of an instrument is improved through expert judgment. As such, the researcher sought assistance of the assigned supervisor, who, as an expert in research, helped improve content validity of the instrument.

### 3.8 Reliability

Before the study was conducted, a pilot study was carried out in four pharmaceutical firms, which were not included in the actual research. The objective of the pilot study was to improve reliability and validity of the questionnaires. The pilot study also helped the researcher to familiarize with data collection process. Mugenda and Mugenda (1999) define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trial. The test-retest technique of reliability testing was used to assess the reliability of the research instruments. The questionnaires were administered to the pilot sample respondents twice, with a one week interval, after which the researcher compared the two sets for each respondent to find out whether the responses are consistent.

### 3.9 Data Analysis

According to Cooper and Schindler (2003), data that is qualitative in nature will be subjected to content analysis which is a method of making inferences by systematically identifying specific Characteristics of a message and using the same approach to related trends. Content analysis will again determine factors that explain a specific phenomenon.
The process of data analysis involved several stages; the completed questionnaires was edited for completeness and consistency, checked for errors and omissions and then coded. Data was collected, examined and checked for completeness and clarity. Descriptive statistics was used to analyze the data. Data was analyzed using tables and percentages, C, mean and standard deviations was used. Statistical Package on Social Sciences version 17 was used for statistical analysis, views on entry strategies used by multinational pharmaceutical firms in Kenya.
CHAPTER FOUR
DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction
This chapter provides an analysis of data collected from the field. The results have been presented in tables, figures and content delivery to highlight the major findings. They are also presented sequentially according to the research questions of the study. Mean scores and standard deviations analyses have been used to analyse the data collected. The raw data was coded, evaluated and tabulated to depict clearly the Foreign Market Entry Strategies Used by Multinational Pharmaceutical Firms in Kenya

4.2. Department worked
The respondent were asked to show the department they work. Figure 4.1 below shows the study findings.

Figure 4.1: Department worked

Source, (Field Data, 2013)
The results show that majority 40% of the respondents were in pharmacy department, 20% Marketing, Human Resource department 13%, and 13% Procurement department.

4.3.1 Length of service
The respondents were asked to indicate the number of years worked in the firms. Figure 4.5 below show the results of the study.

**Figure 4.2: Length of service**

<table>
<thead>
<tr>
<th>Length of service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 7 years</td>
<td>37%</td>
</tr>
<tr>
<td>5 to 7 years</td>
<td>32%</td>
</tr>
<tr>
<td>3 to 5 years</td>
<td>20%</td>
</tr>
<tr>
<td>Less than 3 years</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Source, (Field Data, 2013)**

Figure 4.2 presents the findings on the duration of respondents work in the present capacity. From the figure, 37% indicated that they had been in the present firm for over 7 years. 32% indicated a period of 5 to 7 years, 20% indicated a period of 3-5 years while 11% indicated a period of less than 3 years. These findings indicated that majority of the senior people in the firms, have worked at their present company for a period of over 7 years.
4.3 Foreign Market Entry Strategies Used By Multinational Pharmaceutical Firms in Kenya

The respondents were also asked about the factors influencing the entry strategy decision in multinational pharmaceuticals firms in Kenya. The results are shown in the table below.

**Table 4.1: Foreign Market Entry Strategies Used By Multinational Pharmaceutical Firms in Kenya**

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market for services</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.8658</td>
<td>0.8688</td>
</tr>
<tr>
<td>Local Governmental Attitudes</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.0517</td>
<td>0.7541</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.2154</td>
<td>0.6857</td>
</tr>
<tr>
<td>Local Infrastructure</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.1357</td>
<td>0.6648</td>
</tr>
<tr>
<td>Desired Degree of Control</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.1544</td>
<td>0.7548</td>
</tr>
<tr>
<td>Level of Technology Needed</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.9651</td>
<td>0.3271</td>
</tr>
<tr>
<td>Capital Intensity of the Industry</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.6257</td>
<td>0.4567</td>
</tr>
<tr>
<td>Operation Costs</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.1779</td>
<td>0.8655</td>
</tr>
<tr>
<td>Legal Framework</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.1351</td>
<td>0.4517</td>
</tr>
</tbody>
</table>

Source, (Field Data, 2013)

From the descriptive statistics presented in table 4.1 show that the mean are above 2.0 for all the factors influencing the entry strategy decision in multinational pharmaceuticals firms in Kenya. (2.1351, 2.1357, 2.1544, 2.9651, 3.1779, 3.2154, 4.0517, 4.6257 and 4.8658) from the lowest to highest respectively in this order; Legal Framework, Local Infrastructure, Desired Degree of Control, Level of Technology Needed, Operation Costs, Bureaucracy, Local Governmental Attitudes, Capital Intensity of the Industry and Market for services. The standard deviation show
the spread of ideas of respondent and from the table the standard deviation ranges from 0.8688 to 0.3271 indicating that it is a small value thus respondents were agreeing to the same idea of factors influencing the entry strategy decision in multinational pharmaceuticals firms in Kenya.

4.4 Foreign Market Entry Strategies Used By Multinational Pharmaceutical Firms in Kenya

4.4.1 Corporate and expertise reasons that facilitated entry into new markets or to develop international management competencies:
Opportunities derived from state cooperation like East Africa community member states; The emergence of multinational enterprises; The increasing internalization of capital markets; The growth of international pharmaceuticals firms, with common approaches to pharmaceuticals methodology, training and quality review; The convergence around international frameworks for pharmaceuticals and pharmaceuticals To position themselves into the Kenyan Development Community market; To gain access to new and larger markets in order to achieve growth; Firms needed to expand the market for their products by exporting or creating subsidiaries or joint ventures; To have access to know-how and technology in order to remain competitive; Interest in exploiting unique ideas and competences, as well as the opportunities that the foreign market offers.

4.4.2 Information source
The respondents were also asked to indicate the methods they used to gather information about the foreign target market before entering that market. The table below indicates the results of the study.
Table 4.2: Information source

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market research institutes</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.6524</td>
<td>0.8651</td>
</tr>
<tr>
<td>Trade partners, customers, suppliers</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.0625</td>
<td>0.3265</td>
</tr>
<tr>
<td>Information specialists</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.9741</td>
<td>0.5554</td>
</tr>
<tr>
<td>Foreign trade representatives in your country</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.3870</td>
<td>0.4124</td>
</tr>
<tr>
<td>International organizations</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.8651</td>
<td>0.8647</td>
</tr>
<tr>
<td>Publications</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.9781</td>
<td>0.6002</td>
</tr>
</tbody>
</table>

On the descriptive statistics on table above shows that 35 respondent were interviewed about methods they used to gather information about the foreign target market before entering that market, from the table the means ranges from 3.6524 to 4.3870 meaning that most of the respondents agreed to the methods used, while the standard deviation support since all the indicators have smaller values of 0.3265 to 0.8651.

4.4.3 Internationalization process of your firm
The respondents were also asked to show the process that best describes the internationalization process of their firm
Table 4.3: Internationalization process of your firm

<table>
<thead>
<tr>
<th>Process description</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step-by-step, risk averse, slow, cautious process.</td>
<td>11</td>
<td>32</td>
</tr>
<tr>
<td>Entering into foreign market through networks/contacts/partners.</td>
<td>13</td>
<td>37</td>
</tr>
<tr>
<td>Through international entrepreneurial activities.</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Management/ individual/firm rapid internationalization.</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source, (Field Data, 2013)

The table above shows that majority 37% of the respondents indicated that it was a process of entering into foreign market through networks/contacts/partners. 32% indicated it was a Step-by-step, risk averse, slow, cautious process. 17% indicated management/ individual/firm rapid internationalization. While 14% indicated it was through international entrepreneurial activities.

4.4.4 Mode of entry used by your firm

The respondents were asked to indicate the mode used by their firm when entering the market. Some of the modes listed were licensing, franchising, Joint Venture and Foreign direct investment. Licensing is the method of foreign operation whereby a firm in one country agrees to permit a company in another country to use the manufacturing, processing, trademark, know-how or some other skill provided by the licensor. Joint ventures can be defined as an enterprise in which two or more investors share ownership and control over property rights and operation. Franchising is whereby the payment of a royalty fee, the franchisee will obtain the major business
know-how via an agreement with the franchiser. The know-how also includes such intangible properties as patents, trademarks and so on. The difference from the licensing mode of entry is that the franchisee must obey certain rules given by franchiser. Foreign direct investment is the direct ownership of facilities in the target country. It involves capital, technology, and personnel. Foreign direct investment can be made through the acquisition of an existing entity or the establishment of a new enterprise.

4.3.5 Application of the same strategies and methods used
The respondents were asked to indicate whether they would use the same strategies and methods they used then to go international today.

**Figure 4.3: Application of the same strategies and methods used**

![Pie chart showing 71% yes and 29% no.]

**Source, (Field Data, 2013)**

Majority 71% of the respondents indicate that they would use the same strategy while 29% indicated that they would not use the same strategy. Some of the reasons given as to why they would use the same method include; entry point with risk reduction, benefits to both parties, capital not tied up, opportunities to buy into partner or
royalties on the stock, foreign exchange earnings and good reputation.

Those who indicated they would not use the same strategy indicated reasons to be; limited form or participation, potential returns from marketing and manufacturing were be lost, partner developed knowhow and so license is shortened, partner become competitor, requires a lot of planning beforehand and partners did not have full control or management.

4.3.6 Suggestion to the Pharmaceutical Firms that are planning to internationalize in the near future, regarding strategy and methods

Some of the suggestions that were given in regards to the entry mode include:

A firm must assess before entering a particular market the potential factors that play a significant role during the process of decision making for the potential market selection.

Identifications of risks especially those that could be related with could be related to the economy, currency valuations and political. While planning for the entry mode they should understand the history, geography, culture, and demography before deciding on the entry mode. They need to study studying the current political system and institutions, government policies, and a variety of data and other information on the country’s economy.

However each single organization will be more attracted to a type mode depending on their backgrounds, nature of the company, strategic objectives as well as the resources. In many cases, there are many obstacles that companies have to meet while deciding to enter other markets, for example; safety, environmental, patents, trademarks and copyrights, are factors that businesses depend on being successful.
4.4.7 Problems that were experienced with entry strategy decision by your firm in Kenya
The respondents were also asked to indicate the extent to which problems were experienced with entry strategy decision by the firm. The table below shows the study results.

Table 4.4: Problems that were experienced with entry strategy decision

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic, Political and Legal Problems</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.6233</td>
<td>0.8101</td>
</tr>
<tr>
<td>Corruption</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.3215</td>
<td>0.3261</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.1570</td>
<td>0.9517</td>
</tr>
<tr>
<td>Bottlenecks in Production and Distribution</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>1.9658</td>
<td>0.5628</td>
</tr>
<tr>
<td>Barter Trade</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>1.0325</td>
<td>0.9654</td>
</tr>
<tr>
<td>Quality of Job Applicants</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>1.2653</td>
<td>0.4325</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.5124</td>
<td>0.8700</td>
</tr>
<tr>
<td>No Products or Resources</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.4517</td>
<td>0.6251</td>
</tr>
<tr>
<td>Environmental Issues</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.0324</td>
<td>0.7112</td>
</tr>
<tr>
<td>Living Conditions</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>1.3265</td>
<td>0.7421</td>
</tr>
<tr>
<td>Cultural Norms and Values</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.6257</td>
<td>0.6215</td>
</tr>
</tbody>
</table>

Source, (Field Data, 2013)

From the descriptive statistics presented above, majority of the respondents were in agreement to a great extent m=4.6257 that Cultural Norms and Values was a Problem experienced during the entry strategy decision. Moderate challenges were Economic,
Political and Legal Problems m= 3.6233 and Infrastructure m=.3.5124. Bureaucracy was rated neutral while the challenges rated to a low extent include; Corruption, No Products or Resources, Environmental Issues and Bottlenecks in Production and Distribution with means of 2.3215, 2.4517, 2.0324 and 1.9658 respectively. Challenges that affected to a least extent include; Living Conditions, Quality of Job Applicants and Barter Trade with means of 1.3265, 1.2653 and 1.0325 respectively.

4.3.8 Factor(s) could counter high organizational performance

The respondents were also asked to indicate the extent to which the following factors could counter high organizational performance. The table below shows the study results.

Table 4.5: Factor(s) could counter high organizational performance

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of good equipment</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.0374</td>
<td>0.6251</td>
</tr>
<tr>
<td>Insufficient Staff and fund</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.6201</td>
<td>0.9641</td>
</tr>
<tr>
<td>Autocracy and bad leadership</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.8211</td>
<td>0.3251</td>
</tr>
<tr>
<td>Lack of attention to staff opinion and welfare</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.9657</td>
<td>0.8641</td>
</tr>
</tbody>
</table>

Source, (Field Data, 2013)

The results in table above show that Insufficient Staff and fund was a factor that that could counter high performance to a great extent m=4.6201. Other factors that affected to an extent include the following in their order of ranking; Lack of good
equipment, Lack of attention to staff opinion and welfare and Autocracy and bad leadership with means of 4.0374, 3.9657 and 3.8211 respectively.

4.4.9 Factors that helped in internationalization process

The respondents were also asked to indicate the factors that helped your company’s internationalization process. The table below shows the study results.

**Table 4.6: Factors that helped in internationalization process**

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Similar market</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.2651</td>
<td>0.3265</td>
</tr>
<tr>
<td>Growth opportunity</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.8257</td>
<td>0.4154</td>
</tr>
<tr>
<td>Market Opportunity</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.7411</td>
<td>0.7470</td>
</tr>
<tr>
<td>Cultural awareness</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.1261</td>
<td>0.3007</td>
</tr>
<tr>
<td>Age of firm</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.5557</td>
<td>0.8754</td>
</tr>
<tr>
<td>Size of firm</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.6325</td>
<td>0.9213</td>
</tr>
<tr>
<td>Creativity/Innovation</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.0214</td>
<td>0.8412</td>
</tr>
<tr>
<td>Local Network/relationships</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>4.2577</td>
<td>0.3214</td>
</tr>
<tr>
<td>Technological advancement</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.8657</td>
<td>0.5412</td>
</tr>
<tr>
<td>Previous international experience</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.0325</td>
<td>0.8791</td>
</tr>
</tbody>
</table>

**Source, (Field Data, 2013)**

On the descriptive statistics on table shows that 35 respondent were interviewed on factors helped the company’s internationalization process. From the table Previous international experience was rated of little importance m= 2.0325, the factors rated of moderate importance were technological advancement, cultural awareness and similar market with means of 2.8657, 3.1261 and 3.2651 respectively. Factors rated important
include; age of firm (3.5557), size of firm (3.6325), creativity/Innovation (4.0214), and local network/relationships (4.2577). Those rated Very important Include; Market Opportunity (4.7411) and Growth opportunity (4.8257). The standard deviation show the spread of ideas of respondent and from the table the standard deviation ranges from 0.9213 to 0.3214 indicating that it is a small value thus respondents were agreeing to the same idea on factors that helped the company’s internationalization process.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations based on the findings.

5.2 Summary of findings
The main objective of the study was to identify Foreign Market Entry Strategies Used By Multinational Pharmaceutical Firms in Kenya. The emergence of multinational enterprise has to a large extent triggered the internationalization of Pharmaceutical Firms resulting to many Pharmaceutical Firms entering into Kenya. This is because multinational enterprises deal with foreign operations and the need to expand. Generally when multinational enterprises prepare consolidated financial statements they will need pharmaceuticals of those statements on the basis of the rules of the home country of the multinational enterprises.

Firms that want to internationalize must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources. According to Wood and Robertson (2004) the age of globalization has both facilitated and necessitated businesses to move towards the internationalization of organizations of all sizes. It is necessary to understand the context within which a country’s political, economic, and social institutions have emerged, its history, geography, culture, and demography while thinking of emerging in foreign markets. It is difficult to understand the business environment in a country without studying the current political system and
institutions, government policies, and a variety of data and other information on the country’s economy.

There are many different modes of entering into foreign markets. Each mode has its strengths and weaknesses in general terms. However each single organization will be more attracted to a type mode depending on their backgrounds, nature of the company, strategic objectives as well as the resources. In many cases, there are many obstacles that companies have to meet while deciding to enter other markets, for example; safety, environmental, trademarks and copyrights, are factors that businesses depend on being successful. Once an entry mode has been chosen, the company has to decide the degree of its marketing involvement and commitment. Therefore, the decision should reflect a considerable study and analysis of market potential and company capabilities (Cateora & Graham, 1999). It is very crucial when operating in global arena to try not to make any differences that are culture related, which may impose a major risk between cultures. Thus, business people and global marketers need to be prepared to deal with different languages, food, dress, and communication styles.

5.3 Conclusions
The international business environment influences the entry mode a firm choses to enter in a country to do business. These forces that surround businesses influence their life and their development of the firm. Companies that want to expand their activities in global markets need to do some market research and analysis. One of the fundamental steps that need to be taken prior to beginning an Pharmaceutical Firms is the environmental analysis. The process of globalization represents one of the most significant trends that accelerate rapid growth of global strategies. The selection of
markets to enter should be a strategic orientation that treats market entry selection as part of the firm’s overall strategy.

Selecting an international market can impact on the other activities of the firm since a firm needs to be aware of its internal capabilities, competencies and restrictions in order to select appropriate foreign target markets. International market entry barriers may include trade barriers such as tariffs, quotas, or local content requirements, exchange rate volatility or lack of currency convertibility, host country industrial policies that favour domestic firms, the existence of dominant competitors in the domestic market, or natural barriers such as geographical distance, transport accessibility, or language. It is very important for companies whether in domestic or international, large or small, which want to conduct business without taking in consideration the political environment of the country where they intend to operate. It is imperative for the international firm to understand the various types of legal systems as well as the various threats the company may encounter as it is open to global business. Marketers need to be very aware of the cultural sensitivity and issues that are very sensitive to one’s culture, and to accept the differences between cultures by assessing in an objective, not creating stereotyping.

Some factors were rated of moderate importance which included technological advancement, cultural awareness and similar market with means of 2.8657, 3.1261 and 3.2651 respectively other were factors were rated important include; age of firm (3.5557), size of firm (3.6325), creativity/Innovation (4.0214), and local network/relationships (4.2577). Those rated Very important Include; Market Opportunity (4.7411) and Growth opportunity (4.8257). The most important rated
Very important factors which include Market Opportunity and Growth opportunity are the factors to be considered by firms with a strategic plan of internationalizing its operations.

5.4 Recommendations
Companies that want to expand their activities in global markets need to do some market research and analysis. One of the fundamental steps that need to be taken prior to beginning international Pharmaceutical Firms is the environmental analysis leading pharmaceuticals firms will need to ensure they have the strategies to cope with future challenges and exploit the opportunities. This applies to both carrying out their pharmaceuticals function and managing the re-emergence of consulting and advisory services. In terms of the advisory and consulting functions, firms will need sustainable strategies in place to take advantage of the demand for professional advice, in order to help organizations navigate increasing financial innovation and efficiencies, whilst complying with regulation. They must also ensure they are ready to take advantage of continued strong growth and financial deregulation in emerging economies.

It is good to assess all factors that lead to choosing an entry mode. Negative assessment of any market factors may affect entry mode. If companies assess all the factors positively, they are likely to decide to make capital investments in that foreign market. If the company assesses some of the factors negatively, they are likely to choose non-equity modes of entry, or to exclude that market from doing business

5.5 Limitation of the Study
The researcher encountered very busy respondents because of their tight schedule the had to squeeze in their tight schedule. The study was be carried out for a short time.
Information relating to Entry strategy was always treated with sensitivity. This may cause difficulties in convincing the respondents of the importance of giving sincere answers to the asked questions evidenced through reluctance of accepting invitation to participate in the study to counter the challenge, the research had to inform the respondents in advance the purpose for the research study being carried out, that it was meant for academic purpose only and not for other investigations.

5.6 Suggestion for Further Studies
Further studies need to focus on barriers of Foreign Market Entry Strategies Used By Multinational Pharmaceutical Firms in Kenya.
REFERENCE


Galuszka, P. & Brady, R. (1989), The Chill is Gone, the US Companies are Moscow-Bound. *Business Week*. No. 5/6, p. 64.


Okoth K. (2005), *International Marketing* : Longhorn Publisher

APPENDIX I: QUESTIONNAIRE

Section A: General information

1. Which Department do you work in? ..............................................

2. How long have you been working in your present capacity?
   Less than 3 years (   ) 3 to 5 years (   ) 5 to 7 years (   ) Over 7 years (   )

3. How long have you worked for the pharmaceutical firm?
   0 – 3 years (   )
   4 – 6 years (   )
   7– 9 years (   )
   Over 10 years (   )

Section B: Entry Strategies Used By Multinational Pharmaceutical Firms In Kenya

4. Factors influencing the entry strategy decision in multinational pharmaceutical firms in Kenya. Rank by placing a tick in the appropriate place. 1= Least extent, 2= Low extent, 3= Neutral, 4= Moderate extent and 5= Great extent

<table>
<thead>
<tr>
<th>Description</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Quality Material</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Governmental Attitudes</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bureaucracy</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Local Infrastructure</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Desired Degree of Control</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Level of Technology Needed</td>
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</tr>
</tbody>
</table>
5. What corporate control and expertise reasons in vital global markets, but also to facilitate entry into new markets or to develop international management competencies

.................................................................

.................................................................

.................................................................

6. Rate the factor(s) will enhance performance in your company geared by entry strategy by multinational pharmaceutical firms in Kenya? Rank the following in order of importance (1 – 5)
<table>
<thead>
<tr>
<th>Description</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment of well-educated / experienced Managers and leaders</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Acquisition of State of the art technology</td>
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<td></td>
<td></td>
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<tr>
<td>Participative Leadership and proper Motivation of staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Research and development</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free Flow of information and personal recognition</td>
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<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Appendix II: List of Multinational Pharmaceutical Firms in Kenya

1. Laborex Kenya Ltd
2. Medisel Kenya Ltd
3. Aventis pharmaceutical ltd
4. Hoffmann-La Roche Ltd
5. Modana Pharmaceuticals Ltd
6. Universal Corporation Ltd
7. Nila Pharmaceuticals Ltd
8. Aim International Pharmaceutical Co Ltd
9. Ansell Pharmaceuticals Ltd
10. Antochem Pharmaceuticals
11. Apple Pharmaceuticals Limited
12. Arichem Ltd
13. Autosterile (E A) Ltd
14. Bakpharm Ltd
15. Cosmos ltd

Source, (Pharmacy & Poisons Board, 2013)