AN ANALYSIS OF THE EFFECTS OF COMPETITIVE INTELLIGENCE PRACTICES ON THE PERFORMANCE OF PHARMACEUTICAL COMPANIES IN NAIROBI

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I declare that this is my original work and has not been presented for a degree in any other university.

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I dedicate this work to my wife Margret, daughter Angela and Angel and all those who supported me in the completion of this project.
ACKNOWLEDGEMENT

I take this opportunity to give thanks to the Almighty God for seeing me through the completion of this project.

The work of carrying out this investigation needed adequate preparation and therefore called for collective responsibility of many personalities. The production of this research document has been made possible by invaluable support of many people. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation too.

To my family you rely assisted me during all this time and I appreciate your support to my brother in law I salute you for your effort.

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ABSTRACT

The relevance of monitoring, understanding and responding to competitors has long been recognized as a significant aspect of marketing activity. Yet analysis of the competitive environment seems often to be subordinated as greater emphasis is placed on understanding consumers. Clearly important though customers are, they should not dominate marketing strategy and planning. Competition in the Kenyan Pharmaceutical Industry continually work to drive down the rate of return on capital invested. The pharmaceutical companies have thus resulted in making use of various competitive intelligence aspects to ensure profitability. The study generally sought to analyze the effects of competitive intelligence practices on the performance of pharmaceutical companies in Nairobi. Specifically, the study sought to establish the effect of product intelligence strategies, new markets intelligence, technology intelligence, strategic alliance intelligence and on the performance of pharmaceutical companies in Nairobi. The study adopted a descriptive survey design. The method is chosen since it is more precise and accurate since it involves description of events in a carefully planned way and also portrays the characteristics of a population fully. The study targeted managers of pharmaceutical distribution companies in Nairobi. For the smaller firms, the target respondents were the owners/managers or the superintending pharmacists or their designate. In larger corporations, the managers at the time being in charge of distribution, their equivalents or their designate was targeted. From the population sampling frame the required number of subjects/respondents was selected through stratified proportionate random sampling technique based on whether they bare wholesalers, manufacturer or retailers. Primary data was obtained through use of questionnaires. Quantitative data collected using a questionnaire was analyzed by the use of descriptive statistics while the qualitative data was analyzed using content analysis. In addition, the researcher conducted a multiple regression analysis so as to determine the relationship between the company’s profitability and the four competitive intelligence practices. This research helped the companies to remain competitive and profitable amidst the current stiff competition witnessed in the pharmaceutical sector. The study found that the company employed new market intelligence as a competitive intelligence. Product intelligence influenced the performance of the company to a great extent. The company initiated activities to obtain information on technology advancement in the industry to a very great extent. Mergers in the industry and strategic alliance enhanced the performance of the company to a very great extent. The study concludes that the company employed new market intelligence as a competitive intelligence. Product intelligence influenced the performance of the company to a great extent. The company initiated activities to obtain information on process automation in the firm, interconnected technology in the company, integrated systems in the industry and new software in the industry. Joint venture in the industry and acquisitions in the industry enhanced the performance of the company. The study recommends pharmaceutical companies to employ new market intelligence. The study recommends the managers in pharmaceutical companies to adopt product diversification intelligence. The company should initiate activities to obtain information on technology advancement in the industry. They need to form mergers so as to enhance the performance of the company.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In today's fast-paced, high technology business environment, technological advances, competitor actions and inactions, customer and supplier intentions and behaviors, legislative activity and a host of other activities compete for a manager's attention on a daily basis. A manager's ability to master all of the possible consequences of these activities will directly affect the development and quality of a firm's business and corporate level strategies. The key to any successful strategy is the ability to identify, develop and sustain a competitive advantage vis-à-vis to their competitors (Korany, 2007).

Competitive intelligence activities may be argued to be a source of sustained competitive advantage for firms that successfully deploy these capabilities in two ways. First, the contribution of up-to-date, relevant and analyzed intelligence can positively impact various stages of the strategy development process by providing key data on the environment and competitors at critical stages of the strategy formulation process. Secondly, the firm-specific and tacit knowledge of the competitive intelligence personnel can positively impact the strategy development process by ensuring that the collected intelligence gets to influential decision-makers and becomes integrated into the discussion surrounding all phases of the strategic management process (Alstrup, 2000). The continued existence and evolution of this function creates increasingly higher mobility barriers for competitors to overcome and ultimately can be a source of sustained competitive advantage for a firm committed to developing and sustaining its competitive intelligence function.

Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Cobb, 2003). Competitive Intelligence (CI) is both a process and a product (Korany, 2007). The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization.

A more focused definition of CI regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious (Trim, 2004). This definition focuses attention on the difference between dissemination of
widely available factual information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and information centers, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge.

Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence. Competitive intelligence is more concerned with doing the right thing, than doing the thing right. The goal of a competitor analysis is to develop a profile of the nature of strategy changes each competitor might make, each competitor's possible response to the range of likely strategic moves other firms could make, and each competitor's likely reaction to industry changes and environmental shifts that might take place. Competitive intelligence should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company (Pepper, 2001).

Competitive intelligence is mostly used in making strategic decisions regarding capacity expansion, new product development, and strategic alliance. Competitive intelligence is a business tools that help organizations in the process of strategic management and increasing business performance through enhancing knowledge, internal communications and strategic plans quality. Competitive intelligence lead targeting of the organization and shows the competition positions and makes the company to be able for forecasting and developing their markets through analyzing the behavior of the competitions and environment to identify opportunities that in long run will lead to innovation (Britt, 2006).

Competitive intelligence is a necessary concept in the management process and strategic planning of company. Companies with using competitive intelligence and analysis of competitor's strengths and weaknesses are able to predict opportunities of market development and having better performance rather than competitors (Cobb, 2003). This is confirmed by Pelsmacker et al (2005) in his study on competitive intelligence practices of South African and Belgian exporters although they found that South African and Belgian exporters are not yet well equipped and not very active to conduct effective CI, especially in the areas of planning, process and structure, data collection, data analysis, and especially skills development.
In addition, Kipkorir (2001) in his study on the competitive intelligence practices by FM radio stations operating in Kenya indicated that a firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself. This study therefore seeks to establish how these CI practices affect the performance in the pharmaceutical industry.

1.1.1 The Pharmaceutical Industry
The pharmaceutical business has undergone a lot of changes that have affected the state of competition in the industry. Market liberalization, decline in the level of availability of medicines in the public facilities, cost-sharing in healthcare, entry of more players particularly the amendment of the legal framework to allow persons with diploma in pharmacy to open outlets, an explosion in the number of training institutions offering pharmacy courses, higher literacy levels and patient awareness, easy access to information on the internet, etc have affected the health seeking behavior and demand practices as well as the supply level of pharmaceuticals. Recent measures by Government such as reduction in user fees and improved public supply of essential medicines has led to increased utilization of health services, especially among the poor (KNPP, 2010).

According to the Kenya National Pharmaceutical Policy (KNPP) 2010, pharmaceutical trade is highly commercialized and globalized; bringing with it increasingly complex issues such as trade liberalization, intellectual property, standardization, harmonization and collaboration; and information management. There is also rapid growth in the private pharmaceutical sector, requiring commensurate evolvement of the policy and legal framework to effectively regulate the sector. The role of the pharmacist has evolved as a core member of the clinical team, providing defined pharmaceutical care services. Pharmaceutical distribution is a regulated business and players have to comply with the requirements provided in the Pharmacy and Poisons Act, cap 244 laws of Kenya and regulatory guidelines as issued from time to time by the Pharmacy and Poisons Board (the regulatory authority).

Nairobi has the highest concentration of pharmaceutical human resource and the major wholesale level distributors. A good number of wholesalers also sell medicines on retail
basis. Given the close proximity of the firms, they share, on a spatial basis, the market for their products and services. Those who sell on wholesale basis are also in a situation where the clientele base is almost fixed in the form of retailers and the clinics and institutions (hospitals, nursing homes and clinics) that buy pharmaceuticals from them. This environment therefore is highly competitive and the players are forced to adopt strategies that would give them an advantage over other firms while having to comply with regulatory requirements. Such stiff competition, however, may lead to players making a trade-off between financial gain and compliance with the regulatory requirements.

The number of pharmaceutical distribution outlets in Nairobi has been increasing steadily over the years. In some cases certain streets have experienced a very high concentration of outlets to the extent that there are even three to five licensed premises next door, two or more in the same building or within a walking distance of each other. This scenario necessarily elicits a high degree of competition amongst the players since they distribute similar or identical products to a large extent.

The high concentration and thus the resultant competition among pharmaceutical companies in Nairobi are factors that the business owners and managers cannot miss to notice in this sector. Therefore, these companies need to strategize in order to remain relevant in business lest they are pushed out of business.

1.2 Statement of the Problem

The relevance of monitoring, understanding and responding to competitors has long been recognized as a significant aspect of marketing activity. Yet analysis of the competitive environment seems often to be subordinated as greater emphasis is placed on understanding consumers. Clearly important though customers are, they should not dominate marketing strategy and planning (Korany, 2007). Although accused of blasphemy, some might argue that marketing management has lost its way by focusing too narrowly on customers to the exclusion of other influential groups, one of these being competitors.

Competition in the Kenyan Pharmaceutical Industry continually work to drive down the rate of return on capital invested. The pharmaceutical companies have thus resulted in making use of various competitive intelligence aspects to ensure profitability. Studies on competitive intelligence are generally limited. Although there are an expanding number of studies concerning the use of strategic information systems (Korany, 2007), environmental
uncertainty (Baars and Kemper, 2008), for CI activities, none have addressed its organizational impact in an empirical study. In the area of CI research, several empirical studies have explored the relationship between usage of CI practices and corporate performance (Mei and Nie, 2008; Feng and Chen, 2007). However, the conducted studies were independent of competitive intelligence practices and performance for greater profitability (Li et al., 2008)

In Kenya, various studies have been done on competitive intelligence. Muiva (2001) conducted a survey on the use of competitive intelligence systems in the Kenyan banking Industry, Kipkorir (2001) researched on competitive intelligence practices by FM radio stations operating in Kenya while Mugo (2010) did an investigation into competitive intelligence practices for greater profitability of firms in the banking industry case of Equity Bank. These studies were however done on different institutions other than Pharmaceutical Industry. This is despite the fact that the pharmaceutical sector in Kenya is facing many challenges posed by the competitive environment in the industry. Despite the adoption of this competitive intelligence there is no study that has been done on pharmaceutical industry to date. This study therefore sought to carry out an analysis of the effects of competitive intelligence practices on the performance of the pharmaceutical companies in Nairobi.

1.3 Objectives of the Study

1.3.1 General Objective

The study generally sought to analyze the effects of competitive intelligence practices on the performance of pharmaceutical companies in Nairobi

1.3.2 Specific Objectives

The specific objectives of this study were:

i. To establish the effect of product intelligence strategies on the performance of pharmaceutical companies in Nairobi

ii. To analyze the effects of new markets intelligence on the performance of pharmaceutical companies in Nairobi

iii. To determine the effects of technology intelligence on the performance of pharmaceutical companies in Nairobi

iv. To establish the effect of strategic alliance intelligence on the performance of pharmaceutical companies in Nairobi
1.4 Research Questions

The research sought to answer the following research questions.

i. What is the effect of product intelligence strategies on the performance of pharmaceutical companies in Nairobi?

ii. How do new markets intelligence affect the performance of pharmaceutical companies in Nairobi?

iii. To what extent do technology intelligence affect the performance of pharmaceutical companies in Nairobi?

iv. What is the effect of strategic alliance intelligence on the performance of pharmaceutical companies in Nairobi?

1.5 Significance of the Study

The findings of this study are expected to provide an insight into the state of competition in the industry and useful information that can influence policy by such companies to establish competitive intelligence that they can adopt to be ahead of others. This research would help the companies to remain competitive and profitable amidst the current stiff competition witnessed in the pharmaceutical sector.

The study would also be important to the government and policy makers as the nature of the competitive intelligence used can influence regulatory action. The recommendations would be useful in shaping policy to ensure healthy competition by facilitating the making of new rules and regulations or revising existing ones. Although the study context is Nairobi, it is expected that the results may be generalized across the country and across industries.

For investors who may be interested in the pharmaceutical business, this study would provide valuable insight into the strategies currently adopted and offer them an opportunity to plan for a competitive advantage from the beginning. Further, the stakeholders in the pharmaceutical industry would get an insight on how competitive intelligence affects the overall performance of the industry.

The study would also add value to the research in the area of strategic management. Scholars would find it important as it would increase the body of knowledge in this area. It would also assist the researchers in doing further studies on the same. It is hoped that the knowledge
gained from the study could serve as a basis for planning and a point of reference for further studies in the field of strategic management.

1.6 Scope of the Study

The study is investigating the effect of competitive intelligence practices on performance of pharmaceutical industry in Nairobi. Nairobi, being the hub of pharmaceutical business in the country would provide a good context for study on competitive intelligence as firms seek to gain a bigger share of the market. Data was collected from the senior managers of the pharmaceutical distributors in Nairobi. There were three groups categorized as those who are purely wholesaling, manufacturers and those who are in retail business. These groups are important because they play a critical role in the pharmaceutical distribution chain.

1.7 Limitations of the Study

There might be Secrecy of the pharmaceutical institutions regarding their competitive intelligence. Most of the pharmaceutical institutions in Kenya do practice high measure levels of confidentiality and security. Therefore, it is hard to convince them of intention of my research in order to collect any information from the companies. However, the researcher carried an introduction letter to show that the information will only be used for academic purposes.

Availability of information is also anticipated to be a handicap. The issue of unreturned questionnaires and uncooperative respondents, initial suspicious attitude of the respondents may be a hindrance to the study. Sourcing the data from management is not easy because they are too busy and also reluctant to provide adequate information. However, the researchers made follow up calls reminding the respondents and was also request them to fill the questionnaires during their off time.

1.8 Assumptions of the Study

The study assumes that all the questions were answered objectively with the respondents not expressing their personal interests, opinions and biases. It is also assumed that the research instruments enabled the study achieve its objectives and that the data collection instruments have validity and shall measure the desired constructs.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here were the concept of competitive intelligence, the theoretical review, and the empirical review.

2.1.1 Porter's Generic Strategy

Generic strategies can be successfully linked to organizational performance through the use of key strategic practices. Porter's (1985) generic strategies of low cost, differentiation, focus and combination strategies are generally accepted as a strategic typology for organizations. Porter's, (Porter, 1985) view that low cost and differentiation are discrete ends of a continuum that may never be associated with one another has sparked much conceptual debate and empirical research. This debate may have been encouraged in part because of the absence of conceptual building blocks supporting his value system theory. Scholars have since developed theory to counter Porter's view, suggesting that low cost and differentiation may actually be independent dimensions that should be vigorously pursued simultaneously (Hill, 1998). Empirical research using the MIS database by Miller and Dess (1993) suggests that the generic strategy framework could be improved by viewing cost, differentiation and focus as three dimensions of strategic positioning rather than as three distinct strategies. The idea that pursuing multiple sources of competitive advantage is both viable and desirable has also been supported by other researchers (White, 1988). Thus, the research in strategic management following from Porter (Porter, 1980; Porter, 1985) does not provide unequivocal support for Porter's original formulation. Although many firms pursuing cost and differentiation simultaneously may become stuck in the middle, there is clear evidence to suggest that at least some firms have been successful in achieving superior economic performance by pursuing both advantages.

It is commonly suggested that information strategy planning must not be isolated from strategic business thinking (Davenport, 2000). Rather, information strategy has to be mutually aligned with business strategy. On the one hand, business strategy places requirements on the information strategy. On the other hand, information technology may enable new ways of doing business which must be considered in the information strategy.
Thus, a thorough analysis of the organization’s business strategy is necessary. Most authors claim that it is not sufficient to only know the business strategy (Rockar, 2004). Instead, they call for an in-depth understanding of the assumptions (internal strengths and weaknesses, external chances and risks, in particular) underlying the proposed business strategy. Good background information on critical success factors, environmental challenges, resulting opportunities and threats as well as internal strengths and weaknesses are necessary to assess the possible effects of alternative information strategies on the overall business strategy (Rockar, 2004).

Marketing staff in particular are confronted with many issues and are at present confronting such issues as speed to market and shorter product life cycles. Pepper (2001) has indicated that as well as speed to market, senior management at Procter and Gamble also had to address the broader issue of how to innovate. It is because of such issues as these that marketing staff need to think in terms of deploying the strategic marketing concept (Aaker, 1998).

This will provide senior management with a mechanism for assessing the organization’s strategic position (Lackman et al., 2000), and should ensure that market driven strategies are formulated and implemented in order to deliver “superior customer value” (Cravens, 1998). Speed of change in the business environment, as well as risk and uncertainty, have been addressed by Drew (2001). Drew (2001) has indicated that senior managers need to develop an appreciation of environmental issues, and to make sense of the issues. Marketing staff do have a fundamental role to play with respect to ensuring that market trends and new forms of business, such as electronic business, are identified (West, 2001). This means that both corporate intelligence and marketing staff need to be aware of a number of human resource management issues owing to the fact that new types of business relationships will have to be formed and managed. This should ensure that marketing intelligence and planning are integral aspects of the strategic planning process, and marketers are keen to develop competitive intelligence concepts and models. This will require that marketing staff and corporate intelligence staff work together on complex strategic problems and share sensitive data and information. One can conclude, therefore, that top management need to select a competitive strategy that will enable the organization to “meet its own corporate objectives” (West, 2001), and implement market-driven strategies.
Increasing business globalization and free trade have led to greater competition, and many companies worldwide are scrambling to reduce new product development time and redesign their business processes (Guimaraes and Bond, 1996). The importance of business innovation has become quite obvious to most managers; however, success in implementing the required changes is far from assured, with many organizations reporting very disappointing results given the cost and turmoil caused by the changes.

In the process of exploring the basic differences between management approaches and applying a host of new methods and techniques, many firms have been redefining the very nature of their businesses (Whitfield and Szeto, 1997). Over the past decade two main methods for implementing organization change worldwide are widely known as Total Quality Management (TQM) and Business Process Reengineering (BPR). BPR differs from TQM in two important respects. First, while TQM is focused on continuous improvement, an incremental performance improvement approach, reengineering was founded on the premise that significant corporate performance improvement requires discontinuous improvement – breaking away from the outdated rules and fundamental assumptions that underlie operations. With BPR, rather than simply eliminating steps or tasks in a process, the value of the whole process itself is questioned.

Regardless of the change methodology being employed (BPR or TQM) the factors important to innovation success or failure are many, but most authors would agree that strategic awareness or competitive intelligence is an important pre-requisite for success. This is deemed particularly important in highly competitive industries (Luecal and Dahl, 1995). Competitive intelligence (CI) is the process by which organizations gather and use information about products, customers, and competitors, for their short and long term strategic planning (Ettrorre, 1995). It is the first step guiding the planning and redesign of processes, products, and organization structure. Without this strategic vision, business changes will be conducted in haphazard fashion and are less likely to produce significant results. To implement their strategic vision, take advantage of strategic opportunities and address problems, companies have to implement changes to their business processes, products, and/or to the organization itself. The voluminous body of literature on the management of change, including sub-areas such as BPR, and TQM, implicitly or explicitly propose that company strategic intelligence is a pre-requisite for change, and that effective information systems (IS) support is a critical requirement for implementing change. While
these two hypotheses are exceedingly important, the existing literature contains little empirical evidence supporting them. Mostly superficial analyses and personal opinions have been published in this basic area.

Prescott (1995) has highlighted the fact that organizations have not only embraced competitive intelligence but that senior management has gone a step further and implemented counterintelligence measures. He suggests that corporate intelligence staffs need to remain open minded and critical about the appropriateness of existing organizational intelligence systems, and liaise closely with marketing staff to devise industry specific intelligence systems. Corporate intelligence staffs need to review the body of knowledge and experiment with new methodological approaches to problem solving. This is necessary in order that the decision-making process can be improved through time, and theory building can take place. This has been recognized by Prescott (1995) and Serpa (2000), both of whom encourage those involved in competitive intelligence activities (and academic researchers) to engage in theory building, as a commitment to theory building should result in new competitive intelligence tools and techniques being developed that are market focused.

Strategic information planning is a necessary part of competitive intelligence work and it requires that a link is made between critical success factors and operating success factors this means that new strategic organizational frameworks need to be designed in order to accommodate the emerging communication processes and systems. A number of these communication processes and systems will be integrated into what is becoming an interactive organizational process. The interactive, organizational intelligence process facilitates intra- and inter-organizational activities. With regard to the latter, it can be stated that regarding the business continuity planning, closer relations need to be developed between the organizations and government agencies. Firmer links also need to be made between the organizations and their respective trade associations, if, that is, relevant intelligence is to be shared with other organizations in the industry (Hussey and Jenster, 1999).

The competitive intelligence of an organization is embedded in systems, routines, operating procedures, symbols, culture and language. Intellectual competence is increased to the extent that these systems encode declarative and procedural knowledge that is complex, information-rich and isomorphic with environmental demands (Glynn, 1996). In the context of team functioning, collective intelligence is reflected in the capacity for information
processing, efficiency with which group is able to solve problems, quality and timing of group decision-making. These abilities form the foundation for performance in the highly competitive, knowledge-based business environment. The cognitive perspective on team and group has been taken by very few scholars. However, in the context of increasing importance of teamwork in all kinds of organizations, the complexity of problems imposed by the environment and a need for continuous innovation, a cognitive viewpoint of groups is imperative.

The changed values in today’s business can be broadly stated as from tangible to intangibles. Arthur (1996) stated that in post-capitalist economies, wealth flows not to those who control financial capital, but to those who can acquire and direct intellectual capital. According to Stewart (1997) “Information and Knowledge are the thermonuclear competitive weapons of our time. The aspects of competitive intelligence and social cognition (Akgun et al., 2006) involving knowledge acquisition and dissemination (Yang et al., 2006), skills, information flow (Macdonald and Williams, 1994), characteristics of communication channels (Moenaert et al., 2000) competitive maps, interpretative styles (Carbonara and Scozzi, 2006) and collective knowing have been shown to contribute directly or indirectly to innovativeness of a social unit.

Different kinds of social processes, patterns and practices together determine the social capital of a social unit. Many investigators have demonstrated that social capital at various levels from individual to group, organization and national level foster the knowledge sharing, learning, reduced time and transaction costs, reduced redundancy, reduced probability of opportunism and cost of monitoring, encourage cooperative behavior, thereby facilitating the development of new forms of association and competitive organization (Putnam, 1993). Those communities endowed with a diverse stock of social networks and civic associations are in a stronger position to confront poverty and vulnerability, resolve disputes (Varshney, 2000), and take advantage of new opportunities (Isham, 1999).

2.1.2 Competitive Intelligence (CI)

According to Eells and Nehemkis (2004), intelligence is the product of collection, evaluation, analysis, integration, and interpretation of all available information that may affect the survival and success of the company. Well-interpreted information, provided by a properly designed intelligence function, can be immediately significant in the planning of corporate
policy in all of its fields of operations. Stated in both operational and organizational terms, the main purpose of intelligence is to help the chief executive officer fulfill his wide ranging responsibilities. Tan and Ahmed (1999) adopt more of a strategic intelligence perspective and state that intelligence is a continuing and interacting structure of people, equipment, and procedures to gather, sort, analyze and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation and control.

The term competitive intelligence is used in various contexts, and it is generally agreed that competitive intelligence is an all-embracing term that has a strategic dimension associated with it (Wright et al., 2002). Indeed, competitive intelligence can be viewed as a “process for supporting both strategic and tactical decisions, and in order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets” (Cobb, 2003). Competitive intelligence officers contribute to the strategic intelligence process in a number of ways. For example, Montgomery and Weinberg (1991, p. 345) state that a strategic intelligence system is about identifying what information is relevant and actionable” and not just about the production of data.

Forums competitive intelligence (SCIP, 2008), states that competitive intelligence is a systematic process for collecting, analyzing and managing external information that affects programs, decisions and actions of company. The aim of competitive intelligence is management and reduction of risk, create useful knowledge, safety information and use of shared information. Companies that use a competitive intelligence program, has better understanding of the competitive landscape, and with moving toward a wise strategies, they develop programs to increase their competitive advantage (Wright and Calof, 2006).

2.2 Theoretical Review

This study will be based on the theory of strategic balancing. Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors’ behavior, including the system of leaders’ values (Calori et al., 1989). Further to an empirical study on technological alliances, Aliouat deduced the principle of the strategic balancing according to which a technological alliance generates paradoxes and lives by its paradoxes. An alliance
wavering between multiple antagonistic poles that represent cooperation and competition. This gives room to various configurations of alliances, which disappear only if the alliance swings towards a majority of poles of confrontation.

The strategic balancing gathers three models, namely the relational, symbiotic and deployment models. Competition proves to be part of the relational model and the model of deployment. It can be subject to alternation between the two antagonistic strategies, the one being predominantly cooperative as described by the relational model and the other being predominantly competing as characterized by the model of deployment. The company can then take turns at adopting the two strategies in order to keep their alliance balanced. This idea is very close to that of Bengtsson & Kock (2000), according to whom there are three types of competitive relationships: competition-dominated, cooperation-dominated, and equal relationships. The latter is similar to the alternation between the relational model and the model of deployment (Aliouat, 2006).

This will ensure that managers remain market oriented and innovative, and embrace the benefits associated with organizational learning (Slater and Narver, 1998). Should this be the case, it should be relatively straightforward for managers to implement a strategic marketing concept as outlined by Aaker (1998), and also develop a sustainable competitive advantage for the organization. Furthermore, it should be possible to implement market driven strategies (Day, 1990) that are placed within a relationship enhancing context and this will result in the required positioning being achieved within the industry within which the organization competes (Cravens, 1998). Those undertaking competitive intelligence need to communicate with various stakeholders and references to this have been made by (Hussey, 1998). There is a large amount of published information available that can be used including legitimate intelligence gathering, and Hussey (1998) has indicated that top management within an organization need to define what competitive intelligence involves. This is necessary if corporate intelligence staffs are to have an input into the strategic decision-making process. Powell & Allgaier (1998) have made a useful observation by suggesting that in order for competitive intelligence output to be beneficial, those involved in competitive intelligence work need to make available the results of their intelligence analysis to decision makers both quickly and effectively (Allgaier, 1998).

It is useful to reflect on the various contributions a number of competitive intelligence experts have made to the subject matter. For example, Prescott and Bhardwaj (1995) make reference
to the fact that a competitive intelligence programme is composed of four interrelated components: administration, personnel, core project tasks, and outcomes. A key point to emerge from the work of Prescott and Bhardwaj (1995) is that senior managers need to think in terms of developing an organizational structure that meets the unique needs of the organization.

Competitive intelligence programme should focus on the management-needs identification process and a number of companies have achieved this (for example, Motorola, Merck and NutraSweet). Herring (1999) applied the key intelligence topics (KIT) process in order to identify and prioritize the key intelligence needs of senior management and the organization itself. This ensured that intelligence operations were effective and appropriate intelligence was produced. Herring’s (1999) approach is useful because it allows corporate intelligence staff to identify strategic issues and as a result senior management can ensure that actionable intelligence results. The other advantages are that an early warning system can be put in place and this will allow potential threats to be identified; and further, key players can be identified and monitored (Herring, 1999).

This type of approach can be regarded as both logical and necessary with respect to the international marketplace. For example, Tessun (2001) has outlined how staffs at Daimler-Benz Aerospace use a scenario methodology to produce a strategic early warning system that underpins the production/modification of business plans and strategies. This reinforces the point made earlier that corporate intelligence staffs need to be concerned with theory building. This view can be defended on the basis that senior managers within the organization are demanding informed/accurate intelligence, and are requesting that it is made available at the earliest opportunity.

Organizational theory (OT) is the study of organizations for the benefit of identifying common themes for the purpose of solving problems, maximizing efficiency and productivity, and meeting the needs of stakeholders. Through particular methods like analysis, generalization and observation, organization theory specialists try to determine how companies and organizations will behave in certain situations. Broadly OT can be conceptualized as studying three major subtopics: individual processes, group processes and organizational processes (Mises, 1951).
A model of effective information dissemination in a crisis was developed. Whilst information dissemination has been the subject of much scrutiny, Fleisher (2003) study highlighted the paucity of research considering the dissemination of information in crisis situations. Previous research has considered crisis situations from a management perspective, an information systems perspective or a risk communication perspective (MacLehose et al., 2001) but not from a specific information behaviour perspective.

Competitive intelligence programmes need information dissemination to provide an understanding of the industry itself and the type of competitors operating in the industry; areas of vulnerability need to be identified; and the possible moves of competitors need to be evaluated in order to understand how industry dynamics might change. The relevance of a competitive intelligence industry specific approach has been highlighted by Marceau and Sawka (2001). Owing to the fact that specific developments in the business environment need to be closely monitored, it is imperative that senior corporate intelligence professionals think in terms of integrating competitive intelligence work with marketing intelligence work.

Corporate intelligence staffs, need to work closely with marketing staff in order that intelligence activity occurs within a strategic marketing context. The focus of attention may remain the analysis and interpretation of potential risk and counterintelligence that protects “blind spots”, but intelligence is evolving and can be reinterpreted from a theory building perspective and a problem-solving perspective. Initiatives in corporate intelligence will result in intelligence staff being at the centre of the change process within the organization. Competitive intelligence programmes are mainly located in one of three functions within an organization: marketing, planning and R&D (Prescott, 2001). From this it can be deduced that issues relating to new product development, launching a new product on the market, and using facilitative technology such as the Internet, need to be placed within a strategic marketing framework that encompasses the concept of relationship marketing which is pegged on information dissemination and sharing.

2.3 Empirical Review

2.3.1 New Market Intelligence

Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to
better understand the attractiveness of the market (Fleisher, 2003). A time-based competitive tactic, MI insights are used by marketing and sales managers to hone their marketing efforts so as to more quickly respond to consumers in a fast-moving, vertical (i.e., industry) marketplace. Craig Fleisher suggests it is not distributed as widely as some forms of CI, which are distributed to other (non-marketing) decision-makers as well. Market intelligence also has a shorter-term time horizon than many other intelligence areas and is usually measured in days, weeks, or, in some slower-moving industries, a handful of months. Market innovation is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets. One has to deal first with the identification of potential markets. Identification is achieved through skilful market segmentation (Levet & Paturel, 2006). Market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread.

It is the prime responsibility of marketing specialists to provide such insights. Sometimes this responsibility is seen to cover solely the identification of present and likely future geographical market opportunities. Geography is, however, only one simple way for segmenting markets. A very wide range of possible criteria exists for segmenting, stretching from objective criteria based on demographic data through to subjective criteria based on life style interpretations of consumer and business buying behaviour.

In recent years, “benefit segmentation” has become more widely used (Hooley et al., 1998). It is based on the study of buyers’ attitudes, on the assumption that in great measure it is needs and benefits which make up markets and which alter markets. In this form of segmentation emphasis is on “usage occasions”, namely how buyers seek to gain benefits in particular buying situations. This form of segmentation is particularly powerful for dividing a total potential market into meaningful market opportunities (Levet & Paturel, 2006). Its power derives from being predicated on the assumption that the same individual buyer can have different usage needs for the same core product. This happens quite frequently in practice.
2.3.2 Product Differentiation Intelligence

This applies in competitive intelligence which is influenced by where one stands within the product life cycle. When new products are under development and not yet marketed, competitive intelligence will focus on the marketplace (Fleisher, 2003). Once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer. As the product gains market attention, the emphasis shifts to the competition. The intelligent products deliver a whole new range of capabilities that cannot be found in other products. For example, many of these products are autonomous and reactive or they can co-operate with other products.

Product intelligence as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product intelligence – even though the nature of this relationship still remains largely unresolved (Park, 2002). Early studies have argued that product intelligence was valuable from a conceptual perspective, increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects. In contrast, more recent research has found that conglomerate firms have significantly lower profitability (Davis et al., 1992). It has also been shown that highly diversified firms have less market power in their respective markets than more focused firms. Product intelligence has been found to be negatively related to firm value and to occur in firms with less managerial and shareholder equity ownership (Denis et al., 1997).

Researchers suggest that each form of corporate strategy is associated with a different set of economic benefits (Teece, 1982). In the case of related product diversification intelligence, the main economic benefits are economies of integration and economies of scope. Economies of integration provide the firm with lower costs of production. Also, in the strategic management literature, researchers have argued that the primary determinant of firm performance is not the extent of product diversification intelligence, but the relatedness in product intelligence.

2.3.3 Technological Intelligence

Rycroft and Kash (1999) claim that competitive intelligence requires a process of co-evolution between technology and cultural perspectives. Technology intelligence exerts a
significant influence on the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation. Often, pharmaceutical companies experience problems in this area, which are caused by lack of capital expenditure on technology and insufficient expertise to use the technology to its maximum effectiveness (Alstrup, 2000).

Hammer (1990) stresses that organisations should obliterate rather than automate believing that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. However, pharmaceutical companies traditional lack of resources usually results in a compromise situation (Vossen, 1999). It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation (Kim and Mauborgne, 1999) with technology intelligence have an increased chance of enjoying sustainable growth and profit.

2.3.4 Strategic Alliances Intelligence

Burgers et al. (1993) defined a strategic alliance as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of a firm's resources with one or more other firms. According to Burgers et al. (1993) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The benefits of strategic alliances can be divided into two general categories: those that come about through the reduction of external environmental uncertainty and those that exist through the reduction of internal organizational uncertainty.

Two sources of external environmental uncertainty are demand uncertainty and market uncertainty (Harrigan, 1988). Demand uncertainty arises from the unpredictability of consumer purchasing behaviour. Strategic alliances are formed so that the partners can gain access to the resources and capabilities required to cope with that uncertainty. Competitive uncertainty is caused by competitive interdependence where the actions of one firm have a direct and significant effect on the market positions of others in the industry often causing reactionary moves in kind. Competitive uncertainty pushes firms to enter into alliances to limit competitive interdependence by limiting the number of competitors.

Two types of internal organizational uncertainty can be reduced through strategic alliances. The first is scarcity of resources. Organizations can join in alliances to share resources,
essentially leveraging their resources with other parties of the alliance. The second internal uncertainty is referred to as operational uncertainty, which describes uncertainty caused by a lack of information and knowledge of necessary actions required to remain effective as an organization (Fleisher, 2003). Organizations can join strategic alliances to reduce operational uncertainty by acquiring the knowledge base of partners in the alliance and/or forming a strong enough competitive position through the alliance whereby the alliance can establish “rules of the game” in terms of competitive requirements in an industry.

2.4 Research Gap

Fleisher (2003) proposes that market intelligence is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market. However, the current competitive environment in the pharmaceutical industry demands more pronounced approaches that will lead to market intelligence. Early studies have argued that product intelligence was valuable from a conceptual perspective, increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects. In contrast, more recent research has found that conglomerate firms have significantly lower profitability (Davis et al., 1992). This contrasting views need to be harmonized by a comprehensive research that will clearly show the approaches that can lead to product intelligence. This research comes handy at a time when many institutions believe in technology as a way of automating their operations contrary to Hammer (1990) who stresses those organizations should obliterate rather than automate. According to Burgers et al., (1993) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance, but this has not always been the outcome of strategic alliances. This research is therefore essential to fill the existing gap by carrying out an investigation into competitive intelligence practices for greater profitability in the pharmaceutical industry.

2.5 Conceptual Framework

The conceptual framework below shows the conceptualization of how the dependent variable and the independent variables (competitive intelligence practices) relate.
Figure 2.1: Conceptual Framework

Competitive intelligence practices and performance in firms is greatly involved in new market intelligence, product intelligence, technology intelligence and strategic alliances intelligence. Technology Intelligence is an activity that enables companies to identify the technological opportunities and threats that could affect the future growth and survival of their business. Companies install an intelligence system (technology, market, business or competitive intelligence) to collect and analyze information on market, product, and technology changes and on other environmental transformations in order to increase their decision-making quality and competitiveness. Market Intelligence (MI) is the information relevant to a company’s markets gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy, and market development metrics. Product intelligence refers to skills,
technologies, applications and practices used to help a business acquire a better understanding of its commercial context. Product intelligence technologies provide historical, current, and predictive views of business operations. Finally, the strategic intelligence alliance is an evaluation and organizational development firm devoted to the advancement of organizations so they may achieve their strategic results.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology that was used to conduct the study. It covers research design, data collection methods, instruments of data collection and finally the data analysis.

3.2 Research Design

The study adopted a descriptive survey design. Descriptive research design is designed to provide further insight into the research problem by describing the variables of interest. A descriptive study is concerned with determining the frequency with which something occurs or the relationship between variables (Bryman and Bell, 2003). This was appropriate since the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions thus it combines the present view with the future. A descriptive survey design was able to produce statistical information about aspects of the competitive strategies. The method is chosen since it is more precise and accurate since it involves description of events in a carefully planned way (Babbie, 2004). This research design also portrays the characteristics of a population fully (Chandran, 2004). The research design was both quantitative and qualitative.

3.3 Study Population

Target population of this study was pharmaceutical distributors in Nairobi. There were two groups categorized as those who are purely wholesaling and those who are in retail business. Both groups are important because they play a critical role in the pharmaceutical distribution chain. The study targeted managers of pharmaceutical distribution companies in Nairobi. For the smaller firms, the target respondents were the owners/managers or the superintending pharmacists or their designate. In larger corporations, the managers at the time being in charge of distribution, their equivalents or their designate was targeted. The respondents were selected on the basis of being in a better position to provide information on competitive strategies that these organizations use.
### Table 3.1: Study Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical wholesalers</td>
<td>211</td>
</tr>
<tr>
<td>Pharmaceutical retailers</td>
<td>503</td>
</tr>
<tr>
<td>Pharmaceutical manufacturers</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>745</strong></td>
</tr>
</tbody>
</table>


### 3.4 Sampling Design

The study applied stratified sampling method. The various strata are determined from companies in the pharmaceutical industry specializing in manufacturing, wholesaling and retailing (see table 3.2) (Pharmacy and Poisons Board, 2011). From the population sampling frame the required number of subjects/respondents was selected through stratified proportionate random sampling technique based on whether they are wholesalers or retailers. Stratified proportionate random sampling technique is considered the most appropriate in order to produce estimates of overall population parameters with greater precision and ensure a more representative sample is derived from a relatively homogeneous population. Statistically, in order for generalization to take place, a sample of at least 30 must exist; samples of about 30% of a population was considered reliable (Mutai, 2001) and so a population of 224 respondents was chosen using simple random sampling.

### Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sample ratio</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical wholesalers</td>
<td>211</td>
<td>0.3</td>
<td>63</td>
</tr>
<tr>
<td>Pharmaceutical retailers</td>
<td>503</td>
<td>0.3</td>
<td>151</td>
</tr>
<tr>
<td>Pharmaceutical manufacturers</td>
<td>31</td>
<td>0.3</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>745</strong></td>
<td></td>
<td><strong>224</strong></td>
</tr>
</tbody>
</table>

Source: Author (2012).

### 3.5 Data Collection

For the purpose of this study, primary data was obtained through use of questionnaires. This method has been chosen since it provided an efficient way of collecting responses from the large sample that is anticipated. The questionnaires were delivered by hand and picked later. Where considered necessary, Interviewer-administered Questionnaires were used and the
interviewers physically met respondents and ask the questions face to face then record the responses on the basis of each respondent’s answers. Records of past events may also be reviewed to compile evidence of competitive strategies that have been observed.

3.6 Validity
According to Somekh, and Cathy (2005) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which is employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. Expert opinion was requested to comment on the representativeness and suitability of questions and give suggestions of corrections to be made to the structure of the research tools. To establish the validity of the research instrument the researcher sought opinions of experts in the field of study especially the lecturers in the department of business administration. This helped to improve the content validity of the data that was collected. It facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

3.7 Reliability
Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The researcher intended to select a pilot group of 15 individuals from the target population to test the reliability of the research instruments. In order to test the reliability of the instruments, internal consistency techniques was applied using Cronbach’s Alpha. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.6-0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability (Mugenda, 2008). The pilot data was not be included in the actual study. All the variables were found to be reliable as their reliability values were above 0.7.

3.8 Data Analysis
Before processing the responses, the completed questionnaires were edited for completeness and consistency. The results of the study were both qualitative and quantitative. Quantitative data collected using a questionnaire was analyzed by the use of descriptive statistics employing the Statistical Package for Social Sciences (SPSS V 21.0) and presented through frequencies, percentages, means and standard deviations. The information was displayed by use of tables, bar charts and pie charts and in prose-form. This was done by tallying up
responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives through use of SPSS.

Qualitative data was analyzed using content analysis which is the best suited method of analysis; content analysis is defined by Creswell (2003) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. In addition, the researcher conducted a multiple regression analysis so as to determine the relationship between the company’s performance and the four competitive intelligence practices. The regression equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \):

Whereby

\( Y \) = Company’s performance  
\( \beta_0 \) = Constant Term  
\( \beta_1, \beta_2, \beta_3, \text{ and } \beta_4 \) = Beta coefficients for the independent variables  
\( X_1 \) = market intelligence  
\( X_2 \) = product intelligence  
\( X_3 \) = technology intelligence  
\( X_4 \) = strategic alliance intelligence  
\( \epsilon \) = Error term

3.9 Ethical Issues

Due to sensitivity of some information collected, the researcher holds a moral obligation to treat the information with utmost propriety. Since the respondents might be reluctant to disclose some information, the researcher needed to reassure the respondents of confidentiality of the information given. The researcher also emphasized on the importance of this study to the companies.
CHAPTER FOUR
DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The main objective of the study was to investigate the effects of competitive intelligence practices on the performance of pharmaceutical companies in Nairobi. Qualitative data was analyzed through quantitative analysis. Graphs, pie charts and tables were used to present the data. The questionnaires were dropped and later picked at a later date to allow the respondents to feel the questionnaires at their own time. Once the respondents answered the questionnaire, data was then coded and analyzed using SPSS.

4.1.1 Response Rate

The study targeted 224 respondents in collecting data with regard to effects of competitive intelligence practices on the performance of pharmaceutical companies in Nairobi. From the study, 200 respondents out of the 224 sample respondents filled-in and returned the questionnaires making a response rate of 89.3%. This reasonable response rate was achieved after the researcher made personal calls and physical visits to remind the respondent to fill-in and return the questionnaires.

4.1.2 Pilot test results

To establish validity, the research instrument was given to an expert who was an experienced strategic manager at pharmaceutical distributor in Nairobi to evaluate the relevance of each item in the instrument in relation to the objectives. The same were rated on the scale of 1 (very relevant) to 4 (not very relevant). Validity was determined by use of content validity index. Content validity index was obtained by adding up the items rated 3 and 4 by the experts and dividing this sum by the total number of items in the questioner. Oso and Onen (2009) state that a validity coefficient of at least 0.70 is acceptable as a valid research hence the adoption of the research instrument as valid for this study.

4.1.3 Reliability analysis

Reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. The Alpha measures internal consistency by establishing if certain items measures the same construct. Nunnally (1978) established the Alpha value threshold at 0.6
which the study benchmarked against. Cronbach Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done later on. Table 4.1 shows that all the scales were significant, having an Alpha above the prescribed threshold of 0.6. Product intelligence had an Alpha of 0.823, new markets intelligence had an Alpha of 0.706, technology intelligence had an Alpha of 0.813, and strategic alliance intelligence had an Alpha of 0.716. When all scales were combined, the Cronbach’s Alpha became 0.752.

Table 4.1: Reliability Analysis for the variables

<table>
<thead>
<tr>
<th>Scale</th>
<th>Cronbach Alpha</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product intelligence</td>
<td>0.823</td>
<td>5</td>
</tr>
<tr>
<td>New markets intelligence</td>
<td>0.706</td>
<td>5</td>
</tr>
<tr>
<td>Technology intelligence</td>
<td>0.813</td>
<td>5</td>
</tr>
<tr>
<td>Strategic alliance intelligence</td>
<td>0.716</td>
<td>5</td>
</tr>
<tr>
<td>Average (All Scales)</td>
<td>0.765</td>
<td>20</td>
</tr>
</tbody>
</table>

4.2 General information

In an effort to determine the general information of the respondents the researcher requested them to indicate their gender, age bracket and period of time they had worked in the company.

The study sought to find out the gender of the respondents.
The study shows that the highest number of the respondents were males while the least number of the respondents were females with 44%. This reveals that the researcher applied gender equality while choosing the respondents.

It was important for the study to find out the age of the respondents.

**Table 4.2: Age of the respondents**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-25 years</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>26-30 yrs</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>30-35 yrs</td>
<td>60</td>
<td>30</td>
</tr>
<tr>
<td>36-40 years</td>
<td>70</td>
<td>35</td>
</tr>
<tr>
<td>40-50 years</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the findings, 35% of the respondents were aged 36-40 years, 30% were aged 30-35 years, 20% were aged 26-30 years, 10% were aged 40-50 years and 5% were aged 21-25 years.

The study sought to find out the period the respondents had worked in the company.
Table 4.3: Period the respondents had worked in the company

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below One Years</td>
<td>10</td>
</tr>
<tr>
<td>4-6 Years</td>
<td>104</td>
</tr>
<tr>
<td>1-2 Years</td>
<td>25</td>
</tr>
<tr>
<td>2-4 Years</td>
<td>40</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>10</td>
</tr>
<tr>
<td>10-15 Years</td>
<td>5</td>
</tr>
<tr>
<td>Above 15 Years</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
</tr>
</tbody>
</table>

According to the findings, 52% of the respondents had worked in the company for 4-6 years, 20% of the respondents had worked in the company for 2-4 years, 12.5% of the respondents had worked in the company for 1-2 years, 5% of the respondents had worked in the company for 6-10 years and below 1 year and 2.5% of the respondents had worked in the company for 10-15 years.

4.3 Competitive Intelligence and performance

The researcher requested the respondents to indicate the extent to which the company had initiated activities to obtain information on the stated competitive intelligence factors.

Table 4.4: Extent that the company had initiated activities to obtain information on the competitive intelligence factors

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Stdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Competitiveness</td>
<td>3.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Market share</td>
<td>4.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Industry Sale growth</td>
<td>3.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Firm Profitability</td>
<td>4.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Firm Return on investments</td>
<td>3.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Firm Return on equity</td>
<td>2.8</td>
<td>0.2</td>
</tr>
</tbody>
</table>

According to the findings, the respondents indicated that the company had initiated activities to obtain information on firm profitability to a very great extent as shown by a mean of 4.7. In addition, the respondents indicated that the company had initiated activities to obtain information on market share, industry competitiveness, industry sale growth and firm return on investments to a great extent as shown by a mean of 4.2, 3.8, 3.6 and 3.5 respectively.
They also indicated that the company had initiated activities to obtain information on firm return on equity to a moderate extent as shown by a mean of 2.8.

4.3.1 New Market Intelligence

The study sought to find out if the company employed new market intelligence as a competitive intelligence.

Figure 4.2: If the company employed new market intelligence as a competitive intelligence

From the findings, 90% of the respondents indicated that the company employed new market intelligence as a competitive intelligence while 10% indicated that the company did not employ new market intelligence as a competitive intelligence.

The respondents were requested to indicate whether the new market intelligence applied in the company concentrated on these 4Ps (price, place, promotional and product) of the marketing mix.
Figure 4.3: Whether the new market intelligence applied in the company concentrated on these 4Ps (price, place, promotional and product) of the marketing mix

According to the findings, 75% of the respondents indicated that new market intelligence was applied in the company concentrated on these 4Ps (price, place, promotional and product) of the marketing mix while 25% of the respondents indicated that new market intelligence was not applied in the company concentrated on these 4Ps (price, place, promotional and product) of the marketing mix.

The study sought to find out the extent that the company had initiated activities to obtain information on new market intelligence.

Table 4.5: Extent that the company had initiated activities to obtain information on new market intelligence

<table>
<thead>
<tr>
<th>Aspects of New market intelligence</th>
<th>Mean</th>
<th>Stdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Pricing</td>
<td>3.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Industry Place/ Market Segments</td>
<td>3.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Industry Promotion</td>
<td>4.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Industry Product Differentiation</td>
<td>3.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Firm New outlets</td>
<td>3.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>

From the findings, the respondents indicated that the company had initiated activities to obtain information on industry promotion, industry place/ market segments, industry product differentiation and industry pricing to a great extent as shown by a mean of 4.2, 3.8, 3.7 and 3.6 respectively. In addition the respondents indicated that the company had initiated
activities to obtain information on firm new outlets to a moderate extent as shown by a mean of 3.2.

4.3.2 Product Intelligence

The study requested the respondents to indicate their agreement level to product diversification intelligence leads to lower costs of production

Figure 4.4: Respondents’ agreement level to product diversification intelligence leads to lower costs of production

![Bar chart](image)

From the findings, 65% of the respondents agreed that product diversification intelligence leads to lower costs of production, 20% strongly agreed, 10% were neutral, 3% disagreed and 2% strongly disagreed.

The study sought to find out the extent that product intelligence influenced the performance of the company.
According to the findings, 50% of the respondents indicated that product intelligence influenced the performance of the company to a great extent, 30% indicated that product intelligence influenced the performance of the company to a moderate extent, 15% indicated that product intelligence influenced the performance of the company to a very great extent, 3.5% indicated that product intelligence influenced the performance of the company to a low extent and 1.5% indicated that product intelligence influenced the performance of the company to very low extent.

The respondents were requested to indicate the extent that the company initiated activities to obtain information on product intelligence.

<table>
<thead>
<tr>
<th>Extent that the company initiated activities to obtain information on product intelligence</th>
<th>Mean</th>
<th>Stdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>New products</td>
<td>4.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Economies of scale</td>
<td>3.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Customers</td>
<td>4.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Ownership</td>
<td>2.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Product diversification</td>
<td>4.8</td>
<td>0.7</td>
</tr>
</tbody>
</table>

From the findings the respondents indicated that the company initiated activities to obtain information on product diversification and new products to very great extent as shown by a mean of 4.8 and 4.6 respectively. In addition, the respondents indicated that the company
initiated activities to obtain information on customers and economies of scale to great extent as shown by a mean of 4.1 and 3.7 respectively. The respondents also indicated that the company initiated activities to obtain information on ownership to a moderate extent as shown by a mean of 2.3.

4.3.3 Technology Intelligence

The study sought to find out the extent that technology intelligence influenced the performance of the company.

Figure 4.6: Extent that technology intelligence influenced the performance of the company

From the findings, 50% of the respondents indicated that technology intelligence influenced the performance of the company to a great extent, 25% of the respondents indicated that technology intelligence influenced the performance of the company to very great extent, 20% of the respondents indicated that technology intelligence influenced the performance of the company to moderate extent, 4% of the respondents indicated that technology intelligence influenced the performance of the company to low extent and 1% of the respondents indicated that technology intelligence influenced the performance of the company to very low extent.

The respondents were requested to indicate the extent that the company initiated activities to obtain information on technology intelligence.
Table 4.7: Extent that the company initiated activities to obtain information on technology intelligence

<table>
<thead>
<tr>
<th>Technology Area</th>
<th>Mean</th>
<th>Stdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Control system</td>
<td>3.4</td>
<td>0.1</td>
</tr>
<tr>
<td>New software in the industry</td>
<td>3.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Integrated systems in the industry</td>
<td>3.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Process automation in the firm</td>
<td>4.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Interconnected technology in the company</td>
<td>4.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Technology advancement in the industry</td>
<td>4.6</td>
<td>0.1</td>
</tr>
</tbody>
</table>

According to the findings, the respondents indicated that the company initiated activities to obtain information on technology advancement in the industry to a very great extent as shown by a mean of 4.6. In addition, the respondents indicated that the company initiated activities to obtain information on process automation in the firm, interconnected technology in the company, integrated systems in the industry and new software in the industry to a great extent as shown by a mean of 4.3, 4.2, 3.8 and 3.7 respectively. Moreover, the respondents indicated that the company initiated activities to obtain information on industry control system to a moderate extent as shown by a mean of 3.4.

4.3.4 Strategic Alliances Intelligence

The study sought to find out the type of internal organizational uncertainty that was reduced through strategic alliances at the company.
From the findings, 75% of the respondents indicated that the type of internal organizational uncertainty that was reduced through strategic alliances at the company was operational uncertainty and 25% of the respondents indicated that the type of internal organizational uncertainty that was reduced through strategic alliances at the company was scarcity of resources.

The respondents were requested to indicate the extent that strategic alliance strategies enhanced the performance of the company.

Table 4.8: Extent that strategic alliance strategies enhanced the performance of the company

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Stdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic alliance</td>
<td>4.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Mergers in the industry</td>
<td>4.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Joint venture in the industry</td>
<td>4.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Acquisitions in the industry</td>
<td>3.8</td>
<td>0.1</td>
</tr>
</tbody>
</table>

According to the findings, the respondents indicated that mergers in the industry and strategic alliance enhanced the performance of the company to a very great extent as shown by a mean of 4.8 and 4.6 respectively. In addition, the respondents indicated that joint venture in the industry and acquisitions in the industry enhanced the performance of the company to a great extent as shown by a mean of 4.3 and 3.8 respectively.
The study sought to find out how the performance of the company had improved in the following dimensions.

Table 4.9: How the performance of the company had improved in the following dimensions

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Stdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>competitiveness</td>
<td>4.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Return on equity</td>
<td>3.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Return on investment</td>
<td>3.2</td>
<td>0.1</td>
</tr>
<tr>
<td>profitability</td>
<td>4.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>4.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Market Share</td>
<td>4.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>3.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Corporate Image</td>
<td>4.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>

From the findings, the respondents indicated that performance of the company had improved in competitiveness and sales growth to a very great extent as shown by a mean of 4.8. In addition, the respondents indicated that performance of the company had improved in profitability, market share, corporate image and customer satisfaction to a great extent as shown by a mean of 4.3, 4.2, 4.2 and 3.8 respectively. The respondents also indicated that performance of the company had improved in return on equity and return on investment to a moderate extent as shown by a mean of 3.4 and 3.2 respectively.

4.4 Regression Analysis

In addition, the researcher conducted a linear regression analysis so as to test relationship among variables (independent) on the performance of pharmaceutical companies in Nairobi. The researcher applied R to code, enter and compute the measurements of the linear regressions for the study.

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (performance of pharmaceutical companies in Nairobi) that is explained by all the four independent variables (product intelligence, new market intelligence, technology intelligence and strategic alliances intelligence).
The four independent variables that were studied, explain only 85.4% of the performance of pharmaceutical companies in Nairobi as represented by the $R^2$. This therefore means that other factors not studied in this research contribute 14.6% of the performance of pharmaceutical companies in Nairobi. Therefore, further research should be conducted to investigate the other factors (14.6%) that affect performance of pharmaceutical companies in Nairobi.

**Table 4.10: Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.924</td>
<td>.854</td>
<td>.516</td>
<td>.419</td>
</tr>
</tbody>
</table>

The significance value is 0.002 which is less that 0.05 thus the model is statistically significant in predicting performance of pharmaceutical companies in Nairobi. The F critical at 5% level of significance was 2.43. Since F calculated is greater than the F critical (value = 51.455), this shows that the overall model was significant.

**Table 4.11: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2.434</td>
<td>3</td>
<td>1.103</td>
<td>51.455</td>
<td>.002</td>
</tr>
<tr>
<td>Residual</td>
<td>7.307</td>
<td>35</td>
<td>2.452</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.326</td>
<td>38</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The researcher conducted a linear regression analysis so as to determine the effect of the independent variables (new market intelligence, product intelligence, strategic alliances intelligence and technology intelligence) on the dependent variable (performance of pharmaceutical companies in Nairobi). As per the R generated table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = 3.203 + 0.481X_1 + 0.736X_2 + 0.686X_3 + 0.814X_4$$

Where $Y$ is the dependent variable (performance of pharmaceutical companies in Nairobi), $X_1$ is the Strategic alliances intelligence variable, $X_2$ is Technology intelligence variable, $X_3$ is Product intelligence, $X_4$ is New market intelligence.

According to the regression equation established, taking all factors into account (Strategic alliances intelligence, Technology intelligence of staff, Product intelligence and innovation) constant at zero, performance of pharmaceutical companies in Nairobi will be 3.203. The data
findings analyzed also shows that taking all other independent variables at zero, a unit increase in strategic alliances intelligence will lead to a 0.481 increase in performance of pharmaceutical companies in Nairobi; a unit increase in Technology intelligence of staff will lead to a 0.736 increase in performance of pharmaceutical companies in Nairobi, a unit increase in Product intelligence will lead to a 0.686 increase in performance of pharmaceutical companies in Nairobi, a unit increase in New market intelligence will lead to a 0.814 increase in performance of pharmaceutical companies in Nairobi. This infers that New market intelligence contributes more to the performance of pharmaceutical companies in Nairobi followed by the technology intelligence of staff, then product intelligence, with strategic alliances intelligence contributing the least.

At 5% level of significance and 95% level of confidence, strategic alliances intelligence had a 0.031 level of significance; technology intelligence showed a 0.013 level of significance, product intelligence showed a 0.026 level of significance and new market intelligence showed a 0.004 level of significance; hence the most significant factor is new market intelligence.

Table 4. 12: Coefficient of determination

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.203</td>
<td>1.036</td>
<td>0.842</td>
</tr>
<tr>
<td></td>
<td>Strategic alliances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>intelligence</td>
<td>0.481</td>
<td>0.096</td>
<td>0.215</td>
</tr>
<tr>
<td></td>
<td>technology</td>
<td>0.736</td>
<td>0.145</td>
<td>0.087</td>
</tr>
<tr>
<td></td>
<td>Product</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>intelligence</td>
<td>0.686</td>
<td>0.068</td>
<td>0.155</td>
</tr>
<tr>
<td></td>
<td>new market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>intelligence</td>
<td>0.814</td>
<td>0.104</td>
<td>0.157</td>
</tr>
</tbody>
</table>
CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to investigate the effects of competitive intelligence practices on the performance of pharmaceutical companies in Nairobi.

5.2 Summary of the Findings

The study aimed at the effects of competitive intelligence practices on the performance of pharmaceutical companies in Nairobi. The company had initiated activities to obtain information on firm profitability to a very great extent. In addition, the company had initiated activities to obtain information on market share, industry competitiveness, industry sale growth and firm return on investments to a great extent. They also indicated that the company had initiated activities to obtain information on firm return on equity to a moderate extent.

The study found that the company employed new market intelligence as a competitive intelligence. New market intelligence was applied in the company concentrated on these 4Ps (price, place, promotional and product) of the marketing mix. The company had initiated activities to obtain information on industry promotion, industry place/market segments, industry product differentiation and industry pricing to a great extent. In addition, the company had initiated activities to obtain information on firm new outlets to a moderate extent.

The study revealed that product diversification intelligence leads to lower costs of production. Product intelligence influenced the performance of the company to a great extent. The company initiated activities to obtain information on product diversification and new products to very great extent. In addition, the company initiated activities to obtain information on customers and economies of scale to great extent. The respondents also indicated that the company initiated activities to obtain information on ownership to a moderate extent.
The study established that technology intelligence influenced the performance of the company to a great extent. The company initiated activities to obtain information on technology advancement in the industry to a very great extent. In addition, the company initiated activities to obtain information on process automation in the firm, interconnected technology in the company, integrated systems in the industry and new software in the industry to a great extent. Moreover, the respondents indicated that the company initiated activities to obtain information on industry control system to a moderate extent.

The study found that the type of internal organizational uncertainty that was reduced through strategic alliances at the company was operational uncertainty. Mergers in the industry and strategic alliance enhanced the performance of the company to a very great extent. Joint venture in the industry and acquisitions in the industry enhanced the performance of the company to a great extent. Performance of the company had improved in competitiveness and sales growth to a very great extent. Performance of the company had improved in profitability, market share, corporate image and customer satisfaction to a great extent. The respondents also indicated that performance of the company had improved in return on equity and return on investment to a moderate extent.

5.2 Discussions of key findings

This section focuses on a detailed discussion of the major findings of the study which also entails comparing the study findings to the literature in order to come up with comprehensive conclusion.

5.2.1 New Market Intelligence

With effect to effects of new markets intelligence on the performance of pharmaceutical companies in Nairobi. Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market (Fleisher, 2003). The company had initiated activities to obtain information on industry promotion, industry place/ market segments, industry product differentiation and industry pricing.
5.2.2 Product Intelligence

The study established that product diversification intelligence leads to lower costs of production thus influencing the performance of the company. Early studies have argued that product intelligence was valuable from a conceptual perspective; increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects (Park, 2002). The company initiated activities to obtain information on product diversification and new products.

5.2.3 Technology Intelligence

Technology intelligence influences the performance of the company. Hammer (1990) stresses that organizations should obliterate rather than automate believing that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. The company initiated activities to obtain information on technology advancement in the industry to a very great extent.

5.2.4 Strategic Alliances Intelligence

The study found that the type of internal organizational uncertainty that was reduced through strategic alliances at the company was operational uncertainty. According to Burgers et al. (1993) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The benefits of strategic alliances can be divided into two general categories: those that come about through the reduction of external environmental uncertainty and those that exist through the reduction of internal organizational uncertainty.

5.3 Conclusion

The study concludes that the company employed new market intelligence as a competitive intelligence. The company initiated activities to obtain information on industry promotion, industry place/ market segments, industry product differentiation and industry pricing to a great extent.

The study concludes that product diversification intelligence leads to lower costs of production. Product intelligence influenced the performance of the company to a great extent. The company initiated activities to obtain information on product diversification and new...
products. In addition, the company initiated activities to obtain information on customers and economies of scale.

The study concludes that technology intelligence influenced the performance of the company. The company initiated activities to obtain information on technology advancement in the industry. The company initiated activities to obtain information on process automation in the firm, interconnected technology in the company, integrated systems in the industry and new software in the industry.

The study concludes that the type of internal organizational uncertainty that was reduced through strategic alliances at the company was operational uncertainty. Mergers in the industry and strategic alliance enhanced the performance of the company. Joint venture in the industry and acquisitions in the industry enhanced the performance of the company. Performance of the company had improved in competitiveness, sales growth, profitability, market share, corporate image and customer satisfaction.

5.4 Recommendations

The study recommends pharmaceutical companies to employ new market intelligence. The companies should initiate activities to obtain information on industry promotion, industry place/ market segments, industry product differentiation and industry pricing.

The study recommends the managers in pharmaceutical companies to adopt product diversification intelligence. This will help to lower costs of production thus improve performance of the company.

The study recommends pharmaceutical companies to adopt technology intelligence. The company should initiate activities to obtain information on technology advancement in the industry. They need to put in place process automation, interconnected technology, integrated systems and new software in the companies.

The study recommends pharmaceutical companies to adopt strategic alliances. They need to form mergers so as to enhance the performance of the company. Joint venture in the industry and acquisitions in the industry should also be formed.
5.5 Recommendations for further studies

Further studies should be done on effects competitive intelligence practices in other regions so as to allow for generalization of the effects competitive intelligence practices in Kenya. The study also recommends further studies on effects competitive intelligence practices in other industries.
REFERENCES


Herring, J.P. (1999), Key intelligence topics: a process to identify and define intelligence needs, *Competitive Intelligence Review*. Vol. 18 No. 1, pp. 6-8


Powell, T. and Allgaier, C. (1998), Enhancing sales and marketing effectiveness through competitive intelligence, *Competitive Intelligence Review*. Vol. 9 No. 4, pp. 29-41


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APPENDICES

Appendix 1: Introduction Letter

KENYATTA UNIVERSITY,
P.O. BOX 43844-001000,
NAIROBI.

DEPARTMENT OF BUSINESS

SEPTEMBER 2012

RE: MBA RESEARCH PROJECT

I am a student at Kenyatta University pursuing a Masters of Business Administration program.
Pursuant to the pre-requisite course work, I would like to conduct a research project on investigation of effects of competitive intelligence practices on the performance of the pharmaceutical companies. The focus of my research will be pharmaceutical companies in Nairobi and this will involve use of questionnaires administered to members of the management team.

I kindly seek your authority to conduct the research at your company through questionnaires and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

Wambugu P. Wachira
Appendix II: Questionnaire

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

Part A: General information

1) Gender
   Male [ ]   Female [ ]

2) Age
   Below 20 years [ ]   21-25 years [ ]   26-30 yrs [ ]
   30-35 yrs [ ]   36-40 years [ ]   40-50 years [ ]
   Above 50 years [ ]

3) What is your length of time in the Company?
   Below One Yr [ ]   1-2 Yrs [ ]   2-4 Yrs [ ]
   4-6 Yrs [ ]   6-10 Yrs [ ]   10-15 Yrs [ ]
   Above 15 Yrs [ ]

Part II, Competitive Intelligence and performance

4) In the last five year planning period, to what extent has your company initiated activities to obtain information on:

<table>
<thead>
<tr>
<th>Information</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Low extent</th>
<th>Very low extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Competitiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Sale growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Return on investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Return on equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

New Market Intelligence

5) Does your company employ new market intelligence as a competitive intelligence?
   Yes [ ] No [ ]

6) Does the new market intelligence applied in your company concentrate on these 4Ps (price, place, promotional and product) of the marketing mix?
   Yes [ ] No [ ]
7) In the last five year planning period, to what extent has your company initiated activities to obtain information on:

<table>
<thead>
<tr>
<th>Aspects of New market intelligence</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Low extent</th>
<th>Very low extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Pricing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Place/ Market Segments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Promotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Product Differentiation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm New outlets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Product Intelligence

8) Product diversification intelligence leads to lower costs of production. To what extent do you agree with this statement?

- Strongly agree [ ]
- Agree [ ]
- Neutral [ ]
- Disagree [ ]
- Strongly disagree [ ]

9) To what extent do you think product intelligence influenced the performance of your company?

- Very great extent [ ]
- Moderate extent [ ]
- Very low extent [ ]
- Great extent [ ]
- Low extent [ ]

10) In the last five year planning period, to what extent has your company initiated activities to obtain information on:

<table>
<thead>
<tr>
<th>Information Area</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Low extent</th>
<th>Very low extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>New products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economies of scale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product diversification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
14) To what extent do the following strategic alliance strategies enhance the performance of your company? Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent.

<table>
<thead>
<tr>
<th>Strategic alliance</th>
<th>Very great extent</th>
<th>Great extent</th>
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<td>Mergers in the industry</td>
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<td>Joint venture in the industry</td>
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<td>Acquisitions in the industry</td>
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15) In the last five years indicate how the performance of the company has improved in each of the following dimensions:

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<td>competitiveness</td>
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<td>Customer Satisfaction</td>
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<td>Corporate Image</td>
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THANK YOU!!!