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**RESEARCH ARTICLE**

# FACTORS INFLUENCING EXECUTION OF INTERNATIONALIZATION STRATEGIES AMONG FOREIGN PHARMACEUTICAL MAKETING COMPANIES IN KENYA

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## *Abstract*

During the last four decades, international markets have undergone tremendous changes with far reaching implications for international marketers. In the circumstances, successful strategy implementation has become a key for any organization’s survival. However, many organizations cannot sustain their competitive advantages, despite having robust strategy formulation process, because they lack the processes in executing their strategies. Several reasons have been offered for the failures in executing strategy. This study analyzes factors influencing the execution of internationalization strategy among foreign pharmaceutical marketing companies in Kenya. Using a sample size of 46 foreign pharmaceutical marketing companies in Kenya, the study establishes that at $p<0.05$, favourable government policies, organizational competitiveness and organizational capabilities are correlates of internationalization strategy execution among foreign pharmaceutical companies in Kenya. International marketing managers should therefore judiciously consider government policies, existing legal frameworks, existing competitive environment and economic conditions in relation to trading in foreign nations before deciding to go international.



## INTRODUCTION

The world is changing dramatically. During the last four decades, international markets have undergone tremendous changes with far reaching implications. Global political, social and economic trends during this time have created major business opportunities and challenges for international marketers. The evolution of small domestic firm to an established and international company is a key step for any company. Pharmaceutical companies, more than any other sectors have been extensively internationalizing their operations. In times of globalization, internationalization is greatly significant for scholars and practitioners, and a great deal of research has been conducted in this field (Reiner *et al.*, 2008). International marketing is playing a vital role in world economic activities and its importance is expected to grow further as markets become more globalised (Harcourt, 2007). Companies facing increasing competition and ever-changing technological challenges are discovering that international trade is not only a strategic option but may be a requirement for corporate survival (American Marketing Association (AMA), 2007). Pharmaceutical companies have taken advantage of the liberalized global business environment and their own entrepreneurial abilities to face up to the challenges of competing in the global marketplace.

Managers around the globe are recognizing the increasing necessity for their companies and organizations to develop the skills, aptitudes and knowledge to compete effectively in international markets. Thus, organizations of all types have found it necessary to embrace strategic management in order to achieve their corporate objectives. This is because the environments in which they operate have become too dynamic, complex and hostile (Bryson, 1995). To strategically position themselves for global competitiveness, companies are consolidating through mergers, acquisitions and alliances to reach the scale considered necessary to compete in the global arena. At the same time, there is a trend towards global standardization, as companies strive for world standards for efficiency and productivity. The adoption of strategic management colligates that international organizations engage in the formulation of strategy which, if effectively implemented would guarantee firm success on the international market. Strategy execution is a vital component of the strategic management process, which entails strategy formulation, implementation, monitoring and control. Execution involves putting into action the logically developed strategies (Shah, 1996). According to Steiner *et al.* (1989) as cited in (Shah, 1996), implementation of policies and strategies is concerned with the design and management of systems so as to achieve the best integration of people, structures, processes and resources in reaching organizational objectives. Strategic implementation is critical to a company's success, addressing the who, where, when, and how of reaching the desired goals and objectives. William (1991), as cited in (Shah 1996), describes implementation as the execution of tactics both internally and externally so that the organization moves in the desired strategic direction.

Organizations formulate strategy, but strategy execution to a large extent is what determines the organizations' performance. Successful and effective execution is function of the interaction of factors both internal and external to the organization. Strategy execution is therefore more challenging than the formulation of strategy (Aosa, 1992; Machuki, 2005). Pearce and Robinson (2007) categorize components of strategy implementation that managers have to take into consideration during implementation into; the structure, systems, shared values and leadership. The stronger the fits created between these components, the greater the chances of successful strategy implementation. Thompson and Strickland (1998) argue that successful strategy implementation depends on doing a good job of leading, working with and through others, allocating resources, building and strengthening competitive capabilities, installing strategy supportive policies and matching how the organization performs its core business activities to the requirement of a good execution. Some of the factors likely to influence strategy implementation include organizational culture, company resources, government policies and regulations, workforce capability, leadership, customer needs and demands, technological changes, internal creativity or innovativeness, organizational resilience, employee attitudes and behaviors, management responsiveness among others (AMA, 2007).

The pharmaceutical market has undergone fast, unprecedented, tremendous and complex changes in the last several years. The pharmaceutical industry is today still one of the most inventive, innovative and lucrative industries and it has been adapting itself more and more to strategic market trends and market demands (Pharma Strategy Group, 2005). The global pharmaceutical industry is characterized by increased internationalization, changing structure of competition and increased competitiveness, lack of new products, fast consolidation and concentration of the world pharmaceutical industry, increased importance of strategic management, development of new therapeutic fields and technologies (Kesič, 2006). Kenya's pharmaceutical industry has not been left behind from the international trends. Since its liberalization in the early 1990s, the industry has undergone numerous changes, with the current market for pharmaceutical products in Kenya being estimated at KSh. 8 billion per annum. There has been an influx of many international pharmaceutical companies into the market greatly widening the products' range within the industry to meet the ever increasing consumer needs. The industry has been characterized by many changes and an increasingly turbulent environment, yet more multinational pharmaceutical companies continue to venture into the market. Nevertheless, a confluence of several factors augmented by the configuration of competitive forces such as intensity of competition, new entrants, substitute products and supplier and buyer power have transformed the Kenyan pharmaceutical marketing environment a great deal, creating the need for firms to change their competitive positions (Wamalwa, 2009). Thus, given the chaotic and unpredictable nature of the environment under which these firms operate, there is need for well-crafted strategies, which must then be successfully executed for these firms to achieve their goals of internationalization.

Successful strategy execution is a key for any international marketing organization's survival in the competitive global market place. Effective strategy execution results when an organization's resources and actions are tied to strategic priorities and when key success factors are identified and performance measures and reporting are aligned (Deloitte & Touché, 2003). Although formulating consistent strategies seems a difficult task for any management team, making that strategy work through effective execution is even more difficult (Hrebiniak, 2006). According to Bell, Dean, and Gottschalk (2010), strategy execution is commonly the most complicated and time-consuming part of strategic management, while strategy formulation is primarily an intellectual and creative act involving analysis and synthesis. Despite having robust strategy formulation processes, many international marketing organizations are not in a position to sustain their competitive advantages because they lack the processes in executing their internationalization strategies. Strategy literature claims that between 50% and 80% of strategy implementation efforts fail (Beer & Nohria, 2000; Carlopio, 2003; Jonk & Ungerath, 2006; Raps, 2004; Atkinson, 2006). It is assumed that international pharmaceutical companies in Kenya, just like any other global company, operate within frameworks of internationalization strategies an effort to remain competitive. On the other hand, how effective they have been in executing their strategies remains a grey area, let alone the factors that militate against such execution. These pharmaceutical companies just like any other organizations operate as open systems due to continuous interaction with the environment in which they operate. Thus, the successful execution of their internationalization strategies is a function of factors both internally and externally to the organization. However, a review of extant literature on strategy execution indicates that most of the studies on strategy execution focused on challenges of strategy execution on local firms. Thus, this study examined the influence of government policies, economic factors and competitive pressure on the execution of internationalization strategies among foreign pharmaceutical marketing companies Kenya.

## LITERATURE REVIEW

### Theoretical Framework

### The Open Systems Theory

The open systems theory postulates that an organization is composed of parts and sub-parts brought together with the purpose of accomplishing set goals and objectives and function as systems which are in constant interaction with their external and internal environment (Cummings & Worley, 2009; Pattanayak and Mishra, 1999). Adoption of strategic management as an externally oriented management philosophy underscores the fact that organizations should develop and implement appropriate strategies in order continuously align and realign themselves to changes within and outside them.

The organization is also seen as a sub-system of a larger macro system, which may be identified as a larger organization, industry, society or economic zone (Millett, 1998). It is therefore due to this continuous interaction with external environment that has seen organizations operating as open systems. Any changes in the external environment will affect the way in which these organizations operate, which then makes it fundamental for all organizations, irrespective of size and origin, to adopt the strategic management philosophy, to enable them navigate through these ever changing environments in an effort to remain efficient and effective.

### The Industrial Organization Economics theory

The adoption of the Industrial Organization (IO) Economics theory in strategic management naturally shifted the research focus from the firm to market structure (Hoskisson *et al.,* 1999). The central tenet of this paradigm, as summarized by Porter (1981), is that a firm's performance is primarily a function of the industry environment in which it competes. Therefore, industry or market structure determines a firm's conduct (or conduct is simply a reflection of the industry environment), which in turn determines performance. Within strategic management, the conduct of the firm is its strategy, which if effectively and successfully executed will enhance a firm's competitive advance, hence its performance (Farjoun, 2002).

### Empirical Review

### Government Policies and Execution of Internationalization Strategy

Corporations are no longer free to function merely to maximize profits while ignoring the environment and its occupants. Strategic business decisions of the firm affect many groups of people, some of whom have no direct business dealings with the firm (Robideaux, Miles and White, 1993). It is therefore important for organizations first to understand the environments in which they operate and continuously evaluate whether their activities are in line with the laid down rules of engagement. The government shapes the pharmaceutical industry through regulation. The primary agency involved is the Food and Drug Administration (FDA), which serves as a gatekeeper to determine which drugs may reach the market. To pass through the gate, new products must undergo years of clinical testing that assess safety and effectiveness. After approval, the FDA continues to monitor drugs for safety and to impose restrictions on marketing and promotion. The FDA-imposed testing process accounts for the lion's share of the cost of drug development and sets parameters for the kinds of drugs that ultimately reach patients. The chief problem is the complex process of clinical trials. These trials have a strong track record, but they are poorly suited to new biopharmaceuticals, which are often very effective in smaller, targeted groups despite a lower success rate in the public at large. Under the current system, many of these drugs may fail their trials despite their effectiveness when prescribed correctly (Russell, 2013).

Government regulation is stifling America's vibrant pharmaceutical industry. A recent report by the President's Council of Advisors on Science and Technology estimates that it costs an average of $1.2 billion to win FDA approval and bring a new drug to the market. This reality will prompt and in many cases force big Pharmaceutical companies to revise their cost structures as governments, insurance companies, payers and patients focus on reducing the spending on healthcare (KPM GLLP, 2011).

Regulation also impacts many other issues and stakeholders concerned about issues like Global Warming (the effects of manufacturing plants on the environment) Animal Rights groups (resistance to testing in animals) and many other groups. These groups often have not only the monetary resources but also the political connections that a make it very difficult for pharmaceutical companies to operate to their full potential in many countries and markets. Pharmaceutical companies would be well served to understand the concerns and improve these relationships and not get into a situation where they have trouble marketing and selling their products after clearing the high hurdle of research and development and passing product efficacy and safety clinical trials (Brezis, 2008).

**Organizational Competitiveness and Execution of Internationalization Strategy**

The business and industrial competitiveness is related to the ability of a firm or industry to develop, in a sustainable way, a successful relationship with the environment (Pereira, 2005), or according to Lanca (2000), as the ability of a firm or industry compete in markets and maintain or gain position on them, depending on many factors, such as the characteristics and behaviour of firms, the creation of synergies at the industry level and the environment context. The factors of competitiveness are understood as factors that determine or influence business competitiveness (Pereira *et al.*, 2005). According to Barney (1991), a firm possessing a competitive advantage when it executes a value creating strategy which is not concurrently being put into effect by any existing or prospective competitor; the latter is also incapable of replicating the benefits of this strategy. According to RBV theory firms internationalize for reasons relate to the bundle of resources that a manager uses to create value resources which are valuable, inimitable, unique and difficult to duplicate can gain competitive advantage (Wernerfelt, 1984). A firm’s own capacity to efficiently exploit its own competitive advantages supporting the decision making process of penetrating into a new foreign market (Hamel & Prahalad, 1990).

Barney (1991) in a further refinement of his definition cited that the value, rareness and limit ability of its resources and capabilities are dependent on a firm’s competitive advantage potential. In this study, competitive advantage is referred as a value creating a strategy t which enables the internationalization of SMEs. The principal competitive advantage is the top management’s ability to understand the process by which the knowledge-bases of SMEs are extended and altered into core competencies liberating the firm to create and control emerging opportunities (Chelliah et al., 2010). Moreover, when an organisation gains or exploits attributes and resources that permit it to surpass its competitors by offering customers a greater value, competitive advantage is said to have occurred (Huang *et al.,* 2012).

**Organizational Capabilities and Execution of Internationalization Strategy**

Dynamic capabilities view suggests that capabilities are a complex bundle of skills and accumulated knowledge, exercised through organizational processes that enable firms to utilize their assets and functions as key success factors, cost effectively deliver customer value and deploy resources advantageously (Mohammed *et al.,* 2008). It has also been suggested that capabilities enable firms to compete in the long term and may account for competitive advantage and superior performance (Lu *et al.*, 2010). Firms are expected to optimally allocate and utilize resources and capabilities in order to be able to exploit available opportunities in the international market place while minimizing costs and managing associated risks. Previous empirical studies have supported the view that intangible assets positively influence the internationalization and performance of firms (O’Cass & Weerawandena, 2009). A review of available literature has highlighted a number of capabilities that are important to internationalization (Lu *et al.,* 2010; Dhanaraj and Beamish, 2003). These firm capabilities include knowledge capability, adaptive capability and organisation innovation intensity. Organisation innovation intensity has been defined as the application of ideas that are new to the firm in products, processes, services, management or marketing systems, which add value either directly or indirectly for the firm (O’Cass & Weerawendena, 2009).

Porter (1990) viewed innovation as both technological improvements and improved methods in processes, product changes, marketing and distribution and in any of the value creating activities of the firm. Research has shown that firms pursue both technological and non-technological innovation and these facilitate international expansion. Research examining the antecedents of firm international expansion and the subsequent effect on performance and capability building has focused mainly on developed and emerging economy firms (Zahra, 2005). As a firm internationalizes and gains knowledge and experience about foreign markets, its organisation learning ability is improved and knowledge base enhanced. The extent of learning is determined by its access and dissemination of the information gained in the international varied markets and environments (Zahra *et al.,* 2009).

International expansion has also been considered as a means of acquiring resources and knowledge and enhancing capabilities (Lu *et al.,* 2010). Previous research has highlighted the positive effect that acquiring and processing foreign market information has on the international performance of firms (Zeng *et al.,* 2009; Keskin, 2006). However, developing economy firms may experience challenges when trying to obtain foreign market information due to the liability of foreignness and resource constraints. These firms may rely on government and other partners to provide information on foreign markets, trade requirements and restrictions (Lu *et al.,* 2010). Experiential knowledge is an important determinant of performance, especially in the international market place (Farrell *et al*., 2008). Knowledge capability has been associated positively with firm international expansion, innovation and performance (Zahra *et al.,* 2009).

Adaptive capability is a firm’s ability to coordinate, recombine and allocate resources to meet the changes required to meet the changes required by foreign customers and suppliers (Lu *et al.,* 2010). It has been highlighted by prior research as an antecedent to performance as it is essential for firms to be versatile as they meet the different market and cultural requirements and standards of the foreign markets by tailoring their products and services to the market requirements (Dow, 2006). Foreign markets tend to provide greater complexity, competition and dynamism than home markets (Dow, 2006). Large multinational firms from developed economies may possess slack resources and may not be quick to react to changes in the foreign markets. Firms from developing economies are relatively smaller in size and may experience resource constraints when required to react to changes and hence need to have the capability of adapting quickly. Participation in existing institutional arrangements and government programs like trade fairs also provides these firms with opportunities to internationalize through linkages with potential customers and suppliers. These institutional structures enable firms to adapt more quickly and easily foreign market requirements thereby enhancing performance (Shinkle and Kriauciunas, 2010; Lu *et al.,* 2010).

### Conceptual Framework of the Study

The conceptual model shown in Figure 1 shows the relationships between the independent and dependent variables of the study. The independent variables are the factors influencing execution of internationalization strategy (government policies, organizational competitiveness and organizational capabilities) while the dependent variable is the execution of internationalization strategy. The framework demonstrates that execution of internationalization strategy is directly influenced by government policies, competitive pressure and economic factors.

## METHODOLOGY

### Research Design

The study adopted the descriptive research design to determine whether the independent variables significantly influenced the dependent variable and to ascertain any association between these variables. Kombo and Tromp (2006) recommend the use of this design when investigating peoples’ attitudes and views as they are, without manipulating the variables. Morris and Wood (1991) acknowledge the importance of descriptive design especially when the intent is gaining broader understanding of the context of the research and processes being enacted. Moreover, they argue that the design has considerable ability to generate answers to the questions of “why?”, “what?” and “how?” questions.

### Study Population and Sampling

The study population comprised all pharmaceutical companies operating in Kenya. However, the target population comprised 55 foreign pharmaceutical companies marketing their pharmaceutical products on the Kenyan market. The primary sampling unit for the study was a pharmaceutical company, while the elementary sampling unit was the company manager. Since the study population was manageable, the study adopted the census survey in the collection of data. With this method, the CEOs/general managers or marketing managers of all the 55 foreign pharmaceutical companies in Kenya were included in the study. According to Orodho, (2004) small populations can form samples and be studied as distinct cases. The chief executive officers/general managers and marketing managers of the companies were purposively picked to participate in the study since they are in-charge of strategy implementation.

**Instrumentation**

A semi-structured questionnaire was designed and used to collect primary data on the main constructs that the study investigated. The first section of the questionnaire bore questions/items that extracted information on demographic profile of the respondents and the pharmaceutical companies they worked for. The second section broadly contained questions related to the independent variables of the study and specifically included questions on the respondents' views on government policies, generic competition, emerging markets and counterfeits. The last section contained questions that sought to establish the extent to which the pharmaceutical companies had succeeded in implementing their internationalization strategies in Kenya.
This study used content validity because it measures the degree to which the sample of test items represent and the content that the task is designed to measure. Content validity was achieved through integrating questions that had been used in previous studies to measure similar constructs. The reliability of the questionnaire items was determined using the Cronbach alpha coefficient. Bryman and Cramer (1997) recommend a reliability coefficient of 0.70 and above. A pilot study on a sample of 10 domestic pharmaceutical companies was conducted. Data from the pilot study was analyzed for reliability checks and yielded a reliability coefficient of alpha $\alpha = 0.763$.

**Data Analysis Techniques**

Both quantitative and qualitative data analysis methods were employed since the data collected based on the questionnaire generated both quantitative and qualitative information. The collected quantitative data was coded after validation and editing, then entered into the computer. Data analyses were done with the aid of the Statistical Package for Social Scientists (SPSS). Initial analysis was aimed at descriptively determining response concentrations on the key study variables and the findings presented in frequencies/percentages and means/standard deviations. The second analysis of was done using inferential tools, in particular the Pearson's Product Moment Correlation Coefficient (PPMC) to determine the relationships between the independent and dependent variables of the study.

## RESULTS

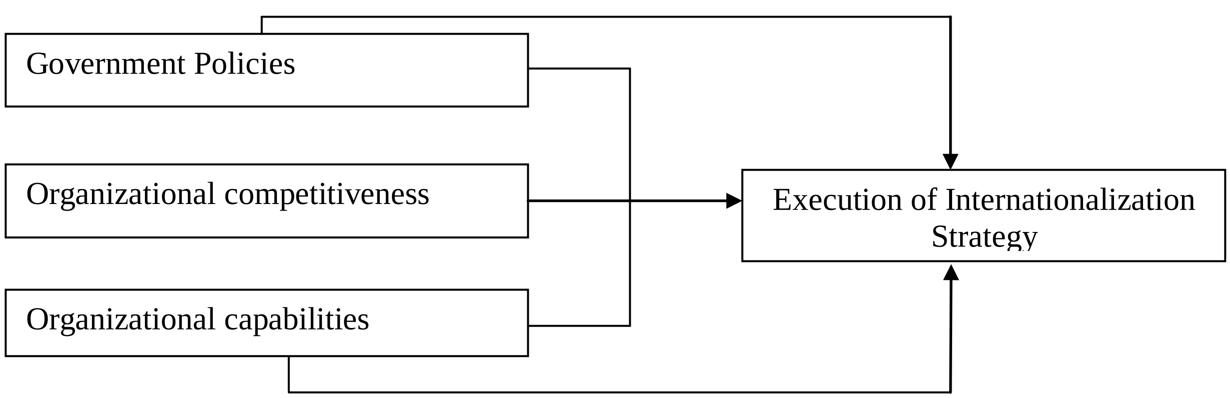



**Figure 1: Conceptual Framework of the Study (Researcher's Own Conceptualization)**

**Response Rate**

The study was designed to be a census survey of all the 55 foreign pharmaceutical companies in Kenya and interview the CEOs, general managers or marketing managers of these companies. Thus, the designated sample size at the beginning of the study based on the total population size was 55 respondents. Of these, 55 companies, respondents from 46 participated in the survey representing 83.6% response rate.

**Sample Profile**

The age of the 46 companies in years of operation since incorporation ranged from 6 to 39, with a mean of 21.7 years at standard deviation of 10.3. With regard to the scope of market coverage, majority of the companies (67.4%) operated across Africa, 28.3% within East Africa while 4.3% had global coverage. Of the 46 respondents who participated in the study, 84.8% were male while 15.2% were female. The highest percentage of the respondents (56.5%) were marketing managers while 43.5% identified themselves as medical representatives. With respect to working experience with their respective companies, 69.6% of the respondents had 5-10 years' experience, 19.6% had less than 5 years while 10.9% had more than 15 years working experience in their respective companies.

**Execution of Internationalization Strategy**

The respondents were asked to indicate, on a scale of 1-5 using a Likert-like scale that ranged from "Not at all" to "To a very great extent", the extent to which each one of the strategic decisions listed had been effectively executed by their respective companies in relation to pharmaceutical marketing in Kenya. A scoring strategy for the respondents' responses was adopted, where scores were assigned as per responses received as follows: 1 – "Not at all"; 2 – "To a limited extent"; 3 – "Not sure"; 4 – "To a large extent" and; 5 – "To a very large extent". The respondents' scores for the 7 questionnaire items that constituted an index for the variable execution of internationalization strategy were cumulated to get a composite score then divided by 7 to obtain the mean score for execution of internationalization strategy. The mean scores were used for further correlation analysis while the respondents' actual responses on execution of internationalization strategy were analyzed descriptively.
The findings revealed that in the opinion of the highest percentage of the respondents, their respective pharmaceutical companies had managed to execute the following internationalization strategies at least to a large extent: changed the strategy in an operational department (71.7%); expanded operations to enter a new market (63%); opened and started up new distribution point/plant or facility (54.3%); introduced a new pharmaceutical product on the market (52.2%). However, significant percentages of the respondents, 45.7% in each case, reported that their companies had not at all opened and started up a new distribution point/plant or facilities and better adapted products to products on the Kenyan market by physical presence. Majority of the respondents (78.3%) indicated that their companies had acquire or merged with another company to a limited extent. Table 1 shows the findings.

Table 1: Respondents' Responses on Execution of Internationalization Strategy

| **Internationalization Strategy** | **1** | **2** | **3** | **4** | **5** | **Total** |
|---|---|---|---|---|---|---|
| 1. Introduced a new pharmaceutical product on the market | - | 47.8% | - | 52.2% | - | **100.0** |
| 2. Opened and started up a new distribution point/plant or facility | 45.7% | - | - | - | 54.3% | **100.0** |
| 3. Expand operations to enter a new market | - | 4.3% | 32.6% | 19.6% | 43.5% | **100.0** |
| 4. Discontinued a product or withdraw from a market | - | 43.5% | 32.6% | - | 23.9% | **100.0** |
| 5. Acquire or merge with another company | 19.6% | 78.3% | - | - | 2.2% | **100.0** |
| 6. Changed the strategy in an operational department | 26.1% | 2.2% | - | - | 71.7% | **100.0** |
| 7. Better adapted products to products on the Kenyan market by physical presence | 45.7% | 34.8% | 19.6% | - | - | **100.0** |

***Key:*** ***1 – Not at all; 2 – To a limited extent; 3 – Not sure; 4 – To a large extent; 5 – To a very large extent***

**Influence of Government Policies on Execution of Internationalization Strategy**

**Respondents Perceptions of Government Policies**

The respondents were asked to indicate, in their own evaluation, how favourable the government regulations listed were to the success of their company's internationalization strategy in the Kenyan pharmaceutical market compared to other markets where they sell their pharmaceutical products. Majority of the respondents (67.4%) indicated that price control was slightly favourable, 28.3% reported that it was not favourable at all while 4.3% indicated that it was favourable. With regard to business license regulations, the highest percentage (30.4%) indicated that they were slightly favourable compared to 28.3% who thought that they were not favourable at all and 26.1% who indicated that the regulations were favourable. With regard to patent regulations and anti-counterfeit laws, the highest percentage of the respondents indicated that they were not favourable at all although cumulatively, 41.3% and 26% thought that these regulations respectively were at least favourable to the execution of their internationalization strategies. Responses on Drugs and substance regulations indicated that 47.8% thought that they were slightly favourable, 21.7% said they were very favourable while 15.2% in each case reported that they were either favourable or not favourable at all. Responses on the general pharmaceutical trade regulations, general legal framework and general regulatory environment for pharmaceuticals show that the highest percentage of respondents thought that they were neutral to those of other countries, with equally significant percentages of the respondents indicating that they were either slightly favourable or not favourable at all. The distribution of the respondents' responses was as shown in Table 2.

Table 2: Respondents' Perceptions of Government Regulations on Pharmaceutical Products

| **Government regulation** | **1** | **2** | **3** | **4** | **5** | **Total** |
|---|---|---|---|---|---|---|
| 1. Price control | 28.3% | 67.4% | - | 4.3% | - | **100.0** |
| 2. Business license regulations | 28.3% | 30.4% | 15.2% | 26.1% | - | **100.0** |
| 3. Patent regulations | 47.8% | - | 10.9% | 15.2% | 26.1% | **100.0** |
| 4. Anti-counterfeit laws | 45.7% | 28.3% | - | 4.3% | 21.7% | **100.0** |
| 5. Drugs and substance regulations | 15.2% | 47.8% | - | 15.2% | 21.7% | **100.0** |
| 6. General pharmaceutical trade regulations | 37.0% | 10.9% | 47.8% | 4.3% | - | **100.0** |
| 7. The general legal framework | 32.6% | 15.2% | 47.8% | 4.3% | - | **100.0** |
| 8. General regulatory environment for pharmaceuticals | 13.0% | 39.1% | 34.8% | - | 13.0% | **100.0** |

***Key: 1 = Not favourable at all; 2 = Slightly favourable; 3 = Neutral; 4 = Favourable; 5 =Very favourable***

Analysis of qualitative responses showed that the respondents decried the lengthy drug registration procedures and its associated bureaucracies which was said to take unnecessarily long and to some extent limiting registration of new drugs. Restriction of government institutions to purchasing of drugs through the Kenya Medical Supplies Agency was also an issue. Since the government is the major consumer of pharmaceutical products, restricting purchase of the products to KEMSA denied many of the foreign pharmaceutical companies a significant share of the market, thus affecting their internationalization strategy. In addition, price control by the government were said to create unfair competition, especially favouring local companies that have flooded sub-standard pharmaceutical products on the market at extremely lower prices. Ogunmokun and Ng (2004) reported that the ability to envisage and handle legal problems in foreign countries was a major attribute in high performing Australian exporters.

**Relationship between Government Policies and Execution of Internationalization Strategy**

The respondents' responses on government policies were scored as follows: Not favourable at all = 1; Slightly favourable = 2; Neutral = 3; Favourable = 4 and; Very favourable = 5. The respondents' total scores on government policies were obtained by cumulating the scores for the 8 items that constituted an index for government policies, then dividing the total score by 8 to get the mean score for the variable government policy. Tests for normality revealed that both government policies and execution of internationalization strategy did not have normal distributions. Thus, adopting the non-parametric Spearman's rho, a correlation analysis, it was established that there was a significant positive relationship between government policies and execution of internationalization strategy (rho= 0.292; p = 0.000). The rho coefficient was weak, indicating that successful execution of internationalization strategy by foreign pharmaceutical companies on the Kenyan market was weakly associated with favourable government policies. The results of the correlation analysis were as shown in Table 3.

Table 3: Spearman's rho Correlation Between Government Policies and Execution of Internationalization Strategy

| | | | **Government Policies** | **Strategy Execution** |
|---|---|---|---|---|
| **Spearman's rho** | **Government Policies** | Correlation Coefficient | 1.000 | .292** |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 46 | 46 |
| | **Strategy Execution** | Correlation Coefficient | .292** | 1.000 |
| | | Sig. (2-tailed) | .000 | . |

| | | | | |
|---|---|---|---|---|
| | | N | 46 | 46 |

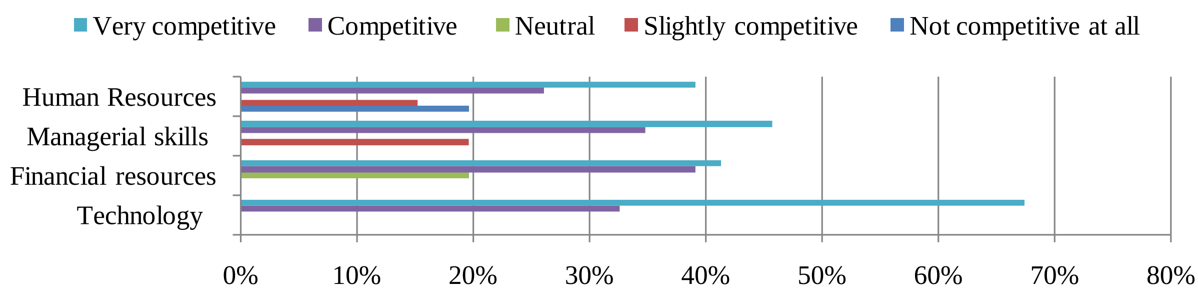
***. Correlation is significant at the 0.01 level (2-tailed).*

### Organizational Competitiveness and Execution of Internationalization Strategy

#### Respondents' Perceptions of Organizational Competitiveness

The respondents were asked to compare the competitiveness of their respective pharmaceutical companies with other companies in the pharmaceutical sector on listed elements of organizational competitiveness. About two thirds of the respondents (67.4%) reported that their organizations were very competitive with respect to technology compared to 32.6% who reported that they were competitive. Cumulatively, over 80% of the respondents reported that their companies were at least competitive in terms of financial resources while about 20% thought that their companies' competitiveness on financial resources did not differ with other companies in the sector. In terms of managerial skills, a cumulative 80% also indicated that their companies were at least competitive while 20% reported that that theirs were slightly competitive. On human resources, a cumulative 65% reported that their respective companies were at least competitive while 20% and 15% reported that they were either not competitive at all or slightly competitive respectively. Their responses were as shown in Figure 1.

**Figure 1: Respondents' Perceptions of Organizational Competitiveness**




#### Relationship between Organizational Competitiveness and Execution of Internationalization Strategy

The hypothesized relationship was that organizational competitiveness positively influenced execution of internationalization strategy. Thus, respondents' responses on organizational competitiveness were scored as follows: Very competition = 5; Competitive = 4; Neutral = 3; Slightly competitive = 2 and; Not competitive at =1. The respondents' scores on the 5 items that constituted an index for organizational competitiveness were summed up to obtain a total score for the variable organizational competitiveness pressure then divided by 10 to obtain the means. A Spearman's rho correlation analysis was conducted using the means for organizational competitiveness and execution of internationalization strategy. A positive and statistically significant relationship was established between organizational competitiveness and execution of internationalization strategy (rho = 0.495; p = 0.000). The correlation was of moderate strength, indicating that respondents who rated their companies to be highly competitive in the indicated areas also rated highly the execution of internationalization strategy in their respective companies. Successful execution of internationalization strategy is associated with organizational competitiveness. The findings were as shown in Table 4.

Table 4: Spearman's rho Correlation Between Organizational Competitiveness and Execution of Internationalization Strategy

| | | | **Organizational Competitiveness** | **Strategy Execution** |
|---|---|---|---|---|
| **Spearman's rho** | **Organizational Competitiveness** | Correlation Coefficient | 1.000 | .495** |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 46 | 46 |
| | **Strategy Execution** | Correlation Coefficient | .495** | 1.000 |
| | | Sig. (2-tailed) | .000 | . |
| | | N | 46 | 46 |

***. Correlation is significant at the 0.01 level (2-tailed).*

**Organizational Capabilities and Execution of Internationalization Strategy**

**Respondents' Perceptions of Organizational Capabilities**

The respondents were asked to indicate the extent to which they would say their pharmaceutical company possessed the capabilities listed. The study established that with respect to knowledge capabilities, a cumulative 78% of the respondents indicated that their respective pharmaceutical companies had the capability to acquire information required to understand foreign customer needs at least to a great extent. Additionally, a cumulative 80% reported that they had the capability to identify overseas market opportunities at least to a great extent while a total of 78% also reported their companies as having the capability to comply with the requirements of foreign trading partners at least to a great extent. With regard to adaptive capabilities, cumulatively, 76% and 78% of the respondents respectively reported that at least to a great extent, their pharmaceutical companies had capabilities to meet foreign customer demands in terms of product and service specifications as well as tailor products and services to foreign customer requests. On the other hand, about 43% cumulatively reported that their companies had the capability to respond to price changes demand from a foreign customer at least to a great extent compared to a significant 35% and 20% respectively who reported that their companies possessed such capabilities but to a limited extent and to a very limited extent respectively. On organizational innovation capabilities, a cumulative 80% of the respondents indicated that their companies possessed managerial innovation capabilities at least to a great extent compared to cumulative 72%, 89% and 76% who respectively reported their companies as having marketing innovation, product innovation and process innovation capabilities at least to a great extent.

**Relationship Between Economic Factors and Execution of Internationalization Strategy**

The respondents' responses on organizational capabilities were scored as follows: Not at all = 1; To a very limited extent = 2; To a limited extent = 3; To a large limited extent = 4 and; To a very large extent = 5. The respondents' scores on the 10 questionnaire items that constituted indexes for the three variable categories for organizational capabilities: Knowledge capabilities (3 items); Adaptive capabilities (3 items) and Organizational innovation capabilities (4 items) were cumulated for each variable category to obtain total scores for the variables knowledge, adaptive capability and organizational innovation capabilities, then divided by the number of items in each category to get the means for three sub-variable of organizational capabilities. A Spearman's rho correlation analysis was then conducted using the means for organizational capabilities variables and execution of internationalization strategy to establish the nature and magnitude of the relationship between the organizational capabilities and execution of internationalization strategy. The correlation analysis revealed that there were statistically significant and positive correlations between knowledge capabilities and execution of internationalization strategy (rho = 0.435; p = 0.03); adaptive capabilities and execution of internationalization strategy (rho = 0.124; p = 0.009) as well as organizational innovation capabilities and execution of internationalization strategy (rho = 0.209; p = 0.000). The positive correlations indicate that successful execution of internationalization strategy by the pharmaceutical companies was attributable to these capabilities, in which case companies that possessed superior capabilities exhibited high success compared to those with relatively inferior capabilities. The findings were as shown in Table 5.

Table 5: Spearman's rho Correlation Between Organizational Capabilities and Execution of Internationalization Strategy

| | | Strategy Execution | Knowledge Capabilities | Adaptive Capabilities | Organizational Innovation Capabilities |
|---|---|---|---|---|---|
| **Knowledge Capabilities** | Pearson Correlation | .435* | 1 | | |
| | Sig. (2-tailed) | .030 | | | |
| | N | 46 | 46 | | |
| **Adaptive Capabilities** | Pearson Correlation | .124* | .767** | 1 | |
| | Sig. (2-tailed) | .009 | .000 | | |
| | N | 46 | 46 | 46 | |
| **Organizational Innovation Capabilities** | Pearson Correlation | .209** | .503** | .043 | 1 |
| | Sig. (2-tailed) | .000 | .000 | .778 | |
| | N | 46 | 46 | 46 | 46 |

***. Correlation is significant at the 0.01 level (2-tailed).*
**. Correlation is significant at the 0.05 level (2-tailed).*

## DISCUSSION

First, with respect to the influence of government policies on execution of internationalization strategy, the study establishes that there is a significant positive relationship between government policies and execution of internationalization strategy (rho= 0.292; p = 0.000). Government regulations are largely part of the political environment that defines the success of internationalization strategies by foreign pharmaceutical companies. The direction and stability of political factors are a major consideration for managers in formulating company strategy. Political factors define the legal and regulatory parameters within which firms must operate. The political environment is intrinsically linked to government's attitude to business and freedom within which it allows firms to operate (Tang, 2011). This often means that the political arena is the most volatile area of international marketing as the tendencies of governments to change regulations can seriously affect the development and execution of an international marketing strategy, providing it with both opportunities and threats. As stated by Jain (2004), the invisible hand and the heavy interventionist role of government do have an impact on the development of international marketing strategy. Apart from specific legislation which comes from political influences, developments in the legal system can also have an important influence on the development of an international marketing strategy (Bradley 2005). Government tariffs have strategic implications for foreign firms as it places them at a competitive disadvantage to locally competing firms. Although tariffs have generally declined over recent years, they still influence the price competitiveness in international markets and, as such, are considered in the development of an international marketing strategy. Therefore, it is important for the firm to know the legal environment in each of its markets, as it will impact upon the organization's ability to market into particular overseas countries. These laws in the target markets constitute the *rules of the game* for their business activities and will affect the marketing mix in terms of products, price, distribution and promotional activities quite dramatically.

Secondly, study further established that in relation to organizational competiveness, there was a positive and statistically significant relationship between organizational competitiveness and execution of internationalization strategy (rho = 0.495; p = 0.000). World Health Organization (2014) argues that in the pharmaceuticals market, competition is very dynamic, from price wars to brand/generic drugs, companies and several other forms. This implies that pharmaceutical companies must pursue organizational competitiveness strategies that give them competitive advantage over other players in the market if they have to succeed in achieving their internationalization strategies. As Pereira (2005) argues, the business and industrial competitiveness is related to the ability of a firm or industry to develop, in a sustainable way, a successful relationship with the environment and that factors of competitiveness are those that determine or influence business competitiveness. A firm possessing a competitive advantage when it executes a value creating strategy which is not concurrently being put into effect by any existing or prospective competitor will most likely outdo the latter, which is incapable of replicating the benefits of this strategy (Barney, 1991).
Third and lastly in relation to organizational capabilities, it was established that statistically significant and positive correlations existed between knowledge capabilities and execution of internationalization strategy (rho = 0.435; p = 0.03); adaptive capabilities and execution of internationalization strategy (rho = 0.124; p = 0.009) as well as organizational innovation capabilities and execution of internationalization strategy (rho = 0.209; p = 0.000). The positive correlations are largely attributable to the fact that capabilities organizational processes through which these capabilities are manifested enable firms to utilize their assets and functions as key success factors to cost effectively deliver customer value and deploy resources advantageously (Mohammed *et al.,* 2008). These capabilities enable firms that possess them to compete in the long term which gives them competitive advantage and superior performance (Lu *et al.,* 2010), thus greater success in execution of corporate strategies such as internationalization strategy. Previous empirical studies have supported the view that intangible assets such as organizational capabilities positively influence the internationalization and performance of firms (O'Cass & Weerawandena, 2009).

## CONCLUSIONS

The study concludes that government policies have a great influence on the execution of internationalization strategy for foreign pharmaceutical companies. Government policies with the most significant influence on execution of internationalization strategy are the bureaucratic licensing processes that delay marketing operations, price controls that create unhealthy competition and government restrictions on government health institutions to purchase pharmaceutical products from KEMSA which locks out most of the foreign companies yet the government is the leading consumer of pharmaceutical products. However, the more favourable the government regulations, the more successful it is to execute an internationalization marketing strategy on the Kenyan pharmaceutical market.

Secondly, the study concludes that organizational competitiveness has a positive influence on the execution of internationalization strategy among marketing pharmaceutical companies in Kenya. Organizational competitiveness is a positive correlate of execution of internationalization strategy, implying that organizations that strive to cultivate competitive advantage through superior technological deployment, financial resources, managerial skills and human resources realize higher success in terms of achieving their internationalization strategies.

Third and finally, organizational capabilities and specifically knowledge capabilities, adaptive capabilities and organizational innovation capabilities positively affect execution of internationalization marketing strategy. These capabilities in their superior forms within an organization positively correlate with the execution of internationalization strategy.

**RECOMMENDATIONS**

1. International marketing managers should judiciously consider the government policies and existing legal frameworks in relation to trading in foreign nations before deciding to go international. This will help them avoid pitfalls related to some bureaucratic processes such as long licensing procedures in the Kenyan context. On the other hand, it is the responsibility of governments to ensure that existing policy and legal environments are favourable to international businesses given that the wind of globalization is unstoppable.

2. International marketing managers should judiciously consider the government policies and existing legal frameworks in relation to trading in foreign nations before deciding to go international. This will help them avoid pitfalls related to some bureaucratic processes such as long licensing procedures in the Kenyan context. On the other hand, it is the responsibility of governments to ensure that existing policy and legal environments are favourable to international businesses given that the wind of globalization is unstoppable.

3. Competition is healthy and has benefits both to the consumer and international marketers. However, there is need to strengthen the regulatory framework and enforce regulations related to counterfeit pharmaceutical products some of which are sneaked into the market in the name of generics, in order to protect the consumer and allow for fare competition. This will require joint efforts between regulatory institutions and industry players including foreign pharmaceutical companies.

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