

# **KENYAN HEALTH TECHNOLOGY INDUSTRY FOR FINNISH HEALTH TECHNOLOGY COMPANIES**

Global Medical Consultants Oy

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## ABSTRACT

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This Bachelor's thesis is authored for Global Service Finland Oy and specifically for their health-tech internationalization consulting spin-off; Global Medical Consultants Oy. Mainly a Business Consultation company, the company has sought to expand their business operations to include internationalization consulting services with a major focus on emerging markets in Africa and the Middle East with Finnish health technology companies as the main target of the whole process.

The purpose of this study was to gather information on the Kenyan Health technology equipment sector as a market for the Finnish Health Technology companies; to expound on the key market trends, potentials, best possible market entry procedures and requirements to give the best package possible for the company and in the end to the Technology companies seeking to venture into the Kenyan market.

The data for the thesis were collected through a series of interviews held in Kenya and Finland with industry stakeholders giving both a business perspective and the health sector perspective. Various publications and case studies made on different topics going around the same were also highly considered to come up with the best conclusion in regards to the topic in question. All this was in total regard to Global Service Finland Oy's initial aspirations on the type of information they wanted to get out from this whole process.

As a major point to note, this thesis was mainly a continuation to a previous thesis authored by Joni Kotipelto for the above-mentioned company, and he sought to gather information on the Finnish Health Technology industry, and the aim was to construct a service model for all the emerging markets, none in specific.

By having a wholesome analysis of all the stakes to be involved, it was found that there is a pretty high potential in Kenya as a market with the complete focus on key market indicators like the willingness to invest in the end customers of the whole process, i.e., patients and also from general country profile on its future. Being a first of itself as a research topic here in Finland, the research has the potential of influencing positive investment opportunities for companies in Kenya and beyond.

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Keywords: health technology, business consultation, emerging market.

## CONTENTS

1	INTRODUCTION.....	7
2	KENYA.....	10
2.1	Profile.....	10
2.1.1	Encouraging investments .....	11
2.2	Vision 2030.....	12
2.2.1	Economic pillar .....	12
2.2.2	Social pillar .....	13
2.2.3	Political pillar.....	13
2.3	Problems facing Kenya.....	13
2.4	Comments and Analysis .....	14
3	KENYAN HEALTHCARE SECTOR.....	16
3.1	Overview of the Health system.....	16
3.1.1	Primary Care level.....	17
3.1.2	County-level.....	17
3.1.3	National level .....	17
3.2	Role of the Ministry of Health (MOH).....	19
3.3	Health Financing.....	19
3.4	Recent Trends in the Kenyan Healthcare scene.....	22
3.5	Comments and Analysis .....	23
4	ENTERING THE KENYAN HEALTH TECHNOLOGY MARKET FOR FINNISH HEALTH TECHNOLOGY COMPANIES.....	24
4.1.1	Blue Ocean strategy .....	25
4.2	Market Entry strategies .....	27
4.2.1	Marketing .....	27
4.3	Entry Business strategies for multinational companies .....	28
4.4	Factors Affecting the Choice of Entry mode into foreign markets.....	29
4.5	External factors .....	29
4.5.1	The sociocultural distance between home country and the host country.....	29
4.5.2	Target Market factors .....	30
4.5.3	Environmental Factors .....	30
4.6	Internal factors .....	31
4.6.1	Product/ service factors .....	31
4.6.2	Resource/Commitment factors.....	31
4.6.3	International Experience .....	31
4.6.4	Managerial challenges.....	31

4.7	Types of Entry modes .....	32
4.7.1	Direct exporting .....	32
4.7.2	Licensing .....	32
4.7.3	Joint ventures .....	33
4.7.4	Contracting .....	33
4.7.5	Buying a company (Wholly owned subsidiaries) .....	33
4.7.6	Strategic alliances.....	34
4.7.7	Piggybacking.....	34
4.8	Transportation of the products to Kenya. ....	34
4.9	Market entry procedure for Kenya.....	34
4.10	FINPRO .....	37
4.10.1	Role of Finpro in international trade.....	37
4.11	HEALTH EXHIBITIONS IN KENYA .....	37
4.11.1	MEDEXPO KENYA .....	38
4.11.2	MEDIC EAST AFRICA .....	38
4.11.3	MEDHEALTH KENYA.....	39
4.11.4	MEDLAB EAST AFRICA .....	39
4.12	Comments and Analysis .....	40
4.12.1	Crown Healthcare Limited.....	41
4.12.2	Harleys Limited.....	41
4.12.3	Meditec systems limited.....	42
5	ANALYZING THE KENYAN MARKET .....	43
5.1	KENYANS AS CUSTOMERS .....	43
5.2	Procurement procedures in Public Hospitals.....	43
5.2.1	Strategies .....	43
5.3	KEMSA .....	44
5.4	Procurement process in public hospitals.....	45
5.5	Procurement procedures for specialised equipment in Private hospitals. 46	
5.5.1	Mission for Essential Drugs and Supplies (MEDS).....	47
5.5.2	Kenya Red Cross.....	47
5.6	SWOT Analysis of the Kenyan market .....	48
5.6.1	Internal factors .....	49
5.6.2	External factors .....	50
5.6.3	SWOT Analysis of the Kenyan market.....	50
5.6.4	Strengths.....	51
5.6.5	Weaknesses .....	51
5.6.6	Opportunities.....	51
5.6.7	Threats.....	52
6	CONCLUSION AND DISCUSSION .....	53

REFERENCES.....	55
APPENDICES .....	59
Appendix 1. Questions to the Finnpro Head Jakobsson Tomas.....	59
Appendix 2. Questions to Dr Eric Otieno from the Nairobi Hospital.....	61
Appendix 3. Interview with Dr Asungu from the Kenyatta national Hospital	
62	

**ABBREVIATIONS**

EPZ	Export Processing Zone
FBOs	Faith-Based Organizations
GDP	Gross Domestic Product
GSF	Global Service Finland Oy
HIV	Human Immunodeficiency Virus
IT	Information Technology
KEBS	Kenya Bureau of Standards
KIE	Kenya Industrial Estates
MNC	Multinational Companies
NGOs	Non-Governmental Organizations
NHIF	The National Health Insurance Fund
PVoC	Pre-export verification of Conformity program
TAMK	Tampere University of Applied Sciences
VDS	Vision 2030 Delivery Secretariat
OOP	Out of Pocket

## 1 INTRODUCTION

Globalisation can be referred to as the movement of goods, people, ideas, etc. freely across borders. The difference in resources whether human or natural in different parts of the world has brought the need to exchange the same to satisfy both ends of what they may lack. Globalisation forms the main basis for this thesis as Finland has a lot to offer in the health technology scene while Kenya has a deficiency in quality supply for the same.

This Bachelor's thesis is authored for Global Medical Consultants Oy, a health tech internationalisation consulting spinoff of Global Service Finland Oy (GSF) and it currently operates with offices in Tampere and Helsinki. With its already established business connections in Africa and the Middle East, the company wants to capitalise on that and expand their wings to the emerging markets in the above-mentioned regions and thus offer relevant internationalisation consulting services with a specific niche target of Finnish technology companies.

The purpose of this thesis is to gather all relevant information on the Kenyan Health technology industry with a keen focus on the market preferences, trends and also the general business environment of the above-mentioned key market. This is in line with GSF's vision of developing a service model package for its customers, in this case, being the Finnish Health Technology players that would want to explore the potential of expanding to the emerging markets as mentioned before. The primary research methods used were qualitative and quantitative to make it as detailed and relevant as possible to the main objective.

In order, an overview of Kenya as a market and the Kenyan Health Technology Industry is documented with the structure of the system, all the major market factors; current trends in the sector, the general business requirements for multinational companies, willingness to invest by different stakeholders and general economic indicators being documented and considered. The general market entry procedures are also documented with all the opportunities and best entry options being mentioned and considered. A service plan for GSF is finally laid out clearly to see a conclusion whether the market is viable for the

companies or not and the best possible entry mode for the companies seeking to enter the market.

### **Research objectives**

The main objectives of the research include;

- Research on the hurdles that new market entrants face delving into the Kenyan market.
- Look up the government and other market regulations in the healthcare sector.
- Research on the market expectations to be fulfilled by the Health tech companies seeking to venture into the Kenyan market
- Look up the potential of expanding onto other East African markets from Kenya.
- Research the best possible entry method for the market.
- To offer advice on how to best manage the hurdles on the Kenyan market for new entrants into the Healthcare space.
- Roll and influence different service providers to have on the market, i.e., Public and private sectors.

### **Research Question**

The main question in this thesis is; Can Finnish Health tech products break and enter the Kenyan Health tech market and if then how?

The following sub-questions on the whole process help to explain and answer the central question.

1. Process of acquiring new equipment at the health institutions
2. The main stakeholders involved in the entire trade.
3. Key factors affecting the buying and distribution of Health technology equipment in Kenya.



## **Research Methodology**

The primary methodology used in this thesis is qualitative research in the means mentioned below to bring out the best analysis of the topic at hand.

Qualitative research can be defined as a means of research designed to study and understand the desires and motives of human behavior. (Kothari 2004, 3).

### **I. Desk research**

Synthesised data gathered from different literature reviews and research on websites on the internet and some books helped to understand the topic better.

### **II. Fact Finding visit to Kenya**

Follow-up interviews were also conducted in Kenya and Finland with different stakeholders including two doctors, one representing the private hospitals and the other from the public health sector, one representative from the Finpro office in Nairobi, Kenya and one head of a diagnostics manufacturing company based in Finland to get their perspectives on the market situation.

## **Data Collection**

The main method used in this research were case studies and interviews, and through this, a deeper understanding of the model structure, the implementing organisation, the implementation journey and the barriers experienced was achieved.

The interviews conducted also provided an intersectional analysis of the appropriateness and applicability of these models in the Kenyan context,

## 2 KENYA

### 2.1 Profile

Kenya is a country in the Eastern part of the African continent otherwise known as the Horn of Africa. It shares borders with five other countries, i.e., Uganda (933Km), Ethiopia (830Km), Tanzania (769Km), Somalia (682 Km) and Sudan (232Km).

With a population of 45 million people approximately, the country is the region's economic and transportation hub with the main industries driving the economy including; agriculture, and tourism. Other vibrant industries include; forestry, fishing, mining and minerals, industrial manufacturing, energy and financial services.

Kenya is divided into 47 counties as displayed in the map below (Figure 1).

The country's GDP stands at \$69.977 billion as of 2015 making it the 72nd largest economy in the world. Per capita GDP that was estimated at \$1,587 had an average annual growth of over 5% for the past seven years with even more optimism because of continued improvements in telecommunications, transport, construction and a resumption of Agriculture to support the economy.

Kenya's main trade partners include; Britain, USA, Japan, Germany, France, United Arab Emirates, Saudi Arabia, Uganda and India.

The largely English speaking professional workers tends to complement the improvements above not to mention the high computer literacy level among the youth.

The Kenyan government has invested recently in activities that would help boost the friendliness to investors and other foreign countries willing to invest in the economy as will be discussed below including other economic trends.



FIGURE 1. Map of Kenya divided into 47 counties (Luballe, 2012).

### 2.1.1 Encouraging investments

In the recent past, the Kenyan government has engaged in activities that have sought to encourage foreign investment in the country in different sectors. The most notable project being the regulatory reforms brought forward that seek to ease both foreign and local investment. The best example is the creation of an export processing zone for local products meant to be exported outside the country.

In order to maintain Kenya's status of a competitive market, the country through the industrialisation ministry has taken a couple of steps to ensure regional competitiveness by the formation of the Kenya Export Processing Zone (EPZ). This provided avenues to enable low-cost and smooth operations, faster market entry and higher returns at the end for local firms. The EPZ has offices spread out across various towns, and they collectively

manage and promote offerings of the EPZ'S authority that seeks export-oriented investments in the services and manufacturing industries.

The zones promote a wide array of attractive tax benefits including a 10-year tax holiday for corporations followed by a 25% tax afterward, exemption on spare parts, machinery, raw materials. (epz Kenya, 2016.)

Another major economy growth facilitator is the Kenya Industrial Estates (KIE) which offers workspace through the construction of incubators in business centres. The benefits to entrepreneurs in this are access to financial means for equipment, working capital, machinery and technical assistance and other services.

Another indicator worth noting is the increased lobbying by the national government through the presidency in his foreign trips around the world calling all willing partners to invest in the Kenyan economy. One notable achievement is the successful investment by the Chinese government through the Chinese Exim bank in the standard gauge railway that is expected to hasten the transportation of people and goods to the hinterland from the port of Mombasa hence boosting trade and movement in the region. (Maundu, 2016)

## 2.2 Vision 2030

Launched on 10th June 2008, the Kenya Vision 2030 was established by the national government as a development policy aims to transform Kenya into a newly industrialising, middle-income country able to provide a high quality of life to all its citizens by 2030 in a clean and protected environment.

The vision was based on three key pillars; **Economic, social and political pillars** that would help push the drive forward.

### 2.2.1 Economic pillar

The pillar seeks to achieve growth of 10 percent in the country's GDP by 2012. The main industries that the pillar targets to gain over mainly include: Tourism, Agriculture, wholesale/retail trade, manufacturing, IT-enabled services and financial services

### 2.2.2 Social pillar

The social pillar of the Vision 2030 has the mandate of improving the quality of life for all Kenyans. By this, it seeks to target human and social welfare programs with the principal focus being on education and training, health environment, housing and urbanisation, children and social development in youth and sports.

### 2.2.3 Political pillar

The political pillar entailed the move to the future as a nation and by this achieving a democratic system based on issues, people-centered and results-oriented while at the same time the leadership is accountable to the public.

It puts out five key targets: The rule of law, i.e., the constitution, the electoral and political processes, democracy service delivery, transparency and accountability, security, peace-building and conflict management.

Vision 2030 Delivery Secretariat (VDS) was set up and tasked with the mandate of spearheading the implementation of Vision 2030 as the nation's blueprint and strategy to achieve its sole purpose.

The secretariat gives much-needed leadership and coordination in order to achieve the goals and objectives of the Vision 2030 and its Medium-term plans. (Vision 2030, 2017)

## 2.3 Problems facing Kenya

Despite all the good signs, Kenya, like many other African countries faces a number of challenges that have given second thoughts to worthy investors seeking to venture into the market. Some of them are mentioned below;

- 1 **Corruption and bad leadership.** These two social ills are well entangled in the system and society and this over time has been duly accepted as a normal way of doing business in the country.

Despite the potential that Kenya has, bad governance has tarnished its name and robbed the country in general.

2 **Terrorism.** Despite recent government active intervention in strengthening the security institutions to better improve the situation in the country, there still are periodic attacks in the North-Eastern parts of the country mostly which has worked negatively in the country's economy and normal way of doing things.

The major blow has been on tourism, a sector that contributes a huge part of the economy's GDP.

3 **Poverty.** 40% of Kenya's population live under the poverty line which is a high percentage with Kenya's target of becoming a middle-income country by the year 2030. This also proves to be a challenge as other social ills like crime and deaths as a result of diseases affect the wellbeing of the population.

4 **Unpredictable rain patterns.** Agriculture contributes a large part of Kenya's economy and by so, any effect on the rain pattern affects the returns that farmers get at the end of each season and by so, their earnings from the same are also affected

## 2.4 Comments and Analysis

Kenya has a huge potential for any entity seeking to venture into the economy.

For the health tech industry, a population of 45 million people with a stable growth of 1 million persons annually, is a good indicator of a huge market that is open and big enough concerning a need for treatment over time.

Kenya is strategically located in the Eastern part of the African continent with a port at Mombasa that serves as a transshipment point for a big part of the Eastern African region. This makes the country easy to access on all three modes of transport not only to but also to the neighbouring landlocked countries.

The country was split into 47 counties after the promulgation of the new constitution in 2010. As a result, some health services among other government functions were devolved from the national government to the county governments.

This made it possible for the county governments to improve the services offered by the local hospitals countrywide because of increased funding available to the local county governments.

Through the efforts to encourage investment and ease the burden for manufacturers by the government, it shows a good sign for the future as foreign companies have a reason to engage in the market.

The country shares borders with five countries and with this it is easy to establish a regional manufacturer and hub for the region that serves not only the 46 million Kenyan population but also 300 million people if the companies involved spread out to the neighbouring countries.

The country's **vision 2030** being in place and guiding the country's future, shows the country's commitment to improved services and life in many ways as this would be a characteristic of a country with a well-equipped health industry.

Corruption is the main problem that would directly affect the movement and distribution of the products from Finland through the many intermediaries and processes in between to the end customer.

With regards to how to work around the vice, it is quite apparent that corruption cannot be easily measured using simple proxies thus the only way to deal with it is through putting in place mitigation strategies and countering its scale.

Political instability may also come up as a major risk as the country grapples with ethnic-based elections every five years. The worst effect on the aftermath of an election was the 2007 elections that slowed every economic activity in the country after the general elections for almost half a year. The government, however, has set out to reduce the effects of the same through a couple of efforts including a reform of the elections system and formation of a new election body in 2011 to increase trust in the election system.

### 3 KENYAN HEALTHCARE SECTOR

#### 3.1 Overview of the Health system

Kenya as a country has a profile of over 9696 health facilities (4,616 Public, 3,696 private and 1,384 FBOs, NGOs or Community Based Organised (CBOs)) spread in different parts of the country with a larger density of them being in urban areas.

Kenya adopted a health policy in line with the country's 2030 goals that aimed at ensuring a healthy workforce by making affordable, equitable and quality healthcare is available for the most of the population. (Hospitals in Kenya, 2014), (Health Expenditure, 2014), (Infant Mortality Rate, 2015)

The table below (table 1) outlines the main statistics of the Kenyan health sector

TABLE 1. Healthcare statistics of Kenya.

Health as a % of GDP	3.5% of GDP (2014)
Annual public expenditure on health %	41.7%(2013)
Government of Kenya healthcare budget	\$541 million
\$ Health expenditure per person	\$ 45(2013)
Number of doctors/1000 population	0.2 physicians/1000 population (2013)
Number of nurses & midwives/ 1000 population	0.9 nurses/1,000 population (2013)
%births with skilled attendance	38.3/1,000 live births (2015)
Infant mortality rate	39.38 deaths/ 1000 live births (2015)
Under 5 mortality rate	71 death/ 1,000 live births (2013)
Average life expectancy	49 years (2016)



The Kenyan Healthcare model is organised into three different levels;

### **3.1.1 Primary Care level**

This comprises all the dispensaries, health centres, and maternity or nursing homes in the country. Most clients are able to seek help in this level as basic or easily treatable illnesses can easily be handled by the personnel here who mainly include nurses.

### **3.1.2 County-level**

In line with the 2010 constitution where health services were to be devolved from the national government, the county level hospitals were set up to offer services to complement the primary care level to allow for a more thorough package of close to client services.

Each of the 47 counties has their development plans on one website: (Devolution website, 2017)

### **3.1.3 National level**

The services offered at this level are highly specialised and complete the set of care available to the population in Kenya. In addition to the government-owned National referral hospitals, this level also accommodates private and faith-based organisations that operate with the national and county ministries of Health. The two latter facilities make a significant contribution to healthcare delivery in Kenya complementing the national hospitals.

Private hospitals would be defined to include all the providers outside the public sector including both for-profit and nonprofit entities such as Faith Based Organisations (FBOs) and Non-Governmental Organisations(NGOs)

A high density of Private hospitals and medical clinics that mainly provide better quality health service are still at this times in the urban centres with only 30% of the rural population having access to quality health facilities

48% of the hospitals in Kenya are run by the government while 38% are managed by the private sector with the other FBO and NGOs handling 14% of the sector. This puts the national government as the sole biggest contributor to the health scene in the country. The pie chart below exhibits the percentage of the public that uses each of the two parts of the service providers i.e. Public and private sector. (Figure 2)

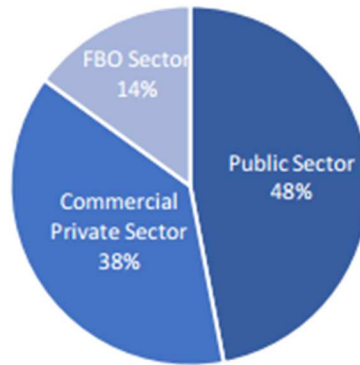


FIGURE 2. Private and public sector coverage in the health sector.

The different levels in the Kenyan healthcare model ensure that patients with different needs regarding medical help can get the same from different levels in the health facilities' hierarchy without congestion. Referrals are made right from the dispensaries at the lowest levels to the patients when seeking more specialised services from health personnel.

The referral chain is well represented in the table below (figure 3)

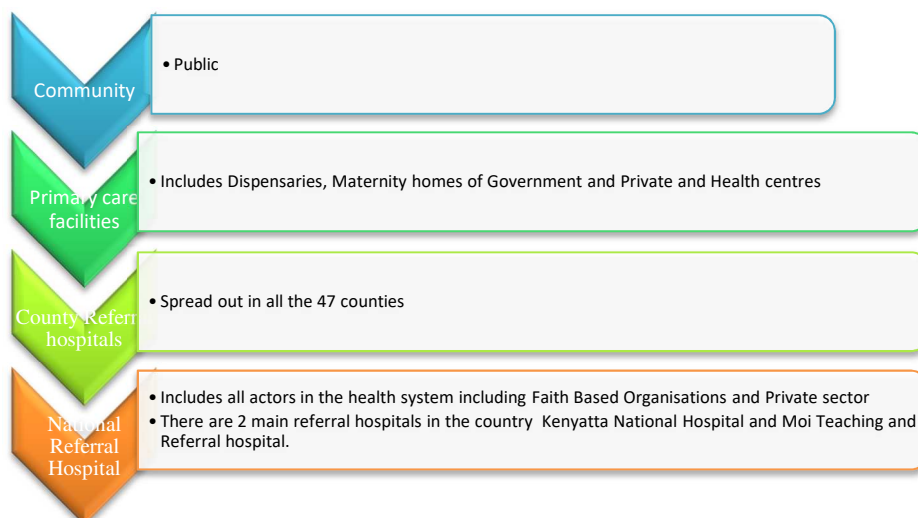


FIGURE 3. Referral hierarchy

The biggest Private and Public hospitals, in chronological order, is listed below;

10. PCEA Kikuyu Hospital
9. Aga Khan Hospital - Mombasa
8. Nairobi Hospital
7. The Mater Hospital
6. Kijabe Mission Hospital
5. Kenyatta National Hospital
4. Gertrude's Garden Children's Hospital
3. Moi Teaching and Referral Hospital
2. Nairobi Women's Hospital
1. Aga Khan University Hospital (Samuel, 2015)

### **3.2 Role of the Ministry of Health (MOH)**

The Ministry of Health provides support and technical guidance to the 47 counties and is also responsible for regulating the health sector in the counties for providing the health services.

The ministry provides policy support and technical guidance to national health programs, stays in charge of the national referral hospitals and also remains responsible for Human resource in University hospitals, public universities and medical schools.

### **3.3 Health Financing**

Different sectors are involved in the funding of the health sector, and they include; the national government, external donors, the private sector and lastly out of pocket payments (OOP). The general costs for healthcare have devastating consequences on the poor households as not every individual has the ability to get the healthcare they desire.

Some health services are provided at no cost in government facilities, e.g., maternal services, however, some problems such as geographical constraints for those in rural areas means that health facilities are hard to access.

Most of the constraints to access to healthcare are being reduced as the county governments are in the recent past engaging in projects geared towards bringing health services close to the public through the construction of more dispensaries and hospitals.

There are two main players in Health Insurance sector in Kenya:

1. Private Health Insurance companies where there's is competition among them with each trying as hard to beat each other with the services they give to their clients. Some of this include; AAR, APA Insurance AIG Kenya British American (BRITAM) among others.
2. The National Health Insurance Fund(NHIF) which was set up in 1966 and it is a national Health scheme seeking to offer Health Insurance to all Kenyans earning over Ksh 1000(approximately 9,5€) per month. Even though this has been set up to cater for most of the working population, the inclusion of the poor who tally at 40% of the population has been a challenge. 38 % of the population do not seek health care because they cannot afford the cost. With the scheme in place, the majority of the population precisely 83% of the population does not have health insurance.

The scheme has had positive developments as they have managed to include more services being covered for an example being the possibility of getting more specialised treatment like Chemotherapy procedures, kidney transplants, diagnostic services and dialysis at private hospitals which was not a possibility. (Sandra, 2016)

The Medical devices' field which is of our focus, is dominated by large international medical device manufacturing companies, e.g., GE Africa, Philips, Braun among others.

The best prospects in the market include CT scanners, ultrasound units, X-rays, MRI, haematology, endoscopy biochemistry and immunology systems as stated by Dr. Otieno in his interview.

The top five suppliers to the sector by country include China, Germany, South Africa, U.S, and India.

The pharmaceutical industry is largely dominated by large international players and a few local players with the biggest International players including Glaxo Smith Kline, Novartis, Pfizer, AstraZeneca, Siemens, Abbot, GE medical, Becton Dickinson, Drager, Roche, Sanofi, Aventis, Welch Allyn among other companies. There are some companies set up and run locally that do significantly good, positively influencing the local industry a good example is Beta Healthcare. (Lilech, 2014).

The top 5 suppliers to the industry by country and percentage stands at; India 42%, Belgium 10%, United States 6.4%, China 5.6%, United Kingdom 5.1% in that order.

The best prospects, in this case, are products related to opportunistic infections, Malaria, Cancer, Diabetes, generics for HIV/AIDS and hypertension.

The Clinical Chemistry and Diagnostics subsectors projected to grow between 15-25% in the years 2014-2018 and the main prospects in this include Serology/haematology, immunochemistry, urinalysis, electrolytes analysis, diabetes testing and cardiac markers.

The main suppliers to this sector by countries in this sector include; U.S 21.2%, Japan 18%, Germany 15.9%, South Africa 7.8% and Belgium at 7.7%.

The cosmetics industry has a growing market base with the main prospects going around skin treatments, skin lightening, anti-aging procedures, creams, and moisturisers. The growth in the industry between 2014 and 2018 has been projected at 15-20%

The main countries fulfilling the market include Swaziland, Ireland, South Africa India and the U.K in that order.

The last subsector is the Nutraceuticals which has been projected to rise between 20-30% in growth between 2014- 2018. The main potential sites to be looked at in this sector are protein and pro-vitamins concentrate products.

### 3.4 Recent Trends in the Kenyan Healthcare scene

1. Government Focus on an e-Government approach to its systems management.
2. Use of Mobile phone apps for Health Solutions.

Kenya has one of the highest mobile population penetration in the whole world, 88 per cent according to the Communications Authority of Kenya report in the 2015/2016 financial year. (CCK, 2015)

Development of health solutions that use mobile applications or even basic texts is a future trend ought to be looked at. A good example is the Call a doc service by Safaricom.

3. More customer convenient insurance policies

Insurance companies have engaged in strategies altering their policies and customizing them to suit changing situations (27% of deaths caused by communicable diseases) prompting insurance firms to introduce disease management packages for its consumers allowing more customer-centric treatment approach, which comes in one package with education awareness and assistance in the management of chronic conditions Resolution Health

The growth in population gives a good outlook on the expansion of health cover by insurance firms, improvement of the general public healthcare provisions, Media awareness on services offered in health institutions

Another form of insurance that can be noted is the M-Tiba a mobile health wallet which was introduced by the communications giant Safaricom allowing their customers to save up whatever amount they have or would like to contribute and the funds would solely be used for the person's health needs to a registered M-Tiba. The scheme varies from normal insurance in that it can be used to pay for health services for anyone after authority from the owner of the account. (M-Tiba, 2016)

Growth in Foreign Investment is boosting consumer healthcare revenue. This is mainly due to the increasing confidence by investors in the medical field, good economic projections and marketing drives by the top brands to woo the investors.

### 3.5 Comments and Analysis

The Kenyan Healthcare scene shows that there is a deficiency in the services currently available to the public. The high mortality rate, which stands at (71 death/ 1,000 live births), can be used as an indicator to this.

The country has 9696 health facilities distributed across the country. These facilities are however bound to grow in the future with the increased investment in the sector by the government and private organisations.

The main characteristic of private hospitals in the country has been the ease of getting quality services for their customers. This has time immemorial made them more popular as compared to public hospitals. This has also pushed them to maintain competitiveness over each other in their bid to attract customers. In their bid to attract customers, the hospitals frequently invest in modern equipment to ensure state of the art services.

The county governments have also brought a chance for the public hospitals to improve the services they offer as they have a better budget to spend on new equipment and facilities.

All this are signs of a market full of potential for any possible suppliers to the industry.

The financing by insurance companies on the industry has also enabled the patients to have better cover for the services in the health facilities. This has encouraged the patients to pay for the extensive care in the private hospitals, services otherwise proved hard to get before then. The innovativeness by the insurance firms has also made it easier and cheaper to get insurance services to the public.

The main countries in the medical equipment sector include China, Germany, South Africa, U.S, and India. This shows that the industry only depends on imports, as it does not have any local producers. It also gives a chance for a Finnish company to join the bandwagon as a first.

According to Dr. Otieno, the industry has a trust for products from the Nordic countries over Chinese and Indian products hence a good market perception.

The market trends lean towards technology in the Kenyan market with the best example being Safaricom's M-Tiba. With the country having a high mobile phone penetration, it makes sense to develop services that make use of this quality from the market.

#### 4 ENTERING THE KENYAN HEALTH TECHNOLOGY MARKET FOR FINNISH HEALTH TECHNOLOGY COMPANIES

**International Business** is a term that constitutes all business transactions between parties from multiple countries. The transactions may include, buying materials and shipping them from one country to another, finished shipping products from one country to another for retail sale, building a plant in a foreign country to take advantage of cheaper labour costs or borrowing money from one country to finance operations in another country.

The resources involved include capital, skills, people, machinery etc. for international production of physical goods and services such as finance, financing, banking, insurance, construction etc.

The parties involved in the transactions include private individuals, individual companies, and groups of companies and or governmental agencies.

Domestic business, on the other hand, represents all the business transactions that take place inside the borders of one country which brings out the main difference between the two types of business. (Buckley, 2005).

Other ways in which domestic differs from International Business include;

- Use of different currencies forcing at least one party to convert its currency into another
- The difference in legal systems forcing one or more parties to adjust their practices to comply with the local law and ways of doing business.
- The difference in culture between the parties.
- The difference in a number of resources in the countries involved. One of the countries may be rich in natural resources but poor in skilled labour while the other may have a well-trained workforce but lack natural resources thus a difference in the way and types of products produced in the end.

Ideally, the basic skills and knowledge needed to be successful are conceptually similar despite the fact that the business is conducted internationally or domestically.

A good example is a need for market managers in the foreign market that need to analyse the needs and wants of targeted audiences regardless of whether the managers of the company are engaged in international or domestic business. (Ricky & Michael 2003, 5).



Multinational companies are entities that have a worldwide approach to markets and production and by so meaning their operations take place across borders but managed from one (home country). They are often called Multinational Corporations or Transnational Company. (Buckley, 2005).

There are four categories of multinational corporations

1. Multinational, decentralised corporation with strong home country presence,
2. global, centralised corporation that acquires cost advantage through centralised production wherever cheap resources are available
3. an international company that builds on the parent corporation's technology
4. A transnational enterprise that combines the previous three approaches. (Web Finance INC, 2017).

#### **4.1.1 Blue Ocean strategy**

Breaking into a new market is a good example of the Blue Ocean strategy that seeks to create an uncontested market for a firm or organisation operating in a saturated market space to boost their income and spread their business.

An example of Cirque du Soleil (Canada's largest cultural exports) in their quest to create uncontested new market space is given by book to explain the strategy.

The company established in 1984 by a group of street performers, sought to move out of the traditional circus events and shows which was already full with competition and lever reducing audience numbers because of increased influence from modern entertainment avenues and also increased awareness and campaigns by animal rights groups in regard to the use of animals for the shows.

The company decided to diversify in the market by changing their target audience from the public to few adults and corporate clients who were to pay the price higher than the traditional circuses for an unprecedented entertainment experience.

Significantly one of the first shows they produced was titled We Reinvent the Circus just to show their determination of going past the norm to suit their market.

Chan uses Cirque du Soleil's example achievements to explain the strategy further imagining the market universe as a Blue and Red Ocean. (Chan & Renee 2005, 4).

The Red Ocean represents all the industries and markets already in existence while the Blue Ocean represents all the industries that are not in existence.

Chan & Renee (2005) write further that in the red Ocean the industry boundaries are defined and accepted with the competitive rules of the game being well aware of while the Blue Oceans are a complete contrast defined by untapped market space, demand creation and the opportunity for highly profitable growth.

Chan & Renee (2005) put Value innovation as the core to the strategy in the quest to reduce the costs involved and to ensure the end value to the buyer. (Chan & Renee 2005, 16).

In summary, the difference between the Red and Blue Ocean strategy is listed below (table 2).

TABLE 2. Difference between Red and Blue Ocean strategies

Red Ocean strategy	Blue Ocean strategy
Beat the Competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make- the value-cost tradeoff	Break the value-cost trade-off
Align the firm's activities with its strategic decision of differentiation or low cost.	Align the firm's system activities to ensure differentiation and low cost
Compete in existing market space	Create uncontested market space

Based on the Blue Ocean strategy, the Multinational companies (MNC's) seek to use the strategy's main principles i.e.

- Building uncontested market space by reconstructing market boundaries
- Taking a keen look at the bigger picture
- Extending over the existing demand and
- Getting the strategic sequence right and all this, in the end, is supposed to lead to better expand company's profits and market across different regions around the world.

Examples of well-known MNCs in the Kenyan market include, Samsung, Sony, General Motors Subway, Shell Oil Company among others and all this represent different business across different sectors.

International Business has been on the upward trend over the past two decades (Lu and Beamish, 2001) and this is despite the risk of greater resource commitment, international Business arrangements that provide better long-term financial payback in comparison with less resources-laden foreign market entry and expansion modes like licensing or exporting.

International Business puts out a strategic importance in that firms can maintain more control over international business operations and by so firms can maintain more control over international business and enhance knowledge, critical for further commitments overseas (Lu and Beamish, 2001).

Ideally, it is more feasible and wise to compete in foreign markets through local involvement through and agent or so (Meyer et al., 2007).

Being that the businesses venturing abroad barely have any knowledge of the market they seek to venture into and also the lack of managerial competence to operate the new market, it requires them to start from zero. Entering into partnerships with local firms for distribution of products can help save the situation. The partnerships would also be of help in speeding up the process of changing the marketing strategy through a new product, expanding distribution or changing the marketing organisation by wholly taking over the distribution of goods. (Craig and Grant, 1995)

The main focus of the operations is on the coordination of the allocation of resources in its operations in order to make production efficiency.

The strategies available are well discussed and differentiated below.

## **4.2 Market Entry strategies**

### **4.2.1 Marketing**

Marketing is the management process that is responsible for identifying, anticipating and satisfying customer needs in a profitable manner.

The activities involved include,

- Focusing on the various needs and wants of customers
- Identifying the best methods of satisfying those needs and wants
- Orienting the company towards the process of providing that satisfaction and
- Meeting organisation's own objectives. (Isobel & Robin 2001, 7)

International marketing, on the other hand, can be defined as an activity that involves the firm making several decisions that affect their operations across borders at the height of its complexity where the company sets up manufacturing units abroad coordinating their operations across international borders. (Isobel & Robin 2001, 7)

The best International market entry strategy can be summarised below.

1. Understand the environment influences on a firm's international markets
2. Segment international markets, identify and analyse potential opportunities
3. Develop appropriate international marketing strategies, planning control processes
4. Decide market entry strategies
5. Build added-value through effective marketing mix strategies.

The entire process goes the other way round through frequent reassessment and feedback analyses.

There are a few ways in which a company can enter and establish itself in a foreign market. Different market entry strategies work for different international markets. Direct exporting may be a suitable strategy in one market while in another a firm may need to license their manufacturing or yet set up a joint venture.

Different factors influence the choice of strategy, including, but not limited to; marketing costs, transportation costs, tariff rates and the degree of adaptation of the product required. Despite this factors increasing the costs, sales are still expected to go over the costs in the long run.

Companies mainly use the following strategies as they seek to enter markets

### **4.3 Entry Business strategies for multinational companies**

Business organisations attempting to penetrate a market have to create approaches that cater to all organisational facets, e.g., marketing, human resources management, risk

management among other aspects of an organisation if they have to put together feasible international strategies.

International firms depending on which one suits them, may choose to do business in a varied number of ways. Some of the most common entry strategies include; Licensing, contracting, franchising, joint ventures, and strategic alliances.

#### **4.4 Factors Affecting the Choice of Entry mode into foreign markets**

Even though both the International and Domestic business involve similar types of activities, Domestic and International Business both involve the same type of activities although the difference comes in because the latter the transactions in International Business occur in more than one country and market environment. The unfamiliarity and uncertainty in foreign markets demand a unique handling and a variety of strategies to enter and operate in these markets.

There are a number of factors that affect the type of entry mode to be used in order to set up shop in the foreign countries, and they are divided into Internal and External factors.

#### **4.5 External factors**

##### **4.5.1 The sociocultural distance between home country and the host country.**

The main points of consideration in sociocultural differences are business and industrial practices, common or similar languages and level of differences in educational levels and cultural differences.

A big difference in the said factors can potentially cause internal uncertainty for the firm, in turn, influencing the choice of entry mode.

The more the difference, the more the likely hood for the firm to consider joint venture agreements in their quest to tap the market over directly investing in the market. (Svend 2008, 21)

#### **4.5.2 Target Market factors**

The current and projected size of the target market is a key determinant of the type of entry mode to be adopted. Large markets that give a good promise of high sales potential justify entry modes with a high break-even sales volume, e.g. joint ventures as will be described below. On the other hand, small markets favour entry modes with a low break-even sales volume e.g. exporting or contractual arrangements.

Availability of agents or distributors in the target market would also be a major factor to consider as a lack of them would need the company to set up their branches or distribution ring (Tamer, Pervez & Milind 2002, 41)

The foreign markets, in essence, are always perceived to be riskier than the domestic market. In addition to every firm's investment abroad, the firm risks its inventories and receivables. Planning an entry mode for the company firms must do a risk analysis of the market and the choice of entry mode they choose to take up.

Exchange rates are a variable that should be put in particular perspective when approaching the market considering that venturing abroad involves doing business in more than one currency.

Political and economic stability of the country abroad also has an influence on the level of investment a company venturing abroad makes as the less the uncertainty, the more, the less the resource commitments (Svend 2008, 22)

Production costs (labour, energy, raw materials) associated with the production of goods may influence the decision of whether to produce the goods in the target market or to wholly import from the mother country. High production costs and poor infrastructure tend to discourage production in the foreign market. (Tamer, Pervez & Milind 2002, 42)

#### **4.5.3 Environmental Factors**

This include; economic, political and sociocultural characteristics of the target market and them in different ways affect the choice of entry mode.

## **4.6 Internal factors**

Internal factors that influence Entry strategies include:

### **4.6.1 Product/ service factors**

The price for goods in the foreign country depends on the amount of differentiation of the product as goods with highly differentiated can be priced higher and still remain competitive in the market. The vice versa of it works for non-differentiated products which have to grapple with low pricing for their products.

### **4.6.2 Resource/Commitment factors**

Entry mode options open to companies are often limited to their resources in Capital, technology, management and marketing skills.

For less able companies, it is more viable to find partners in the target countries who can help them to spread their operations and products. (Tamer, Pervez & Milind 2002, 43)

### **4.6.3 International Experience**

The experience that a firm has in working in other markets abroad has an influence in terms of reducing the cost and uncertainty of serving a market, in turn, increasing the firm's probability of committing resources to new foreign markets. (Svend, 2008).

### **4.6.4 Managerial challenges**

How to develop foreign market entry strategies that give them access to this markets. This should include tactics designed to beat domestic competitors who have a better understanding of the native markets, tactics designed to beat competition coming from across the border

How to identify the right international market for the product which is what this report is about. This involves assessing product-market fit and deciding whether the product-market fit and deciding whether the product has to be adapted to suit foreign market environments.

How to develop establishment and expansionary strategies in foreign markets once the company has entered the market.

How to create a renewal and change strategy for the business in the foreign country to make it impossible for the competition to copy. (Tamer, Pervez & Milind 2002, 44).

The management should take steps to ensure cultural difference is handled well.

## **4.7 Types of Entry modes**

### **4.7.1 Direct exporting**

Exports are often preferred by international companies in matters manufacturing because of simplicity because of the already established domestic manufacturing in their mother country. By using exports mainly, Intermediaries are often preferred who also do marketing and sales issues.

### **4.7.2 Licensing**

Licenses are often given out for the rights to some intangible property, e.g., copyrights and patents for agreed on compensation for each unit of the goods sold. Production in a foreign country may seem desirable, but often companies do not want to undertake the production. Foreign markets are often tapped via granting of the licensing agreements which allow production through foreign firms in the countries, and this often does not require investing in the foreign location.



### **4.7.3 Joint ventures**

Joint ventures, on the other hand, involve shared ownership in a subsidiary company. Joint ventures allow firms to take an investment position in a foreign location without taking on the full responsibility for the investment abroad. Joint ventures provide an effective international entry option when the partners involved are complementary although the firms must be thorough in their preparation for a joint venture.

### **4.7.4 Contracting**

Contracting is an ownership model mainly used by firms providing specialised services, e.g., management, engineering, information technology, technical knowledge e.tc. in a foreign country often for a specified fee and time period. Firms with talents that are underutilised at home and therefore in demand abroad often prefer contracting. Turnkey contracts are a particular kind of contract where firm constructs a facility, starts operations, trains the local personnel then transfer the facility to the owner abroad.

Contracts are often used for large infrastructure projects like dams, roads, railways, etc. and often involve a substantial amount of financing thus they are continually financed by international financial institutions such as the World Bank (Buckley, 2005) and in the case of Kenya the Chinese government through the Exim Bank of China. Franchises, on the other hand, involve the actual sale of the right to operate a complete business operation with examples including, Coca-Cola, KFC, Subway, etc. For a franchise to be successful, it often requires control over one thing that others are willing to pay for such as a set of products, a way of doing things, a brand name or simply a way of performing duties.

### **4.7.5 Buying a company (Wholly owned subsidiaries)**

Wholly owned subsidiaries often involve the establishment of businesses in foreign locations which are often owned entirely by the investing firm. The entry choices taken put the investor parent in full control of operations but also requires the ability to provide the needed capital and management taking all the risks. Wherever control is important and the firm is capable of the investment, it is often the preferred choice.

#### **4.7.6 Strategic alliances**

Strategic alliances are arrangements among companies to cooperate for strategic purposes. They can involve no joint ownership or specific license agreement, but rather two companies working hand in hand to create synergy. Advertising programs done jointly are a form of strategic alliance, as Research and development programs. Smaller firms find strategic alliances as a chance path for them to enter the international arena when they could not solely do it. (Market Entry Strategies, 2015)

#### **4.7.7 Piggybacking**

This is a market entry strategy where an exporting arrangement is done where channels of distribution are taken advantage of in the global market instead of targeting a particular market. The best company that has successfully used this strategy is F&P Gruppo, an Italian rice firm that owns the Gallo brand. The company entered Poland through its subsidiary in Argentina because the Argentina air force was sending empty air freighters to Poland that comes back with imports. Food companies took advantage of the cheaper way of exporting products. Another manner of piggybacking is the joining of two companies to take advantage of a channel distribution. This is applied by IBM and Minolta with the latter taking advantage of the established distribution channels IBM had and the former welcoming a firm to share the cost of distribution (Meyer and Tran, 2006)

#### **4.8 Transportation of the products to Kenya.**

Despite the difference in market entry strategies, in the first instance, all the strategies would involve exporting the products from abroad meaning that sea transport would be the most convenient means.

#### **4.9 Market entry procedure for Kenya**

Kenya's healthcare markets are one of the fastest growing on the African continent and are expected to clock double-digit growth with medical devices at 0% annually through

2014-2018, clinical chemistry and diagnostic products at 15-25% annually and pharmaceuticals at 14-16% annually over the same period. (Lilech, 2014)

Kenya imports a huge percentage of their medical devices, (at least 70-80%), dental products, diagnostic equipment, healthcare IT and laboratory equipment. It is safe to say that success in the Kenyan market requires a local presence and after-sales support to be considered via a local representative, for example, an agent or a distributor, or a joint venture partner or franchise to get the best result. This is so because having a local representative can provide the Finnish supplier with vital market information local laws and regulations for the business, personal networks, and technical assistance – especially when bidding on Government procurements for laboratory equipment diagnostic and scientific instruments.

The foreign companies sending their products can be involved in the whole process in times of government lobbying and routine visits every so often just to supervise their clients and make them feel a part of the whole set up.

According to Dr. Otieno, the technical competitiveness and the good reputation in terms of quality and reliability that goods manufactured in the Nordic countries give Finnish companies an excellent position to gain and increase the market share in the Kenyan healthcare space in total disregard of the price.

Private hospitals seek to remain equally competitive in the market and also cover for their increased demand for treatment from private hospitals for most of the Kenyan population and this has led them into actively engaging in modernization of their medical equipment inventories while on the other side of the public facilities, the county government seeking to bring health services closer to the people and thus increased budgetary spending on the health care sector generally.

The main suppliers of healthcare products including India, China, United States, Germany, Belgium, Switzerland, Belgium, South Africa, Italy and Japan and so gives a chance for Finnish companies to give a positive thought of entering the market.

The current demand is centred on the history of the previous government tenders for medical equipment, which indicate requirements for basic equipment such as anaesthetic machines, anaesthetic trolleys, hydraulic operating tables, delivery beds, infant incubators,

mortuary trolleys, hydraulic operating table, mercurial sphygmomanometers and oxygen flow meters among others.

Acquisition of equipment done through tendering and this is well outlined in the Kenyan constitution with regards to procurement in public hospitals. Each equipment bought has to go through a competitive process, which involves the hospital putting out a public notice that would require any willing suppliers to apply for after which a committee decides on which product to go with in regards to their budget and own specific qualifications.

The Public Procurement Oversight Authority mainly governs the procurement process.

The best prospects for electro-medical devices include ultrasound units, X-ray equipment, CT scanners, Mammography units, endoscopy, angiography biochemistry, haematology and immunology systems

Clinical chemistry and diagnostics have the main prospects around immune chemistry, electrolytes analysis, and serology/haematology, diabetes testing and cardiac markers.

Used and refurbished medical materials have an open market in the Kenyan healthcare space as long as they conform to the national standards set by the Kenya Bureau of Standards (KEBS).

The registration process for medical devices is done by the Kenya Pharmacy and Poisons Board (PPB) which is mandated with the duty of regulating the practice and the manufacture and trade in pharmaceuticals and medical devices in Kenya.

Registration of a medical device to the board can be done easily on their website. (Kenya Pharmacy Board, 2017).

The National Public Health Laboratories test Diagnostic kits and reagents that specifically test for sexually transmitted infections e.g. HIV to ascertain the quality and reliability of these products. The evaluations cost around \$1000 and include 400 tests.

The barrier in the industry is the Pre-export verification of Conformity program that was implemented in 2005 by the Kenya Bureau of Standards and it was a conformity assessment and verification procedure applied to specific “Import Regulated Products” from export countries to ensure their compliance with the local technical regulations set out in Kenya and also mandatory standards or equally approved (national and international standards).

KEBS requires that each single consignments of regulated products entering Kenyan borders obtain a Certificate of conformity issued by an appointed PVoC country agent, a compulsory customs clearance document in Kenya; consignments of regulated products arriving at Kenyan customs Entry points without this document are subject to hiccups in their tracks to get into the country.

(Lilech, 2014)

They have partners who they interview before being given the rights to distribute, lobby with the governments for them and service their equipment.

#### **4.10FINPRO**

Finpro is a government agency established to help Finnish SMEs to go international encouraging foreign direct investment in Finland promoting travel to Finland.

The organisation has a profile of 300 professionals, 36 trade centres in 31 countries and six offices in Finland.

Kenya is privileged to have an office in Nairobi, and they are active in executing their mandate.

##### **4.10.1 Role of Finpro in international trade**

The interview with the Commercial Counsellor Mr. Tomas stated the following roles that Finpro could be of help for firms seeking to venture into the Kenyan market.

- a) Market advice on the market. This would also include sharing the relevant contacts relevant to the firms.
- b) Help in lobbying with the local government through the embassy
- c) The Finpro premises could also be used in business negotiations for the firms hence no need for offices for the first instances.

#### **4.11HEALTH EXHIBITIONS IN KENYA**

Exhibitions are organised all around the year in Kenya, and they are an easy way of showcasing what products one has to offer to potential customers who at most times are in

attendance. Exhibitions in the Kenyan healthcare industry are a big deal considering that they are held all around the year by different international companies and recording record numbers of attendees from not only the Kenyan but also the bigger Eastern African market. Taking part in these exhibitions is the surest way for the Finnish companies to showcase what they have to offer to an Eastern Africa audience.

The increasing demand for medical equipment, machinery, manufacturing products and solutions have made exhibitions a major part of the industry.

A point to note is that all the health exhibitions are mainly held in the country's capital Nairobi which is convenient enough for the attendees considering its central location on the country's map hence attendance is guaranteed to cover an audience from the whole country and the general East African region.

The event is also a good opportunity to meet importers/ potential distributors from the region.

Some examples of the Health exhibitions held in the country include;

#### **4.11.1 MEDEXPO KENYA**

Held annually around June, the expo which is organised by ExpoGroup Exhibitions Worldwide seeks to showcase different medical products, equipment in the area of International Medical and Healthcare products and Equipment.

The event showcases innovative solutions from leading market players for the benefit of buyers from the medical technology industry in the whole East Africa region.

The event has high profile exhibitors from over 25 countries worldwide and attendees from 11 countries totaling to 4800+ attendees based on statistics from the 2016 edition. (EXPOGROUP, 2017).

#### **4.11.2 MEDIC EAST AFRICA**

Considered the biggest medical show in the region, the 2016 edition of the exhibition which was the 5<sup>th</sup> in a row had a total of 3,240 attendees with 240+ exhibitors, 41 international speakers.

The exhibition seeks to discover health care advancements from industry leaders and promote the products being showcased to a largely East African audience. The event is organised around October in Nairobi. (MEDIC East Africa, 2017).

#### **4.11.3 MEDHEALTH KENYA**

The event is held annually around February, and it is organised by Grow Exhibitions a United Arab Emirates company.

The event has exhibitors from over 20 countries, and visitors from over 12 African countries all organised in a 3-day event where over 400 products are showcased.

In the 2016 edition of the exhibition, the event witnessed 9100 visitors from Britain, Uganda, Mozambique South Africa, Oman, Singapore, Burundi, India, Hong Kong, Nigeria, Ethiopia, Tanzania and & UAE.

The event seeks to showcase new products and technology in Medical equipment, Hospital supplies, pharmaceutical, laboratory Equipment, Healthcare, Optical and dental care. The event also seeks to exhibit not only for the Kenyan market but also for the surrounding countries. (MedHealth, 2017).

#### **4.11.4 MEDLAB EAST AFRICA**

The event was held the previous time in September 27<sup>th</sup> to September 29<sup>th</sup>, 2016 although the cycle is not that consistent for the next year.

The event was organised by a British company; Informa Life Sciences Exhibitions and it is dedicated to the healthcare industry at large.

Notably, the events are all held in the capital of Nairobi which is predominantly the conference capital of the country.

Equipment & Technologies for Medical and surgery Trade Shows in Kenya (Africa- Middle East) (Medlab, 2017).

#### 4.12 Comments and Analysis

International Business is a sure route for any firm that is seeking to expand their business scale and expand their profit margin.

Finnish Health tech companies are "born global, " and so, it is fair to say that exploring the options available in the Kenyan scene would be a good thought to consider after all factors are looked at.

In the Kenyan Health-tech scene, products manufactured locally only account for 1 % of all the products under use. This gives a huge opportunity to worthy international manufacturers to fill in space.

Previously, none of the many Finnish companies have sought the idea of joining the Kenyan scene and so a good market research would be essential for any of them that would be interested in venturing into the market.

There are a number of different ways that companies can enter a foreign market. Different strategies may work in one market and fail to produce needed results in another.

A check on the impact factors affecting the choice of market entry strategy is vital before any decision. These factors include; the degree of adaptation of the products, tariff rates market and transportation costs among others.

With the country mainly depending on foreign imports to satisfy the market, well-established agents and distributors have set up shop to ensure movement of the products in the sector is possible. Agents are therefore the best way for any company joining the market as a supplier.

The local agent can provide the Finnish supplier with the much-needed market information, personal networks, and technical assistance more so when bidding on the local government's procurements for laboratory equipment, diagnostics, and scientific instruments.

The Kenyan market may not present any unique problems for the Finnish suppliers. However, the huge distance between the two countries may require stocking of products over the normal deliveries to shorten the lead times when goods are ordered.



The major issues considered for the local customers may vary between the private and public hospitals. Quality and compatibility may be the main factors affecting buying decisions in private hospitals whereas public hospitals would major on the price of the products.

Kenya traditionally does not have an effective backup service and after sales support hence any firm seeking to ship their products ought to ensure there is an easy access to qualified service personnel and a reasonable supply of spare parts. The local agent would be a good option to train on the technical requirements of the products to service them over time.

The local agent would also be useful with contacts in the market and access to the appropriate decision-making authorities. Contacting the hospitals directly is also a possibility.

The following is a list of some of the reputable agents currently operating in the Kenyan market:

#### **4.12.1 Crown Healthcare Limited**

The company has offices in Uganda, Kenya, and Tanzania.

They offer hospital health solutions including Bio-Medical Engineering. The agent supplies to Hospitals, clinics, dispensaries, NGO's Research and Medical training institutes, laboratories, pharmacies and private Medical Practitioners.

They have an up to date website that also includes all their contact details. (Crown-healthcare 2017)

#### **4.12.2 Harleys Limited**

The company was registered in 1953, and it has grown to become one of Kenya's premier distributor. They deal mainly with sales, marketing, and distribution of healthcare products, pharmaceuticals, surgical equipment, medical equipment, ophthalmic equipment and OTC products.

Their main clients include; government, private institutions, parastatals, NGO'S among other major hospitals and pharmacies in Kenya.

Their website is up to date with contact details. (Harley's limited, 2017).

### 4.12.3 Meditec systems limited

The company was established in 1993 as a representative of Siemens Healthcare Division. They have spread wings to the East African region with a huge portfolio of products and services from Siemens Healthcare.

Besides Siemens, the company also has partnerships with Elekta, Getinge Group, and Medtron AG. The Company has an up to date website. (Meditec systems Limited, 2017).

The three distributors are involved in sales, service, and installation of the medical equipment they sell.

Shipping to Kenya is the easiest means for the Finnish companies as compared to air transport for the heavy equipment. This is because of price and with most of the equipment being non-perishable; it is a better viable option for transportation.

With the reason, being that the country is accessible to water transport via the Mombasa port; it is more convenient to use the means.

The sea has, however, had its own share of problems with the pirates off the whole Horn of Africa coast although joint missions by a number of international Navies along the coast has ensured smooth trade over recent times. (Poulin, 2016).

Slow clearance at the port may be the downside of the port as it has congestion issues. This leads to delays on cargo to the mainland. Some of the main Clearing and Forwarding companies at the port include Rapid and Kate Services, Gemini Global Express Limited, Gateway Marine Services Limited among others. (Global Companies, 2015)

World leading trusted shipping lines ship to the port and can be approached, e.g., Maersk.

Transportation inwards to the hinterland now is mainly by road although, with the soon to be launched Standard Gauge railway, it is bound to shift and hence faster movement of goods.

Face to face interactions at the expos is a sure means to meet potential local agents and distributors who participate in them. Hospitals also send their representatives to the expos to display, and this can be a sure way of interacting with them and gaining networks.

## **5 ANALYZING THE KENYAN MARKET**

### **5.1 KENYANS AS CUSTOMERS**

As Dr. Otieno stated, the Kenyan Health market is a viable prospect as the current crop of patients give total disregard to the price of the service hence going out of their way looking for other means beyond their capabilities to ensure that they get the best possible healthcare.

He also stated that products coming from the Nordic countries notably “Sweden” are held in high regard in terms of expected quality hence a good reputation and a good market indicator when planning to get into the market.

All these positive signs do not exactly guarantee an easy entry into the market as they have to set up connections in the market, find the best distributors and convince the main users to consider the products the companies offered.

In Kenya, most of the procurement procedures at both public and private institutions are done mainly by public tendering processes.

### **5.2 Procurement procedures in Public Hospitals.**

#### **5.2.1 Strategies**

The strategies applied when procuring supplies and equipment in the public health sector go around the following;

1. Issues regarding price, payment terms involved, the quality of service needed, availability and supplier support are checked according to Dr. Asungu.
2. A good track record of the suppliers being considered is also a major factor. Suppliers with a previous record of having delivered the goods on time and the quality having been guaranteed are given an upper hand in the process
3. Proper planning of the procurement process is done to ensure optimisation with budget and value matters.

4. All procurements should be done competitively through public bidding unless an alternative procurement method is justified in accordance with the relevant provisions of the public procurement and Disposal Act 2005.
5. The procurement entities involved ought to ensure benefits of scale by consolidating orders and purchasing routine medical requirements by use of framework contracts where they are feasible.
6. The best practices for procurement of medical products and services should be ensured through benchmarking similar entities to ensure continuous improvement of the procedures.

Characteristics of the objectives of a whole procurement process in public health institutions include;

1. Lowest possible total cost- This include the actual purchase prices and avoidance of hidden costs as a result of poor product quality or short shelf life and also inventory holding costs at various levels of the supply system
2. Timely delivery of the products when they are needed
3. Evaluating the performance of suppliers and giving them feedback.
4. Specification of the product expectation by a technical committee.
5. Proper maintenance of the inventory levels
6. Ethical practices in the procurement of equipment ensuring the best value.

Public health institutions are obliged to buy medical supplies from KEMSA and only buy from private suppliers when KEMSA cannot supply the same.

### **5.3 KEMSA**

Despite the devolution of the Health services after the promulgation of the 2010 constitution, the procurement of medical supplies in the country for all the public institutions is yet to be devolved from the Kenya Medical Supplies Agency (KEMSA).

KEMSA's role in the whole chain is to ensure availability of essential Medicines and Medical supplies.

KEMSA's objectives include;

1. To provide and also operate the commercial service for the procurement and the sale of drugs and other medical supplies
2. To counsel Health Management Boards and the public on matters relating to the procurement, cost-effectiveness and intelligent use of drugs and other medical supplies
3. To provide a secure source of drugs and other medical supplies to public health institutions

The list of medicines distributed by KEMSA mostly includes generic pharmaceuticals.

The distribution to rural health facilities occurs on a quarterly basis based on quantities requisitioned by the health facilities, while hospitals and larger urban health facilities receive more frequent deliveries.

With the devolution of health facilities, it would technically be expected that even KEMSA would be devolved considering that most of their mandate is passed on to the county government's budget, however, the distribution of medical equipment is still centralised at the agency.

This has, in turn, bred a ground for corruption in the procurement of supplies and it has impeded the equitable provision of medical services to the citizens. (Eliud, 2015)

KEMSA uses procurement forms when acquiring equipment.

1. Open International Tenders where the bidding is open to worldwide suppliers
2. Open National Tenders where bidding is only open to local Kenyan suppliers
3. Restricted Tenders where the bidding is allowed exclusively for selected suppliers
4. Direct procurement that is only allowed from government agencies only.

#### **5.4 Procurement process in public hospitals**

Per doctor Asungu, the procurement process at the Kenyatta hospital includes the following information:

- i. A breakdown of works, goods, and services
- ii. A date schedule of the planned delivery, implementation or completion dates

- iii. An indication of the items that can be packaged into lots
- iv. The budgets at their disposal and the source of funds
- v. Proposed procurement method for each planned procurement
- vi. An indication of whether a procurement shall be done within a single or a multiyear arrangement.

A market research shall also be done to provide information on

- i. The suppliers' market shares
- ii. The availability of alternative or substitute products
- iii. Price indices
- iv. Environmental factors that may affect the supply market
- v. Technology trends and
- vi. Degree and type of competition between suppliers

An example of a cost factor for procurement of an X-Ray machine pharmaceutical products procured from an international firm.

### **5.5 Procurement procedures for specialised equipment in Private hospitals**

The Commercial private health supply industry has stiff competition as there is barely any regulatory system in place for medical equipment.

Importing parties only need to list the products, a process that takes approximately three weeks.

The listing for medical devices and consumables is set \$100 per product. The Government charges 16% VAT on all medical devices bought and an additional 0.75% on importation.

NGOs, FBOs, and donor-funded agencies represent the second largest groups using the tendering process to acquire supplies. The institutions define their own procurement processes that are overseen by their procurement agencies or their funding organisations.

In the interview with Dr. Otieno, he specified a couple of issues when procuring equipment for specialised treatment in private hospitals.

### **5.5.1 Mission for Essential Drugs and Supplies (MEDS)**

MEDS is a privately registered trust of the Kenya Episcopal Conference (KEC) and Christian Health Association of Kenya (CHAK) that has a sole mission to provide quality, reliable and affordable training, essential drugs, medical supplies and other pharmaceutical services.

Based in Nairobi, MEDS is the second largest procurement organisation after KEMSA . They mainly supply nonprofit organisations and are gradually letting in the lower level private healthcare providers into their customer fold.

MEDS run yearly tenders for most of their procurement but also have a 3-year tender for some of their supplies. The tenders are usually found in the daily local newspapers Daily Nation and The Standard or through subscription to alerts whenever they have any tenders running. (MEDS, 2017)

### **5.5.2 Kenya Red Cross**

The Red Cross procures for medical supplies mainly by tender or quotation to prequalified suppliers.

Other stakeholders in the healthcare industry, e.g., AMREF and private hospitals have tender or quotation based systems, and often the suppliers need to be prequalified. The tenders are usually found in the local dailies, i.e., The Standard and The Daily nation via the hospital's websites or via paid subscriptions.

Private hospitals tend to have the following characteristics when procuring medical supplies according to Dr. Otieno;

#### **1. Price is out of the matter**

In regards to the fact that private hospitals are competitive in terms of the services offered, the doctor stated that the price of new equipment bought at the hospital for surgical procedures was in total disregard of the price.

This is so because the customer at the end always had to foot the bill as they charged higher prices compared to the public health institutions which give health services at government subsidised costs.

## **2. Doctors attending seminars abroad and in Kenya for product awareness**

This would, in turn, affect the choice of equipment that they would choose when they order for new equipment at the hospital.

As a point to note, the anonymous source stated that the expertise knowledge is outstanding and so not much teaching was required.

## **3. Preference in regards to country of origin**

The choice of equipment at the hospital depended largely on the country of origin as some countries, e.g., China and some parts of India had a reputation of producing substandard equipment at lower prices than normal. This would, in the long run, cost the institutions more at the end.

Some of the government influence on the equipment imported according to the doctor included

## **4. Taxes on the equipment being brought in,**

All equipment brought in have to undergo taxation in accordance with the law.

## **5. Quality issues**

The Kenya Bureau of Standards is a government-run agency that checks the quality of products being brought in and thus ensuring up to standard quality.

## **6. Registration**

Each equipment has to be duly registered with the ministry of health after all the standard checks have been done on it.

### **5.6 SWOT Analysis of the Kenyan market**

The acronym SWOT stands for Strength Weaknesses, Opportunities, and Threats and it is a structured planning method that evaluates the four elements of a business venture, industry, and project, in this case, Kenya as a new market venture for the Finnish Health tech industry.



The objectives of the business venture or project and identifying the internal and external factors favourable and unfavourable to the business venture are specified to achieve the set-out targets.

The components of the SWOT analysis are explained below;

- **Strengths:** This is mainly the characteristics of the project or business that give it an advantage over others.
- **Weaknesses:** The characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** Those are the elements in the environment that the business or project could exploit to their advantage
- **Threats:** This is elements in the environment that could cause trouble for the business or project.

The SWOT analysis identifies the major internal and external factors that are deemed important to achieving an objective.

The analysis groups fundamental pieces of information into two main categories i.e.

### **5.6.1 Internal factors**

The internal factors are mainly the Strengths and Weaknesses in regard to their effect on the organisation's objectives. They represent the resources and experience that the company or organisation can use to their benefit.

Internal factors are analyses used to analyse internal factors affecting a company or organisation

- **Capabilities:** To identify constraints and uncertainties, weaknesses, problems and internal strategic strengths.
- **Resources:** personnel or rather employee capability, Profitability, sales, product quality brand associations, existing overall brand, relative cost of new product, product portfolio analysis, product quality brand associations and manufacturing capabilities

### 5.6.2 External factors

These factors represent the threats and opportunities brought forward by the organisation's external environment.

Opportunities can be deemed as favourable conditions in an organisation's environment that can yield rewards if leveraged properly. For benefits to be realised, opportunities must be acted on. Threats, on the other hand, are barriers that present themselves to an organisation preventing them from reaching desired objectives.

External factors affecting an organisation are divided into the following categories.

- Market analysis and this include; trends, key success factors, distribution systems, overall size, profitability, entry barriers, projected growth, distribution system etc.
  - Competitive analysis; Cost structure, culture, identify completely, put in strategic groups, strengths, weakness, image, evaluate performance, their objectives
  - Customer analysis; Segments, unmet needs, motivations etc.
  - Environment analysis; demographic, scenarios, technological, cultural, economic.
- The goal is to identify external opportunities, threats, trends and strategic uncertainties.

The figure 4 below gives a figure expression of the four parts in the SWOT analysis.

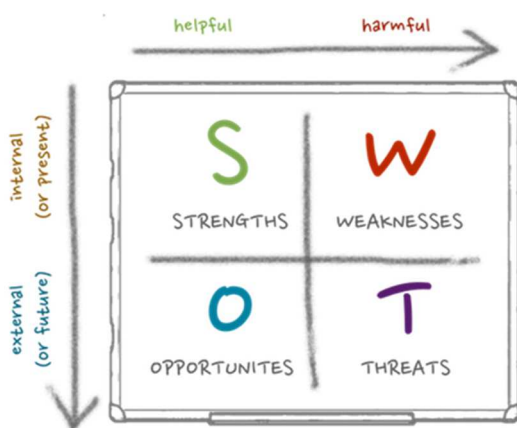


FIGURE 4. SWOT

### 5.6.3 SWOT Analysis of the Kenyan market

All aspects of the SWOT analysis would be a good reference point to get the best feel of the Kenyan Healthcare space as a destination for the Finnish healthcare industry.

The following is the SWOT analysis of the market.

#### **5.6.4 Strengths**

- Kenya has an extensive private healthcare industry that would ensure the continuous market for goods aimed at the hospital,
- Devolution to counties. This will lead to reduced inequalities in the society and also more penetration of health services to the market. County governments are also investing more on modernising their equipment.
- There is no price regulation in the private sector which ensures protection of the suppliers at the end while the patients having to pay for everything at the end
- There are no import tariffs for pharmaceuticals
- Kenya itself is the largest pharmaceutical manufacturing base in the Eastern African region
- The East African Commission EAC in which Kenya is a member has brought forward common Regulation policies hence expanding into the member states would not need much of different legislations in the medicines industry
- Good reputation of the products originating from the Nordic region
- Good technical skills on the use of different equipment by the users in this terms meaning the doctors and teachers

#### **5.6.5 Weaknesses**

- Slow procurement processes in government facilities emanating from corruption and inefficient public procurement and distribution.
- Low medical device per capita spending especially in marginalised areas of the republic
- exchange rates

#### **5.6.6 Opportunities**

- None of the Finnish companies have sought to venture into the Kenyan market.

- Increased Public-private partnerships
- Proposed Universal Social Health Insurance which would, in turn, improve access to healthcare
- Increased demand for services in private hospitals by the general public over public health facilities
- Managed Equipment services
- Increased medical tourism to the United Kingdom mostly and India which shows there is a shortage of equipment and services currently in the market. This is mainly because of the high prices charged by the private health facilities for specialised care. Treatment for advanced health cancer like Cancer has boosted the same especially due to the end cost including the flights and accommodation adding up to less than what the private hospitals charge. (President Kenyatta urges Indian...2015).

#### **5.6.7 Threats**

- Devolution of Health services to the counties led to negative health budgets on the national budget.
- Corruption in the whole sector which diverts funds meant for modernising and investing in equipment and drugs.
- Political upheavals in the Kenyan market which happen every once in a while although the results are always devastating making the risk factor to be big
- Finding the wrong partner or distributor of the product that would not make a full realisation of the market's potential and also those that would turn out to be untrustworthy

## 6 CONCLUSION AND DISCUSSION

The thesis sought to discover and offer solutions to problems that may arise in the trade between Finish Health technology companies and Kenya as the new potential market. Kenya has a population of 46 million people and growing which means that there is a huge market in the health scene to be satisfied.

Different intermediaries are involved in the trade, and hence each of them must be clearly looked at to get the amount of influence that each has.

The Kenyan health care scene is split into either; the public sector, mainly funded by the two levels of government and the private sector, which represents all other health institutions that fund themselves, or through their own business model set up.

The decision-makers in the public sector are more as compared to the private sector, and by so, procurement in the public sector is always conducted in public through the tendering processes to get the best possible supplier for equipment.

Procurement of specialized equipment in private hospitals is done mainly by the doctors themselves who are the end users have the main say on which equipment to use or not. Basic hospital utilities are, however, tendered for in the daily newspapers for worthy suppliers to take up.

With the reason that, the price of acquiring is out of the matter for private hospitals, it makes them stay competitive in the services they offer, and this explains the high prices they charge to customers.

As a point to note, the two main factors that private hospitals check on is the reliability of products and the ease of servicing that the seller make possible hence the need for local presence or quality training to the agents.

Directly exporting to Kenya would be the best possible market entry procedure that new entrants can consider when engaging in the market. With the country importing over 70% of what they consume, agents have been deeply involved in the supply sector for the health tech products hence the Finnish health tech companies should seek out potential agents to help move their products in the first stages of the trade.

The Medical Expos give a good opportunity for different stakeholders to meet and share information on what they sell. For new entrants into the market, the expos give a chance for them to display their products to worthy customers who attend the same. It is also a

chance to meet suppliers and agencies face to face and be able to compare the services they offer.

Kenya is a regional hub for many industries and by this, it is easy to expand into the neighboring countries over time after full coverage of the market.

In conclusion, the Kenyan healthcare market scene has a huge gap in terms of supply that needs to be satisfied, and so, it is a viable market that Finnish health technology companies should take advantage and enter to make use of the opportunity.

Next step for this thesis would be for GSF to consider and potentially use the results of this work to help propel health technology into the Kenyan health tech market.

As a continuation of this work, I would propose a thesis topic that would help research on Finnish high-end pharmaceuticals that can be checked for viability in the Kenyan health market.

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## APPENDICES

### Appendix 1. Questions to the Finnpro Head Jakobsson Tomas

1. When did Finnpro start its activities in Kenya?
2. What does Finnpro do in Kenya
3. What successes and achievements have Finnpro had in Kenya?
4. What challenges has Finnpro faced in its mandate and by extension the main challenges faced by Finnish companies seeking to venture into the Kenyan business environment?
5. Whether Finnpro has had any or plans to have interactions with the Kenyan government to boost trade and ease the business restrictions between the two countries.
6. Government procedures and restrictions that foreign companies face when they seek to come into the Kenyan government.
7. Whether Finnpro is engaged in activities that seek to encourage more Finnish businesses to set up in Kenya (organising Finnish trade fairs etc.)
8. Whether they have any statistics of the main Finnish industries and or businesses that have managed to set up and prospered here in Kenya.
9. What kind of help does Finnpro and by extension the Finnish government offer to companies working here in Kenya and also for companies seeking to venture out of Finland?
10. Any industries that they would recommend to set up shop in Kenya from Finland.
11. Any advice they would give to the general Business environment in Kenya; on international (Finnish companies) seeking to delve into the Kenyan market.
12. Whether they have had any engagements with the Finnish health-tech industry in Kenya.
13. Any specific tips that they would give to health tech companies planning to set up
14. Does Finnpro have any knowledge of any existing supply chain regarding any Finnish companies operating in Kenya?
15. Does Finnpro have any connections with the Kenyan government, other legislators or officials? If they do, how would they describe their relations with them
16. Is Finnpro able to arrange any kind of funding for Finnish companies that would like to enter the Kenyan market?

17. Is it possible for companies to utilise the Finpro's Nairobi premises for any kind of business negotiations, networking events or any other kind of activities?
18. Does Finpro arrange any sort of networking occasions for Finnish companies in Nairobi

## Appendix 2. Questions to Dr Eric Otieno from the Nairobi Hospital

1. What does the hospital do and what differentiates it from the public hospitals in terms of services offered and maybe administration?
2. What are the basic procurement procedures for equipment at the facility in the surgery department?
3. Which are the main companies supplying equipment to the hospital?
4. Which country mostly supplies equipment to the hospital?
5. Who are the decision makers in a procurement process for equipment at the hospital?
6. What is the government's influence in the procurement process?
7. What is the performance expectation of equipment at the company in terms of a number of years the equipment is expected to last?
8. Which maintenance procedures for the equipment if any are there and what is the interval of repairing.
9. How would you rate the technical know-how of the staff at the hospital?
10. What is the chance of new suppliers entering and becoming competitive in supplying equipment to the hospital?
11. Are there any buying preferences in buying equipment at the hospital in terms of country of origin?
12. Is Quality over price considered during the procurement processes?

### Appendix 3. Interview with Dr Asungu from the Kenyatta national Hospital

1. What does the hospital do and what differentiates it from the other hospitals in terms of services offered and maybe administration?
2. What are the basic procurement procedures for equipment at the facility?
3. Which are the main companies supplying equipment to the hospital
4. Which country mostly supplies equipment to the hospital
5. . Who are the decision makers in a procurement process for equipment at the hospital?
6. What is the government's influence in the procurement process?
7. What is the performance expectation of equipment at the company in terms of the number of years the equipment is expected to last?
8. Which maintenance procedures for the equipment if any are there and what is the interval of repairing.
9. How would you rate the technical know-how of the staff at the hospital?
10. What is the chance of new suppliers entering and becoming competitive in supplying equipment to the hospital?
11. Are there any buying preferences in buying equipment at the hospital in terms of country of origin?
12. Quality over price considered during the procurement processes