European Journal of
Business and Strategic Management
(EJBSM)

INFLUENCE OF TRUST AND TRANSPARENCY ON PERFORMANCE OF PHARMACEUTICAL FIRMS IN KENYA

Akwalu Ezekiel Kiriinya

Dr. P. Karanja Ngugi

Dr. Patrick Mwangangi

Prof. Romanus Odhiambo

IPRJB
INTERNATIONAL PEER REVIEWED JOURNAL AND BOOK PUBLISHING

European Journal of Business and Strategic Management
ISSN 2518-265X (Online)
Vol.3, Issue 8, pp 17-31, 2018

www.iprjb.org

INFLUENCE OF TRUST AND TRANSPARENCY ON PERFORMANCE OF PHARMACEUTICAL FIRMS IN KENYA

[1*]Akwalu Ezekiel Kiriinya
[1]PhD Student, Jomo Kenyatta University of Agriculture and Technology
[*]Corresponding Authors Email; akwalu04@gmail.com

[1]Dr. P. Karanja Ngugi, [2]Dr. Patrick Mwangangi and [3]Prof. Romanus Odhiambo
[1, 2, 3] Lecturers, Jomo Kenyatta University of Agriculture and Technology

Abstract

Purpose: The purpose of this study was to establish the influence of trust and transparency on performance of pharmaceutical firms in Kenya

Methodology: This research adopted a descriptive research design. The target population of interest in this study were the 22 local pharmaceutical manufacturing and 149 importing firms that act as subsidiaries making a total of 171. The study sample was drawn from the list of 171 pharmaceutical firms, where various categories with the relevant information for the study were drawn. The study adopted a census sampling technique where all items in the population were completely enumerated. Two questionnaires were administered to each firm to categories of people with relevant information about collaborative planning giving a total of 342. These included procurement officers, general managers, line managers or marketing managers. The data was analyzed using SPSS 22 version by making use of multiple regressions analysis which helped to generate a weighted estimation equation (OLS) that was used to predict values for dependent variable from the values of the independent variable.

Results: The correlation and regression results revealed that trust and transparency had a positive and significant relationship with performance of pharmaceutical firms. The null hypothesis was rejected indicating that there was a significant relationship between collaborative planning and performance of pharmaceutical firms in Kenya.

Recommendations: The study recommends that organizations should build relationships with their customers based on trust and transparency. This will enhance brand loyalty to products and customer retention.

Keywords: *Trust and transparency, performance, pharmaceutical firms,*

1.0 INTRODUCTION

1.1 Background of the Study

According to Pinna, Carrus and Marras, (2015), implementation of pharmaceutical supply chain and relationship management has proven to be more complex than other sectors because it requires the participation of many different stakeholders, and also because it is highly influenced by legislations and by healthcare professionals (AbuKhousa *et al.*, 2014, Aronsson *et al*., 2011). Building cooperation and increasing coordination during the relationship enables both parties to improve their performance in a long and good quality relationship (Hinkka & Framling 2013). Downstream supply chain actors are closer to the final consumption of products and services and value is added through advertising, product positioning, and marketing channels (Guan & Rehme, 2012). Downstream distribution involves different types of customers, which include distributors, wholesalers and retailers, before the products reach the final end users (Levy & Weitz, 2011). From this distribution perspective, supply chain uncertainty is related to the various attributes associated with the demand, such as product variety, lot size and required response time (Hung, 2012)

In the United states of America (USA) pharmaceutical industry is currently facing unprecedented challenges caused by slower sales growth, expiring patents, increasing competition from generics, shorter product life cycles, tighter regulations, adverse media coverage and reputational damage, and a decline in the number of new innovative drugs under development (ITA,2016).The Australian pharmaceutical industry is highly fragmented but regulated by government regulatory agencies such as the Therapeutic Goods Administration (TGA) and state contracting bodies such as Health Purchasing Victoria (Bhakoo & Chan, 2011). The pharmaceutical industry has been advancing aggressively in India and globally has been ranked third largest country in terms of production volume Nasina and Nallam, 2016).

As of December 2009, Uganda had a total of 19 sites licensed for the manufacture of medicines and health supplies although only 11 of these were involved in commercial production of pharmaceuticals (UNIDO, 2013). Most of the big pharmaceutical firms commit to provide affordable and innovative medicines by focusing on customer requirements. To achieve such challenging goals, control over the supply chain is imperative so as to enable the firms offer high quality products at the right time and at competitive prices (Khanna, 2012).In South Africa, Clicks pharmacy is the largest owner of pharmaceutical chain acting as a wholesaler in South Africa and Botswana (McKinsey, 2015). Tanzania imports about 70% of the national drug requirement and local production accounts for about 30%. The pharmaceutical sector in Tanzania consists of eight manufacturing industries all producing generic pharmaceutical products using imported active pharmaceutical ingredients from India and China (Ogulini & Shukrani, 2012).

According to McKinsey (2015) pharmacy chains are expanding in Kenya, Uganda, and Rwanda. Horizontal and vertical integration to enhance relationships for competitive advantage are also on the rise. Presently Kenya is the biggest maker of pharmaceutical items among COMESA counties controlling 50% of the regions market (Export Processing Zone, 2015, Pharmacy and Poisons

Board, 2015). More technologically sophisticated pharmaceutical products like IV fluids, indictable, and more advanced antibiotics like cepholosporins are not produced by local industries, which still lack that competence.

According to International trade administration (ITA) (2016)**,** total pharmaceutical sales in USA accounted for $333 billion constituting 1.9% of GDP and 10.7% of total healthcare expenditure in 2016. China is the second largest pharmaceutical market in the world, forecasted to grow from $108 billion in 2015 to $167 billion by 2020, representing an annual growth rate of 9.1 percent (ITA, 2016).Mexico is Latin America's second-largest pharmaceutical market, and a leading producer of high-tech medicines including antibiotics, anti-inflammatory drugs, cancer treatment procedures, and others. In 2015, Mexican pharmaceutical sales reached US$11.7 billion, and are expected to grow to a level of US$20.1 billion by 2025. The three commonly used measures of corporate performance range from financial, productivity, profitability and market share (Firer & Mitchell, 2013). In 2011, Germany's drug market was the fourth largest worldwide after the United States, Japan and China, with annual sales of 32.25 billion Euros. In 2015, pharmaceutical expenditure in Tanzania reached TZS900bn (USD442mn), and is forecasted to grow by 13.1% in local currency terms (4.8% in US dollar terms) to reach a market size of TZS1.02trn (USD 463mn) by 2016 (BMI, 2016).

An estimate of the Kenyan pharmaceutical market by Business Monitor International (BMI, 2017) showed that expenditure on prescription medicines in 2016 was Ksh 32.3billion which constituted 90.7% of the total market. Using the BMI definition, prescription medicines include generics, branded generics, and original brands. However, while sales volumes are large, over the counter (OTC) medicines are usually low-priced and competition is high. The OTC market component was estimated at Ksh 4.96 billion (US$ 72 million) and, combining prescription medicines and OTC products, BMI estimates the total domestic market to have reached Ksh 500b in 2016. The drug distribution system in Kenya can be classified into public (government), NGO, and private channels. The private sector is served by distributors (distributing both imports and locally-manufactured goods) and directly by local manufacturers (UNIDO, 2012). The forecast of Kenyan market by 2020, is KES136.08bn (USD1.28bn), experiencing a compound-annual growth rate (CAGR) of 13.2% (BMI, 2016).

1.2 Statement of the Problem

The pharmaceutical industry play a major role in supporting the country's health sector ensuring medical and health continuum (Shabaninejad *et al.*, 2014).The goal of this supply chain is to assure a continuous flow of drugs to patients at optimal price, with minimal delays, few shortages, and with little room for error (Thani *et al.*, 2011). Pharmaceutical sales in Kenya reached a value of Ksh 73.34bn (USD750mn) in 2015 (BMI, 2016). While robust growth is forecast for pharmaceutical expenditure in Kenya, significant concerns exist with regard to Kenya's intellectual property environment with Anti-Counterfeiting and Product Protection Program (A-CAPPP, 2012), estimating counterfeit drugs infiltration into the Kenyan market to be 30% of drugs sold amounting to Ksh 22 billion losses annually (UNIDO, 2015).

According to (BMI, 2016), pharmaceutical firms have raised concern over medicines from non-legitimate questionable sources constituting 30% of drugs sold thus reduce their market share (PSP4H, 2014). According to world health organisation (WHO, 2014), the toll on public health has been on the rise due to resistance to some antibiotics contributing up to 40% deaths from MDRTB (MOH, 2015). In addition with pharmaceutical firms are losing Ksh 5 billion per annum due to products that are expired, recalled, has damaged packaging, delivered incorrectly or ineffective that customers have lost confidence in thus shying away from purchasing. The detrimental effects on firms include; reduced sales revenue, reduced market share, dissatisfied customers, determent in innovation and growth and huge costs of over Ksh 3 billion to combat counterfeiting (A-CAPPP, 2012). Unable to operate in Kenyan market in 2016, 5% of the pharmaceutical firms closed doors and 2% downsized despite significant growth in the number of support institutions with healthcare facilities growing from 5000 in the 2007 to 6200 in 2015 representing 24% growth(MOH, 2016) and pharmaceutical retail outlets growing from 7000 in 2012 to 9000 in 2016 (PPB,2016).

According to private sector innovation program for Health (2014), there are highly fragmented relationships between pharmaceutical firms and their customers in developing countries (Pule & Kalinzi, 2014).The net results of these, are huge losses of over Ksh 25 billion that have forced some firms to downsize and others to close down (UNIDO, 2012). Kenneth & Muli (2012) conducted a study on the Factors influencing the influx of counterfeit medicines in Kenya among small and medium enterprises. The study found out that legislation, popularity of a brand, pricing strategy and various perceived risks had influence on the influx of counterfeit medicines. This research sought to establish the influence of trust and transparency on performance of pharmaceutical firms in Kenya, and make recommendations on how trust and transparency can be built for better performance.

1.3 Study Objective

The purpose of this study was to determine the influence of trust and transparency on performance of pharmaceutical firms in Kenya

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Stakeholder Theory

According to Donaldson & Preston (1995), the stakeholder theory has a strong disciplinal influence on trust. This theory postulates that an organizational entity has important stakeholders other than the firm, its suppliers and its customers, and these stakeholders seek to achieve diverse and sometimes conflicting goals. The stakeholders have power to pursue aggressive strategies, and they have legitimate and urgent stakes in the organizations that need to be seriously addressed (Co & Barro, 2009). Co & Barro, (2009) further pointed out that when the level of trust is high between two parties, they are more open to adopt cooperative strategies. On the other hand, when the level

of trust among stakeholders is low, the firm with a higher stake to proceed with the engagement would adopt aggressive strategies in the relationship. Because of this, those without or with a lesser degree of bargaining power need to rely on the trustworthiness of the firm to ensure that the firm is fair to all stakeholders and fulfill its obligations to its stakeholders (Co & Barro, 2009).

This theory supports the independent variable because in the seller buyer relationships, the partners have different goals and power positions and each has ability to competitively outdo one another in relation to power position. When the level of trust is high between two parties, they are more open to adopt cooperative strategies. The theory further explains that when the level of trust among stakeholders is low, the firm with a higher stake to proceed with the engagement would adopt aggressive strategies in the relationship.

2.2 Empirical Literature Review

Tejpal, Garg & Sachdeva (2013) investigated Trust among supply chain partners with the objective of developing a context-dependent, multi-perspective and concept called ‘‘trust’’ among supply chain members (SCM). The research methodology involved systematically reviewing the literature related to trust in supply chains. The database that had been searched in the study included Google scholar, Science Direct and Emerald. The search revealed 6,017 articles as of December 2011. A number of key findings emerged: the field is a relatively ‘‘new’’ one for supply chain management; several disciplines claim ownership of the field; consensus is lacking on the definition of the term; research on trust emphasizes to focus on characteristic trust and negligible attention is given to other forms of trust, such as rational and institutional trust and decision to trust-required multiple. Contextual focus is mostly on the buyer-supplier trust development and the predominant key perspectives of trust in supply chain relationship are; characteristic trust, rational trust (cost and benefit, dynamic capabilities, technology) and institutional trust/security system; lack of theories related to economic aspect and competitive advantages of trust.

Wu, Weng and Huang (2012) studied supply chain partnerships based on the commitment-trust theory with the objective of using high-tech firms in Taiwan as research subjects to verify the fit of the commitment-trust theory and explore the supply chain relationships among research variables. Survey study of Taiwan’s high-tech industries was conducted to understand co-operation between partners. The research variables included relationship termination costs, relationship benefits, shared values, communication, opportunistic behavior, relationship uncertainty. Questionnaire was administered to employees’ selected using purposive sampling. 207 valid responses were obtained, and the valid response rate was 21.05 per cent.

The study findings indicated that there is a significant positive relationship between “shared values and trust. It was concluded that if partners have a high degree of consensus over service or quality goals, their mid and high ranking executives will have little doubt of the honesty and reliability of each other. There was a significant positive relationship between communication and trust. This reveals that if mid and high ranking executives of a high-tech firm have trust for their partners, they are willing to establish smooth communication channels to share resources and obtain latest information. There was a significant positive relationship between trust and co-operation because

when a firm has trust and dependence for its partner, it will make efforts to satisfy the request from or share information with the executives of this partner and maintain their co-operative relationship. There was a significant positive relationship between trust and functional conflict or positive conflict because if any conflict of opinions or interest occurs between partners, partners who have trust in the others were more willing to resolve the conflict through communication and use a constructive thinking model to facilitate co-operation. There was a significant negative relationship between trust and uncertainty meaning that trust can reduce uncertainties and increase confidence in one's decisions.

Emanuela (2012) investigated outcomes of inter-organizational trust in supply chain relationship through systematic literature review and a meta-analysis of the empirical evidence with the objective of improving the understanding of inter-organizational trust outcomes in supply chain relationships. The study adopted systematic literature review (SLR) as research methodology. The findings indicated that Inter-organizational trust influences a recognizable economic outcomes such as sales growth, cash flow and increased Return on Investment (ROI).With regard to the cost perspective, the meta-analysis demonstrated a modest purchasing cost reduction as a consequence of increased levels of inter-firm trust between partners while providing strong support for the effect of trust on lowered transaction costs. From a business process perspective, the findings showed that inter-organizational trust has a positive impact on task performance measured by timeline. The study concluded that inter-organizational trust has a strong positive impact on partners' actions such as investment in relationship specific assets, supplier integration, joint action and joint problem-solving.

3.0 RESEARCH METHODOLOGY

This research adopted a descriptive research design. The target population of interest in this study were the 22 local pharmaceutical manufacturing and 149 importing firms that act as subsidiaries making a total of 171. The study sample was drawn from the list of 171 pharmaceutical firms, where various categories with the relevant information for the study were drawn. The study adopted a census sampling technique where all items in the population were completely enumerated. Two questionnaires were administered to each firm to categories of people with relevant information about collaborative planning giving a total of 342. These included procurement officers, general managers, line managers or marketing managers. The data was analyzed using SPSS 22 version by making use of multiple regressions analysis which helped to generate a weighted estimation equation (OLS) that was used to predict values for dependent variable from the values of the dependent variable.

4.0 RESULTS

4.1 Factorability Test for Trust and Transparency

4.1.1 Measure of Sampling Adequacy for Trust and Transparency Measures

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000). The results of Kaiser-Meyer-Olkin Measure of Sampling Adequacy as presented in Table 4.10 presents a KMO statistic of 0.597 which was significant; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). The KMO test, the Bartlett's Test of Sphericity was significantly high (Chi-Square=369.961 with 28 degrees of freedom, at $p<0.05$). These results provide an excellent justification for further statistical analysis to be conducted.

Table 1: Factorability Test Results for Trust and Transparency

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.597
Bartlett's Test of Sphericity	Approx. Chi-Square	369.961
	df	28
	Sig.	0.000

4.1.2 Communalities for Trust and Transparency

According to Kaiser (1974), factor-loading values that are greater than 0.4 should be accepted and values below 0.5 should lead to collection of more data to help researcher to determine the values to include. Values between 0.5 and 0.7 are mediocre, values between 0.7 and 0.8 are good and values between 0.8 and 0.9 are great, and values above 0.9 are superb. Factor analysis was conducted on statements regarding trust and transparency and one statement had a coefficient of less than 4 hence it was dropped for regression and correlations

Table 2: Communalities for Trust and Transparency

	Initial	Extraction
Our firms extend credit facilities	1.000	.571
We share market information	1.000	.423
We involve customers in risks management	1.000	.841
Our firm easily resolve customer conflict	1.000	.707
We coordinate with our customers	1.000	.285
our firm response is timely	1.000	.832
our firm has built loyalty	1.000	.656

4.1.3 Reliability Test for Trust and Transparency

Rotation Sums of Squared Loadings values in Table 3 represent the distribution of the variance after the varimax rotation. The results show that the questionnaire as a data collection instrument was highly reliable and therefore, could be used for collecting the data for trust and transparency. The Cronbach Alpha coefficient ranged from a high of 0.782 to a low of 0.715. All variables depicted that the value of Cronbach's Alpha values were above 0.7, thus the study variables were reliable.

Table 3: Reliability Test for Trust and Transparency

Statement	Cronbach's Alpha
Our firms extend credit facilities	0.738
We share market information	0.741
We regularly conduct customer audits	0.716
We involve customers in risks management	0.782
Our firm easily resolve customer conflict	0.715
We coordinate with our customers	0.728
our firm response is timely	0.727
our firm has built loyalty	0.718

4.1.4 Total Variance Explained for Trust and Transparency

Rotation Sums of Squared Loadings values in Table 4 represent the distribution of the variance after the varimax rotation. The rotated through sum of least square loading values and results were presented. Varimax rotation tries to maximize the variance of each of the trust and transparency factors, so the total amount of variance accounted for was redistributed over the three extracted factors. The results of the varimax rotation mean that the three extracted factors out of 8 components explained 61.155% of the total variations. This implies that the 8 statements can be regrouped into 3 factors.

Table 4: Total Variance Results for Trust and Transparency

Parameter	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.378	29.727	29.727	2.378	29.727	29.727	1.658	20.727	20.727
2	1.404	17.547	47.274	1.404	17.547	47.274	1.637	20.46	41.187
3	1.11	13.881	61.155	1.11	13.881	61.155	1.597	19.968	61.155
4	0.869	10.864	72.019						
5	0.757	9.37	81.388						
6	0.718	8.979	90.367						
7	0.464	5.795	96.162						
8	0.307	3.838	100						

4.1.5 Scree Plot for Trust and Transparency

The study obtained scree test results by plotting the latent roots, eigenvalue, against the factors in order of extraction. From the sixth factor on, the line is almost flat, meaning that each successive factor is accounting for smaller and smaller amounts of the total variance. The results are presented in figure 4.4 through a Scree Plot for Trust and Transparency in Pharmaceutical Firms in Kenya.

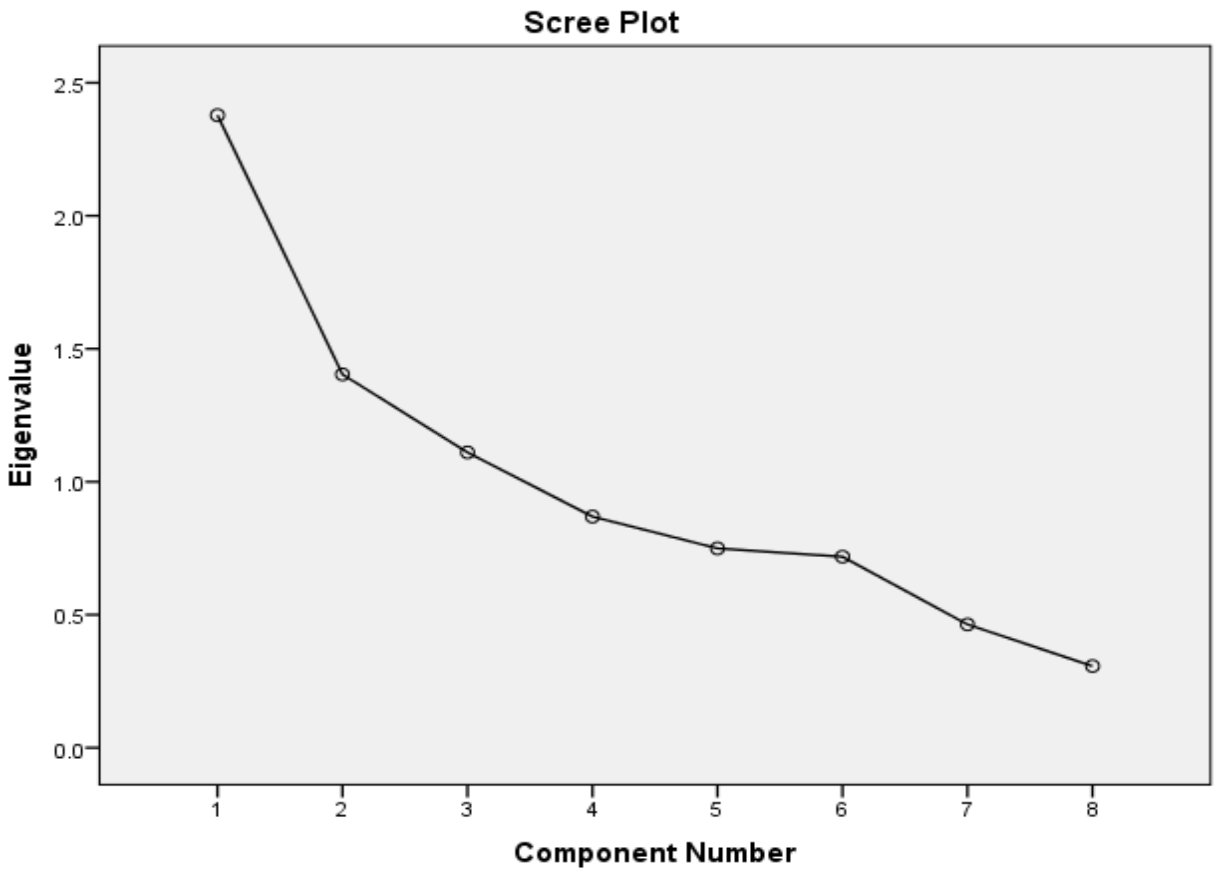

Figure 4.4: Scree Plot for Trust and Transparency in Pharmaceutical Firms

4.2 Correlation Analysis

The researcher performed correlation analysis between trust and transparency and performance of pharmaceutical firms in Kenya. The results in Table 4.51 shows the correlation between trust and transparency and performance of pharmaceutical firms. Credit facilities and performance of pharmaceutical firms have a relationship which is positive and significant (r=0.245, p=0.000). This finding is similar to those of Gaurev *et al* (2013) whose study found out that there was a significant positive relationship between trust and co-operation because when a firm has trust and dependence for its partner, it will make efforts to satisfy the request from or share information with the executives of this partner and maintain their co-operative relationship. Further, market information and performance of pharmaceutical firms have insignificant and positive relationship (r=0.258, p=0.093). In addition, risk management and performance of pharmaceutical firms was positively but significantly correlated (r=0.163, p=0.000) This was in line with that of Mei-Yeng *et al* (2012)

whose study findings indicated that there is a significant positive relationship between "shared values and trust.

Further, resolving customer conflict and performance of pharmaceutical firms are positively but significantly correlated (r=0.215, p=0.000) which is in line with Mabey and Thomson (2000). In addition, timely response and performance of pharmaceutical firms are positively and significantly correlated (r=0.215, p=0.000). Finally, the results showed that loyalty and performance of pharmaceutical firms are positively and significantly correlated (r=0.150, p=0.000). This also corresponds to the study by Mei-yeng *et al* (2012) whose study inferred that if partners have a high degree of consensus over service or quality goals, their mid and high ranking executives will have little doubt of the honesty and reliability of each other

Table 5: Correlation Results for Trust and Transparency

		Organizational performance	Credit facilities	Market information	Risks management	Resolve customer conflict	Timely response	loyalty
Organizational performance	Pearson Correlation	1						
credit facilities	Pearson Correlation	.245**	1					
	Sig. (2-tailed)	.000						
market information	Pearson Correlation	.258	.262**	1				
	Sig. (2-tailed)	.093	.000					
risks management	Pearson Correlation	.163**	.206**	.172**	1			
	Sig. (2-tailed)	.000	.001	.005				
resolve customer conflict	Pearson Correlation	.212**	0.079	.163**	.129*	1		
	Sig. (2-tailed)	.000	.196	.008	.035			
Timely response	Pearson Correlation	.215**	-0.004	-0.011	.615**	.203**	1	

	Sig. (2-tailed)	.000	.948	.856	.000	.001		
	Pearson Correlation	.150**	.126*	0.116	.212**	.430**	.271**	1
firm loyalty	Sig. (2-tailed)	.000	.004	.057	.000	.000	.000	

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

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

4.3 Regression Analysis

The first objective of the study was to establish the influence of trust and transparency on performance of pharmaceutical firms in Kenya. Regression analysis was used to examine whether trust and transparency can be used to explain performance of pharmaceutical firms in Kenya. The regression results presented on Table 6 shows that trust and transparency was found to be satisfactory in explaining performance of pharmaceutical firms which is supported by coefficient of determination also known as the R^2 of 49.8%. The R^2 of 49.8% means that trust and transparency explains 49.8% of the variations in the dependent variable which is performance of pharmaceutical firms.

Table 6: Model Fitness for Trust and Transparency

Variables	R	R Square	Adjusted R Square	Std. Error of the Estimate
Coefficients	.715[a]	.511	.498	.4929

The results in table 7 implied that trust and transparency is a good predictor of performance of pharmaceutical firms as supported by an F statistic of 4.209 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

Table 7: ANOVA for Trust and Transparency

Measure	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.135	6	1.023	4.209	.000
Residual	63.656	262	.243		
Total	69.791	268			

The Null Hypothesis that trust and transparency does not affect performance of pharmaceutical firms in Kenya was tested by using multiple linear regression. The acceptance/rejection criteria was that, if the p value is greater than 0.05, the null hypothesisis not rejected but if it's less than 0.05, the null hypothesis fails to be accepted. The null hypothesis was that there is no significant

relationship between trust and transparency and performance of pharmaceutical firms in Kenya. Results in Table 7 show that the p-value was 0.000<0.05. The null hypothesis was rejected, indicating there is a significant relationship between Trust and transparency and performance of pharmaceutical firms in Kenya. These findings agreed with that of Dick (2014) who suggested that trust and transparency are essential in improving the performance of firms.

The regression of coefficients show that credit facilities and performance of pharmaceutical firms have a positive and significant relationship (β =0.106, p=0.001) which is in agreement with Brinkhoff (2015) who found positive relationship between credit facilities and performance of the firm. Further, sharing market information and performance of pharmaceutical firms have a positive and insignificant relationship (β =0.025, p=0.45) which is supported by Dick (2014) involving customers in risk management and performance of pharmaceutical firms have a positive and significant relationship (β =0.007, p=0.003) while resolving customer conflicts and performance of pharmaceutical firms are positively and significantly related (β =0.068, p=0.002). These findings are supported by Dick (2014) who suggested resolving of customer conflicts should be number one priority in retail management. In addition, timely response and performance of pharmaceutical firms was found to have positive and significant relationship (β =0.027, p= 0.000). This is in line with Fayezi (2015) whose study findings indicated a positive and significant relationship between timely response and the performance of pharmaceutical firms. Finally the findings suggested that building loyalty and performance of pharmaceutical firms have a positive and insignificant relationship (β =0.088, p=0.029) which is supported by Lee (2016) whose analysis conclusion suggested that building customer loyalty is one of the key strategy for sustainable development and performance of the pharmaceutical firms.

Table 8: Regression Results for Trust and Transparency

	β	Std. error	t	Sig
(Constant)	3.229	0.226	14.27	0
Credit facilities	0.106	0.03	3.503	0.001
Sharing market information	0.025	0.034	0.756	0.45
involving customers in risks management	0.007	0.042	0.16	0.003
Our firm easily resolve customer conflict	0.068	0.04	1.689	0.002
Timely response	0.027	0.041	0.6585	0.000
Building loyalty	0.088	0.04	2.195	0.029

Regression model:

$Y_1 = 3.229 + 0.106\ CF + 0.007\ RM + 0.068RC + 0.027\ TR + \varepsilon$

Where Y_1 = Performance ,CF- Credit Facilities, RM – Risk Management, RC- Resolving Customer Conflicts and ε - Error term

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The objective of the study was to explore how trust and transparency influences performance of pharmaceutical firms in Kenya. Most of the pharmaceutical firms exercised trust and transparency in their operations through ways such as extending credit facilities, building on timely responses, resolving customer conflicts in time, and involving customers in managing risks. In addition most firms allows installment buying in conjunction with efficient services which have increased trust and transparency levels of the firms. These findings explain the improved performance of the pharmaceutical firms and lack of these practices explains why some of these firms are not performing well. The regression results further indicated the existence of a significant and positive relationship of trust and transparency and performance of the pharmaceutical firms in Kenya. The null hypothesis was rejected indicating that there was a significant relationship between trust and transparency and performance of the pharmaceutical firms in Kenya. This implies that firms have to continually invest in trust and transparency and come with policies that make the staff, stakeholders and stewards uphold the values of the firms which will then translate to customer loyalty and improve performance.

5.2 Conclusion

Trust and transparency has a positive and significant effect on performance of the pharmaceutical firms and therefore firms should ensure their risks management techniques, timely responses, timely conflict resolutions and credit facilities polices are embedded in their business and the slogan of customer-centric values being upheld and practiced across all departments of the company. In addition, the study concluded that having a visionary leadership style supports the performance of the company hence firms should be careful of their reputation and who they entrust on managerial tasks. The main concern that pharmaceutical firms should address is the motivation of the customers which can effectively build the trust and loyalty of the customers and consequently improve the performance of the customers.

5.3 Recommendation

The study recommends that organizations should build relationships with their customers based on trust and transparency since it was found to having a positive and significant relationship with organizational performance. This will enhance brand loyalty to products and promote customer retention.

REFERENCES

Bhakoo, V., & Chan, C. (2011). Collaborative implementation of e-business processes within the health-care supply chain: the Monash Pharmacy Project. Supply Chain Management: *An International Journal,* 16(3), 184-193.

Bhakoo, V., Singh, P., & Sohal, A. (2012). Collaborative management of inventory in Australian hospital supply chains: practices and issues. Supply Chain Management: *An International Journal*, 17(2), 217-230.

Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of management Review*, 20(1), 65-91.

Guan, W., & Rehme, J. (2012). Vertical integration in supply chains: driving forces and consequences for a manufacturer's downstream integration. Supply Chain Management: *An International Journal*, 17(2), 187-201.

Hinkka, V., Främling, K., & Tätilä, J. (2013). Supply chain tracking: aligning buyer and supplier incentives. Industrial Management & Data Systems, 113(8), 1133-1148.

Levy, M., Powell, P., & Yetton, P. (2011). Contingent dynamics of IS strategic alignment in small and medium-sized enterprises. *Journal of Systems and Information Technology*, 13(2), 106-124.

McKinsey & Company, (2015) Insights into Pharmaceuticals and Medical Products. USA

Nasina, J., & Nallam, S. N. R. (2016). Analysis of cost escalations in pharmaceutical projects. *International Journal of Managing Projects in Business*, 9(2), 433-450.

Pinna, R., Carrus, P. P., & Marras, F. (2015). The drug logistics process: an innovative experience. *The TQM Journal*, 27(2), 214-230.

Tejpal, G., Garg, R. K., & Sachdeva, A. (2013). Trust among supply chain partners: a review. *Measuring Business Excellence*, 17(1), 51-71.

UNIDO (2012), Pharmaceutical Sector Profile Kenya, Pharmaceutical Sector Profile Kenya

Wu, M. Y., Weng, Y. C., & Huang, I. C. (2012). A study of supply chain partnerships based on the commitment-trust theory. *Asia Pacific Journal of Marketing and Logistics*, 24(4), 690-707.