MANAGEMENT PRACTICES AND EFFECTIVENESS

IN

DAWA PHARMACEUTICALS

(A THESIS)

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A study paper submitted in partial fulfilment of

of the requirements for the award of MS. Degree in

Management and Organizational Development (MOD)

United States International University

June 1981
This paper is accepted in its present form.

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Date
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Foreword

The author of this paper has served the Organization under study for a period of two years, from November 1977 to October 1979, as a Production Technologist in the Antibiotics and Ointments Section. Prior to joining Dawa Pharmaceuticals Company, he had worked, for some length of time, with Hoechst East Africa Limited, another drug firm of high repute in the Kenya Pharmaceutical industry.

The writer and one other Technologist were advised to join Dawa Pharmaceuticals after a new department of Hoechst East Africa, to which they were attached, was closed down as a result of total failure in getting off the ground. It had suffered heavy financial losses due to lack of market for the products manufactured. After two years of closure, constructive management changes were planned and both the writer and his fellow Microbiologist were recalled to start the department again at the end of 1979. It is currently operating very successfully.

Having been in Dawa Pharmaceuticals for that length of time, the writer feels that he is in a position to make a reasonable analysis of the problems that have crippled the firm since its formation and to recommend changes that would improve its operations, resulting to expected financial rewards especially to the local investors, better personnel and industrial relations in the organization and positive contribution to development in Kenya.
I wish to record my appreciation for the assistance I have received from many people in writing this paper.

Mr. Harmon of International University, as the principal advisor and supervisor, has given me extensive help and many thanks go to him. Mr. P. Guweli of University of Nairobi, whose past teachings on Organization Theory and Management have been of much guidance, has also assisted greatly in the use of library references and for that, my hat down for him too.

I should not forget to thank some employees of Dawa Pharmaceuticals Company, my former colleagues at work, for the co-operation they have shown in my effort to get information from them. Along the same line, I wish to thank Messrs Gatobu and Gacanja of Hoechst East Africa Limited for the co-operation they have given me especially during the time I have had to leave them to attend to my studies.

Lastly, and very important indeed, I extend my gratitude and appreciation to my wife Mrs. Mary Githomi for typing all my work and above all, for the patience, co-operation and moral support I have received from her over the period I have been busy with the entire MOD course.

J. G. Gachau

May, 1981
A short review of development in Kenya

1.1 Kenya: Colony before independence

Political independence was granted to Kenya by the British on 12th December 1963 after 70 years of colonization. Historical discoveries in early nineteenth century had encouraged colonizers from Europe to take up positions in the African continent with mixed objectives of putting slave trade to an end, expanding civilization to the continent and eventually developing the African countries.

Kenya's potential, notably the rich soil, was studied carefully by the British colonizers who had established themselves in this part of East Africa and consequently British settlers were introduced to exploit the soil especially in the White Highlands of the central region. Lord Delamere emerged their leader.

The missionaries had established themselves in East Africa and built churches, hospitals and schools marked as the beginning of development in this region. Dr. Krapf and Rehmann of Church Missionary Society started a missionary at Rabai in 1846 /1/. We continue, even in the present times, to recognize with appreciation the active role played by the missionaries in the development of the Kenyan nation.

The white settlers' active contribution was production of food stuffs. They introduced cash crops among them coffee, tea, pyrethrum, sisal and cotton. Other crops produced in great quantities were wheat, barley, maize and sugarcane while cattle and sheep farming for dairy, beef, mutton and wool production was of paramount importance.

1/ An Introduction to the History of East Africa

3rd edition

A.Z. March and

C.W. Kingsnorth
The construction of the steam engine railway line initiated by Imperial British Company across the country helped greatly in transportation of the country's produce for exportation through Mombasa Port. Imported finished goods and machinery were easily taken to the interior of the country through the railway line.

Industrialization especially in manufacturing was, however, not properly introduced into Kenya during the colonial era. The country, as a result, depended to a large extent on imported finished goods, many of which were processed from the country's produce and re-exported into the country. Other than processed foodstuff, Kenya's imported goods included drugs and pharmaceutical products, hospital and school equipment, agricultural chemicals, fertilizers and farm machinery, textiles, automobiles and spare parts plus many other items. Many of such goods are now manufactured locally.

1.2 Kenya: After independence

After the attainment of independence, the new republic had to be reorganized by the new Government, made up of the victorious political party, Kenya African National Union (KANU), headed by its President the Late Mzee Jomo Kenyatta. The Government issued the proposed four-year development programme in the KANU Manifesto, with special emphasis on encouraging hard work and sacrifice by Kenyans for rapid progress to eradicate poverty, ignorance and disease. It was the hope of the Government that this would bring about self-sufficiency, economically and politically. It was stressed that economic freedom
was of paramount importance after the political freedom which had been won after a long period of bloody struggle and conflicts.

Today, after 17 years of independence, Kenya is placed among the fastest moving developing countries of the African continent. Encouraging progress in development is noted in various areas. Tourist industry for instance has recorded 400,000 tourists who visited Kenya in 1980, earning the country 1.6 billion shillings in foreign exchange, and employing about 35,000 people. In 1966, there were 6,000 hotel beds in Kenya while 1980 records show 22,000 hotel beds. The banking industry has grown equally rapidly. In 1963, there were six commercial banks, all of which were foreign owned and operated from less than 10 of the country's major towns. Today, there are 16 commercial banks in the country with the four main ones having branches throughout the country. Cash deposits in 1965 were 1.392 billion shillings compared with the figure of 14.004 billion shillings in 1980.

The country's major towns, led by Nairobi the capital city, have been extensively industrialized. One can write a long list of items manufactured locally in Nairobi, Mombasa, Nakuru, Nyeri, Thika, Kisumu, Nanyuki, Eldoret and Kiambu, among other towns. The country is self-sufficient in some products such as textiles, paper, a number of food stuffs and domestic items. Many pharmaceutical products for use in

2/ The East African Standard issue dated 12.2.81
Editorial Study Report - Development in Kenya

3/ Readings on the Multinational Corporation in Kenya. R. Kaplinsky
P.6. fp
human and veterinary medicine, agricultural chemicals and machinery, auto spares parts and accessories etc. etc. are manufactured locally these days. Kenya today exports agricultural and industrial products to more than 80 countries. 4/

1.3 I.C.D.C. and its role in industrialization

The Kenya Government policy in so far as industrialization is concerned is to encourage local investors to open up large and small scale industries while at the same time foreign individual and multi-national investors are welcome into the country. The Industrial and Commercial Development Corporation (ICDC) was formed by the Government immediately after independence to promote and facilitate smooth development in industrial and commercial sectors of the economy.

The corporation plays a vital role in the planning of new foreign and locally owned ventures in manufacturing industries. Negotiations between foreign investors intending to start industries in Kenya are carried out on behalf of the Government by, among others, the I.C.D.C. Absolute monopoly of ownership and control of industries and commercial firms by foreign investors is not encouraged by the Government. It will be found, therefore, that in most of such ventures, the Corporation owns part shares and has a vital role to play in decision making affecting the operations of the firms.

Response to the Government’s call by the local investors has been slow but recent records show encouraging results. There are a number of institutions, I.C.D.C. included, prepared to finance such ambitious

4/ "Africa Trade Review" Nairobi, Commerce Minister Daily Nation 10.2.81

5/ Readings on the Multinational Corporation in Kenya. R. Kaplinsky P.163
locals. One good example of a wholly locally owned and managed large industry is the Madhu Paper International, manufacturing toilet paper, soft tissue paper and towels in quantities enough to supply Kenya and her neighbouring countries. The firm is currently on an expansion programme to enable production of wrapping, decorative and printing paper. Most recently, a 4-million shilling plant was erected to manufacture bath tubs and wash basins from acrylic under the management of Mr. M. Wamae, the former Chief Executive of I.C.D.C.

In the organizations and enterprises where ICDC's participation includes part share ownership, the Corporation is represented by its Chief Executive in the Directors' Board meetings and he usually chairs the meetings. At times, the Corporation requires to hold the upper hand in the running of such jointly owned companies. The traditional method aimed at gaining such powers is to buy more shares; at least 51% which is the controlling minimum limit. In a few cases, ICDC has been forced to buy all the shares, either close down the firms' operations and effect a complete change in the management or carry out a reshuffle and replacement of the Management Team. Kenya Taitox Mills (former Kenya Torrey Mills), a textile manufacturing industry in Thika, and East African Fine Spinners, manufacturing knitting wool at Nairobi's Industrial Area, have been targets of such administrative and organizational change. They are both now owned wholly by the ICDC and have started reflecting profit earnings in their annual financial statements unlike the previous years' notorious loss reports.

6/ Strategy, policy and Central Management, Newman, Logan
7th Edition
P. 546
All the members of the former management teams have had to be fired and a new team appointed to run the organizations. Improved operations have been realized after such organizational changes.
2. DAWA PHARMACEUTICALS COMPANY

2.1 Introduction

Dawa Pharmaceuticals is registered in Kenya as a private company with limited liabilities and licensed to manufacture all types of drugs and medicines for human and veterinary use, insecticide sprays for domestic use and cosmetics of all kinds. Its factories and administration offices are situated at Ruaraka, approximately seven kilometres north east of Nairobi city centre. The owners and the promoters of Dawa Pharmaceuticals Company Limited claim that it is the largest pharmaceutical factory in Africa, south of the Sahara, excluding the South Africa. They claim to have a production capacity capable of meeting all the pharmaceutical demands for the whole of East and Central Africa.

Owned jointly by a Yugoslavian based drug firm, KIRKA, ICDC of Kenya and three private Kenyan investors of African origin, Dawa Pharmaceuticals has been in operation for six years, manufacturing and marketing its goods directly to consumers through appointed agents and distributors. Goods manufactured are marketed locally and occasionally exported to neighbouring states especially Ethiopia, Malawi and Zambia.

The management and administration of all the operations of the firm are carried out according to an agreement concluded and signed by the Kenya Government and KIRKA, the foreign investor, before the company was started. Such formal agreements, common in any new venture involving foreign investors abroad, whether by Multinational Corporations (MNC)
or by individual aim at protecting interests of both the investor and the host country. Faulty signed agreements which may fail to achieve the goals of either party are potential sources of conflicts between the investors and the host country.

Since the time of its inception to-date, Dawa Pharmaceuticals has been faced with endless difficulties and conflicts between the firm and Kenya Government, inter-personal, inter-groups and inter-departmental conflicts, staff resignations en masse from the organization and excessive dismissals and recruitment of staff. The company has recorded heavy financial losses in all the successive years; one of the private investors has withdrawn his shares from the ailing firm and the ICDC has threatened to take over. More than 75% of the workers of the company have, on several occasions, threatened to stage strikes; many have resulted to stealing company drugs, yet the present management has turned a deaf ear to all the complaints. No efforts to improve the conditions seem to be in the offing.

The prevailing situation at Dawa calls for need to change in the management system to save the firm from eventual collapse.

2.2 The formation

It was about ten years after independence that prominent local individuals began contemplating involvement in large scale manufacturing industries to the size of an international standard. Only very wealthy Kenyan citizens of African origin could afford to go into such large investments which involved huge sums of financial contributions. Kenya

*Accumulated losses Kes.20,988,400/- as at end of December 1978

Exhibit 8
is a capitalistic country and has only a few individuals in the high
class elites. One well known Kenyan, because of his great wealth, is
Mr. Njenga Karume, the present member of Parliament for Kiambaa
constituency in Kiambu District, who is also the Assistant Minister
for Housing and Urban Development. He was a nominated Member of
Parliament in the former Government of the late President Mzee Jomo
Kenyatta, which ended with his peaceful death in August, 1978. Other
highly placed Kenyans for their wealth are members of the late
President Kenyatta’s family and associates such as Mr. Ngengi Muigai
(M.P. for Gatundu constituency and Assistant Minister for Works);
Mr. Gecaga (of Lornho Group), Mr. Gecaga (Chairman, B.A.T.), Mama Ngina
Kenyatta (First Lady) and a few others. Such few rich Kenyans were at
that time in a position to start their own large factories with the
help of foreign companies from developed world to provide technical
know-how, a skill largely required in developing nations.

Mr. Njenga Karume, along with two other brothers Messrs
P. K. Kinyanjui and J.S. Kinyanjui, joined together as private indivi-
duals and concluded a deal with the Kenya Government and a pharmaceuti-
cal company in Yugoslavia, Europe, to start a plant in Nairobi which
would manufacture a wide range of pharmaceuticals. The new industry
was to be named DANA PHARMACEUTICALS.

The Company was incorporated on 30 April 1974 with the director-
ship as follows: 7/

7/ The Registrar of Companies, Kenya
Directors:  I.C.D.C. (Kenya)
            KIRKA (Yugoslavia)
            Peter Kabibi Kinyanjui (Kenyan)
            James Samuel Kinyanjui (Kenyan)
            James Njenga Karume (Kenyan)

Shares Capital - Kshs.4,000,000 divided into 200,000 shares of Kshs.20.00 each distributed as under:

\[
\begin{align*}
\text{I.C.D.C.} & : \quad \frac{1}{3} \\
\text{KIRKA} & : \quad \frac{1}{3} \\
\text{P. K. Kinyanjui} & : \quad \frac{1}{3} \\
\text{J. S. Kinyanjui} & : \quad \frac{1}{3} \\
\text{J. N. Karume} & : \quad \frac{1}{3}
\end{align*}
\]

The factory was to be erected at Ruaraka, Nairobi, on plot No. L.R. 7200/4 with approximate size of 5.20 acres.

Operations of the newly formed company started in 1975 at Uchumi House where temporary offices had been hired awaiting completion of the factory construction and installation of the machinery and equipment. They had began selling purchased finished drugs.

All the requirements of the new company would be implemented quite easily by the Government because of the positions and influence the private investors held and important too, the support of the ICDCC which is a government parastatal body.

A big building was completed in 1976 consisting of double-storey administration block, one large canteen with two dining halls, one
large warehouse and the factory block in which the production processes are carried out. The administration block accommodated the offices of the Managing Director, Personnel, Accounts, Marketing and Purchasing Departments. The Technical Manager, who is also the Production Manager, operates from this block because he has no office in the factory block. The canteen has a very spacious kitchen fitted with modern cooking apparatus and utensils. The factory block consists of many departments, sections and sub-sections which will be discussed later in details. Further reference to the operations of the canteen will be made later also.

At Uchumi House offices, in preparation for starting the manufacturing operations, the then Project Manager of the company Mr. Barsh, with only a skeleton staff, started recruitment of technical staff in 1976. He was being assisted by Mr. P. Kinyanjui, one of the Directors and shareholder. Mr. Kinyanjui was the Chairman of the recruitment committee. He has been, until last year, the Chairman of Kenya Ports and Harbours and has little understanding of medicine, or pharmaceutical language. The backgrounds of the other members of the recruitment committee will be discussed later together with the Company Management team. The recruitment team was looking for pharmaceutical laboratory and maintenance technicians who would be sponsored for a six-month training course in the parent firm Kirka, Yugoslavia. Six pharmaceutical assistants, one laboratory technician were wooed from Kenyatta National Hospital. One mechanical technician from Kenya
Polytechnic was recruited together with an Asian holder of Master of Science degree in Microbiology from the University of Bombay. All the nine technical staff were sent to Yugoslavia and made to sign a 5-year-after-training service bond. Many of these technicians later described the training as mere waste of time and brain-washing. They complained that the contract bond, which required them to pay Kshs. 45,000/- if broken, was a swindle in that no preparations were made for them to learn and further they were sent back from Yugoslavia after four months, not six as promised. Instead, a large number of Yugoslav technicians were sent to Kenya to train them locally.

By the time they returned to Kenya, the construction of the factory and the administration block had been completed. The company’s administration had moved from the Uchumi House office to the new offices. The actual production started in April 1977 with the expatriate technicians, all set to train the local staff for eventual take over of all the factory operations and positions occupied by them, on the expiry of their work permits and contracts. The take over was not, however, smooth and disagreements and quarrels which sometimes were near physical fights were the order of the days for a period of four years. The management would not find solution to many problems.
3. General structural and administrative set up of Dawa Pharmaceuticals Company

3.1 Administrative layout

Dawa Pharmaceuticals is an organization run by a Board of Directors, with its day to day operations manned by the Managing Director who is also a member of the Board. The Managing Director is not necessarily a share holder like the other members. ICDC is represented by its Chief Executive who is the Chairman of the Board.

Kirka, the parent firm, is represented by a person who has to fly to Kenya for Board meetings especially at the time of crisis. The Managing Director is a full time company employee, responsible for the general management of the firm. Immediately under him is the post of Deputy Managing Director, followed by Marketing Director and Technical Manager. It is extremely difficult to practically stipulate the duties, powers and responsibilities of any of the top management posts in the present and past operations layout of the company. In theory, the Chief Executive post is that of the Managing Director, who should have executive authority but the past history of the company has proved otherwise as will be shown later.

There is the Company Pharmacist, as required by the Kenya Government by-laws, departmental managers and section heads, Chief Accountant, Personnel and Administrative Manager, Marketing and Purchasing Managers. Job specifications are not clearly defined.
ORGANIZATIONAL SET UP OF DNA PHARMACEUTICALS

Note: The size of each box is not necessarily indicative of the size of individual sections or departments.

DIAGRAM 1

BOARD OF DIRECTORS

MANAGING DIRECTOR

DEPUTY MANAGING DIRECTOR

MARKETING DEPARTMENT

ACCOUNTS DEPARTMENT

SALES SECTION

ADVERTISING SECTION

STORES AND TRANSPORT

TECHNICAL MANAGER

TECHNICAL DEPARTMENT

ADMINISTRATION AND PERSONNEL DEPT.

CATERING SECTION

MAINTENANCE SECTION

QUALITY CONTROL SECTION

TABLETING AND CAPSULED SECTION

ANTIBIOTICS AND AEROSOLS SECTION

SYRUPS AND AEROSOLS SECTION

PACKAGING SECTION
No department can clearly show to whom it is directly answerable. A sharp descending line of power and de jure authority is evident but a proper chain of command dependent on the existing positions, is lacking. Proper communication channels are missing because each section is an enemy of the other. It should be noted from the diagram (1) that the Technical Manager assumes control of the whole organization including sections that are entirely unconnected, from a normal administrative perspective, to his post. He is extremely powerful and will make decisions which are unquestionable even by the Managing Director.

The social, economic or financial welfare and opportunities of the employees of Dawa Pharmaceuticals can be represented diagrammatically in a cone shape. It is typical of developing nations human classes set up where the large majority is very poor and oppressed; with hardly any say in the running of their organization and communities. Only a few individuals are very wealthy, or in the case of employment, well paid, referred to as the upper class and form only 1.0% of all the employees of the organization. The middle class group of employees make up about 3% with all the remaining 96% comprising the low class workers who may be grouped in upper lower, middle lower and lower lower classes according to their earnings and benefits, opportunities to rise, and general welfare. (diagram 2a)

It would be interesting to compare the cone shaped representative diagram with that in figure (2b), showing the human classes set-up representation in developed nations. The middle class group forms the majority with only a few in the upper class and a few in the lower class.
SOCIAL-ECONOMIC CLASSES STRUCTURE
IN RAWA PHARMACEUTICALS

Diagram 2a

Upper class
1.0%

Middle class
3.0%

Middle-lower

Lower-lower

Diagram 2b

Social classes structure in developed nations

Upper class

Middle class

Lower class
3.2 Departments

(i) Department of Management

This is regarded as a department of its own but it does not physically exist. One can rightly describe the department as the office of the Managing Director. Statements like "The Management has decided that no overtime will be paid in future ..." may appear on public notice boards for the attention of workers and in internal memos. It is unclear, however, which people constitute the management team because one strong Manager's decision may be put on the public notice board signed by the individual with such specific language as described above. The term "management decision" in Dawa is meaningless especially when, for instance, a mechanic in charge of a workshop issues a memo worded "management has decided that nobody will remove any tool(s) from the workshop without permission from the undersigned".

The office of the Managing Director consists of himself and two secretaries.

(ii) Personnel and Administration

This department is currently headed by a lady who was promoted recently to the post of Personnel and Administrative Manager after the former holder of the post deserted the office. The present Personnel/Administrative Manager is as unpopular to the members of staff (if not more) as her predecessor.
The main duties falling under this department are concerned with personnel matters which include leave for staff and attendance cards. Others are telephones and telexes, car parking, security of company property, running of the canteen and compound cleanliness.

Personnel departments in other properly run organizations are solely responsible for all matters pertaining to labour and industrial relations but this is not the case in Dawa. Labour disputes are handled on adhoc basis usually by the Technical Manager, sometimes assisted by the Company Pharmacist and the Marketing Manager. None of the three individuals is conversant with labour laws and regulations in Kenya.

(iii) Purchasing Department

It is difficult to assess the functioning of this department because purchasing of all the requirements of a large organization like Dawa involves a lot of work and a reasonable number of staff. Yet, Purchasing Department in Dawa consists of only the Purchasing Manager, Mrs. J. Lyto, and her secretary.

(iv) Marketing Department

This was formerly headed by a Yugoslavian national with the title of Marketing Director until early 1978 when he was more or less deported from Kenya. A Kenyan African took over with the title of Marketing Manager and has headed the department to-date. His department is divided into two sections;
one for promotion through advertising and the other for
distribution. Both sections of this department have done well
and annual sales are quite high. The advertisers are very
active on air (radio) medium and on popular occasions like the
Agricultural Shows and the Safari Rallies, to promote unethical
drugs especially Dawaol, Benaquin, Dawasprin and Dawa's insecti-
cide spray - Pips.

(v) Finance Department

I call it Finance Department but in reality it does not
function as one. There is, nevertheless, accounts department
comprising a Chief Accountant, a secretary and a number of
clerks. The post of the Chief Accountant has been very contro-
versial. The first Chief Accountant, an Asian, resigned after
two and a half years' service. The second Chief Accountant
resigned after one month's service while the third was removed
unceremoniously from his seat after two years. The current Chief
Accountant was elevated from among the other clerks, is frustrated
and his stay may also be limited. Finance department, although
very important in any organization, is not properly established
in Dawa. The normal functions of a finance department like
financial planning, controlling, costing and auditing are not
regarded as important in this company. The most notable function
in the accounts department is salary processing and payment. Its
record in settlement of debts is very bad. Many firms dealing with
Dawa have had to close Dawa's credit accounts and demand cash pay-
ments on delivery of goods. East African Oxygen, for instance,

*See exhibit 8
would not even accept cheques from Dawa for a cylinder of Oxygen gas.

(vi) Technical Department

This department is the largest with over 80% of the total number of employees stationed here. It includes production, quality control and maintenance and may be termed the core of the organization. Most of the work here is tiring and exhausting especially in the compounding, filling, packaging and storage sections. There is a fork lift for moving heavy containers and drums but most handling is manual in production sections. The Quality Control section analyses the incoming raw and packaging materials, production material in progress and finished products.

A lot of company problems emanate from this department which is headed by the "strongest" known manager in Dawa, Mr. J. Kolaric.

3.3 Leadership in General

It is like a tradition from the formation of the company that any leader is like his/her predecessor. Management is autocratic with only a few individuals assuming absolute authority and power or ability to control others. The type of authority of the few is de jure, resultant from the administrative structure. Informal power of any workers would not exist because of the structural set up and the policy of "divide and rule" applied to the workers by the management.
Day to day operation of various heads of departments is clearly evident of task management as described by J. Mouton § R. Blake. The style of leadership would fit well in position 9.1 of their managerial grid chart. 8/

The management is production oriented with very little concern for the workers. Practically all the decisions are made by the Technical Manager who has influenced the sections' supervisors and made them to apply his style of iron rule.

Appeals for more human treatment of workers occasionally are presented to the management by some individuals but such appeals seem to fall on deaf ears. This rough atmosphere has precipitated employees/employer relations that are far from satisfactory and quite often reach tense and near flash points. The most affected or dissatisfied working groups are the lower and the middle classes. This means that 96% of the organization's labour force is unhappy. The lower class workers attempt to resolve their problems through the middle class group but even they themselves (the latter) have their own problems with the Management which has divided them into groups of "royalists" and "Rebellious lot" sometimes called the "Gang". Grievances of workers are, therefore, not usually attended to. Labour Union involvement has met with many insurmountable obstacles.

8/ See chart in Chapter 8
4. The Top Managerial Posts Establishment

4.1 Criteria for Allocations

In the original agreement between Kenya Government and the Yugoslavian investors, the important top posts allocations were specified. Specific positions had to be held by specific choices; either Kirka's choice or the Government's. The Managing Director, under the agreement, had to be appointed by the host government (Kenya). This position should be the highest in the organization. His deputy was a Yugoslavian national. The Technical and Marketing Departments were to be headed by the Yugoslavs.

The original layout of the managerial and supervisory positions, as a result, came out as in the chart below. The post of Project Manager is dotted because it no longer exists and the holder of this position, Mr. Barsh, was kicked out of the country for reasons only known to his fellow Yugoslavs.

4.2 The Managing Director

Mr. J. H. Gita'a, B.Sc., was appointed at the age of sixty by the Kenya Government to head the new pharmaceutical firm. He was formerly the Managing Director of Kenato, a large transport firm owned by the Government and operates widely in East and Central African countries. Mr. Gita'a had served the Government before in the department of Kenyanization of Personnel Bureau. He has also been a secondary school teacher and was Chairman of a number of Schools' Boards of Governors, such as Kenya Polytechnic. He had been appointed to head

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2/ Diagram (3)
Kenatco so as to revive its operations which had been reported as deteriorating. He did well just as he had done before in his earlier appointments.

Mr. Gitau, however, was not successful in his new appointment as Managing Director of Dawa Pharmaceuticals. He started off with difficulties in decision making when he found himself unable to make any without interruption by the big team of Yugoslavs who had surrounded his office. The team was lead by his deputy. Others were the Marketing Director and the Technical Manager with his five sub-departmental chiefs.

All important communications, including telex messages with the parent firm, Kirka, were made in Yugoslavian language in which case Mr. Gitau had to request translations by one of the Yugoslavs on receipt of such messages. Replies were also on several occasions in the same language. The Yugoslavs team had thus, an upper hand in the control of the firm's operations.

Mr. Gitau's former academic knowledge and work experience was of little help in running a pharmaceutical firm where language is highly technical - pharmacy or medicine oriented. Take the following hypothesis as an example. A decision is made by the Chief Engineer to purchase an air compressor. The one he decides to buy will come from Yugoslavia and will cost say K13,000 freight charges included. Air compressors with similar performance are available locally selling at K8,000 each. Mr. Gitau could never convince the Yugoslavs to buy the cheaper compressor. The Chief Engineer will use technical language like "efficiency in production of oil free sterile air". Mr. Gitau's disadvantage in this
case will be lack of understanding, raising no argument and fear of making wrong ruling which may backfire on him. In fact, a simple compressor can easily be modified by fitting oil filters and cellulose filters for sterilization of the compressed air at a minimal cost.

The team of Yugoslavs was in the beginning all well united and as such their decisions in most cases remained unquestionable. In the Production and Technical Sections, all decisions were made by the Technical Manager. The running of the marketing side was entirely on the Marketing Director. The general management and administrative affairs were largely controlled by the Deputy Managing Director who, together with the Technical Manager, would always intervene in any affairs and developments related to Personnel Administration and most important, Finance. Mr. Gitau, though holding the highest post in the company, was, as a result, left with little or no valuable duties to perform.

All the locally recruited senior officers involuntarily joined their Chief Officer's (Managing Director) "boat" and found themselves holding little power and working as figure heads. They were frustrated by the company's administrative policy which turned exclusively Yugoslav in Africa. Mr. Gitau himself was unable to unite with the other Kenyans to counteract the Yugoslav's domination either because of the shrewd tactics employed by the Yugoslavs of creating divisions among workers or perhaps due to his own administrative weaknesses. As the situation went out of Mr. Gitau's hand, his Asian Chief Accountant resigned in 1977. He was replaced by a well qualified African, Mr. Wainaina, who had to resign after only one month. Mr. Wachira of Hoechst E. Africa Ltd. took over as the Chief Accountant. The Administrative/Personnel Manager deserted his post while on leave in the
following year. At the same time, the company had lost three Pharmacists, each resigning after only a brief period of service.

The annual financial reports continued to reflect heavy losses and the marketing section had more or less failed totally to penetrate the Kenyan market especially the Government Medical Stores. In the same year, 1978, the Yugoslavian Marketing Director was removed from his office and deported to his country of origin. The company continued to operate at great losses and all employees were subjected to an atmosphere of fear by frequent threats of closing down. The company did not and has not closed down yet but Mr. Gitau himself was fired by the Board of Directors in 1979.

The high post left vacant was taken up immediately by the sagacious Deputy Managing Director, Mr. Rostocil, as acting Managing Director. He has been steering the "ship" to-date but no improvement has been recorded.

One worker answered my telephone call the other day and I asked him "how is Dawa these days?" His reply was "worse than before. Your decision to move out was timely and wise".

4.3 The Marketing Director

This position as observed earlier had to be held by an individual of the mother company's choice. It was given to Mr. Zivkovic who failed to penetrate the local drug market in Kenya. He was faced with very stiff competition from the already existing numerous companies dealing with pharmaceutical products in Kenya. These existing companies had vowed to kill Dawa completely and would apply any techniques to bar

10/ Very recently a new General Manager was appointed by ICDC to take place of the Managing Director. Little is known of him since he is not properly settled down yet.
Dawa products from entering any market. Among the strong competitors in the field were Twiga Chemicals, Hoechst E. Africa, Bayer and Bayer, Barloughs Wellcome East Africa, Sterling Winthrop and Ciba Geigy. All these firms, although owned by foreign multinationals, have recruited strong local sales and marketing teams, able to convince the existing supervisors of hospitals and medical stores, who are mostly Africans like themselves.

It was extremely difficult for a white Medical Representative (in case of Dawa the Yugoslav Marketing Director) to beat the strong local teams which had united to fight a springing firm. These competitors had cause to fear the big complex coming up because they rely largely on imported products for their market. A strong local manufacturer would easily undercut them especially in view of a possible protection from competition from the Kenya Government if convinced of efficiency, reliability and honesty of a local industrialist.

Mr. Zivkovic did not succeed in either marketing Dawa's wide range of products or in winning Government support in his endeavour. The outcome of his failure was dismissal and a send off, back home.

The company had to do without either Marketing Director or Manager for a period of six months. During this period, all work related to marketing was in the hands of the Deputy Managing Director and the Technical Manager. There was no established department responsible for promoting, distribution and selling of their products.
and the entire company continued to operate on "management by crisis". For the last eighteen months, a Mr. Apudo, who was recruited as Marketing Manager, has been working tirelessly in reorganizing the marketing department of Dawa Pharmaceuticals. He has concentrated on promotion strategy through intensive advertising and defending the company and its policies. Mr. Apudo is a Kenyan national by birth, experienced in selling pharmaceuticals and would easily succeed in penetrating the Government Medical Stores. Nevertheless, he has had problems too with the Administration. It was reported recently that Mr. Rostocil, Mr. Kolaric and Besrat Hagos arranged and went for a week's marketing tour in Sudan, Zaire and Zambia secretly without consulting Mr. Apudo, who is supposed to be heading the department.

He is not a Yugoslav and it may be reasonable to conclude that this was the reason why he was not appointed Marketing Director. The post still remains vacant.

4.4 The Chief Accountant

The position of the Chief Accountant in Dawa has been held by four different persons in the short life of the company. All the three persons who have vacated the post have complained of similar difficulties involving the Management. Common and identical complaints related to interference by the strong Yugoslavs notably the Technical Manager and the Deputy Managing Director. The Chief Accountant (and I believe the current serving officer is faced with similar difficulties) finds himself unable to make any independent decision on the company's management of finances. He has to obey, sometimes without any argument,
the Technical Manager's instructions regarding the use of company's finances. He has little say in his field of profession.

The first Chief Accountant, of Asian origin, resigned after two year of operation to start private practice. The second person to hold this post was Mr. Wainaina, a highly qualified practicing Accountant who resigned from his new appointment after only one month "purely on principle". After Mr. Wainaina came Mr. J.P. Wachira on 1st November 1977 and left unceremoniously after serious disagreements with the Management on company finances and policies. He did not hold any professional qualification papers but he had long practical experience in his former company, Hoechst E. Africa, a subsidiary pharmaceutical company of a German multinational, as acting Chief Accountant. As unqualified for the high post as he was, Mr. Wachira's appointment in Dawa was dubious to many and was believed to have been politically manoeuvred. He later became very unpopular with the strong Yugoslavs and had to eventually be forced to leave early in 1980.

Mr. Wachira's successor, Mr. Karonja, serving currently, was one of his accounts clerks. He was elevated by Mr. Rostocil and Mr. Kolaric immediately after the fall of his boss. Being the strong Yugoslavs' choice for the position, Mr. Karonja may easily be bulldozed to sing his bosses' chorus and as I said earlier, he is also frustrated, dissatisfied and may follow his predecessors' footsteps soon.

4.5 The Personnel/Administrative Manager

The post of Personnel/Administrative Manager has been occupied by three officers. The first office bearer, Mr. J. Waithaka, was the
former Managing Director's (Mr. J. Gitau) choice. He had trained at Kenya Polytechnic as a business administrator before joining the company.

Mr. Waithaka’s performance over a period of two years proved incompetent. He had made enemies with all the employees of Dawo, including the very junior members of staff, the frontline supervisors, departmental heads and, to nobody's surprise, with the Yugoslavs and finally disagreed with the Managing Director on various issues. Workers described him as an immature leader who did not know where he was heading to. He went on leave in June 1979 and never returned to his office.

The office of Personnel Manager was left vacant for nearly one year. The two top Yugoslavs Mr. Rostocil and Mr. Kolaric assumed all duties related to this office. Administration continued to be messy. The second holder of this office was Mr. Nasser, a properly qualified officer for the job and was seen by workers as the redeemer of their lost hopes of normal administration. He started his task by streamlining the job description for every worker and definition of posts. The Yugoslavs were unhappy with Mr. Nasser’s approach and all campaigned to have him removed. Mr. Rostocil was by then acting Managing Director. The active Yugoslavs succeeded in removing Mr. Nasser after a period of only three months of office.

One of the lady workers, Mrs. Janet Ogutu, was promoted on the recommendation of the Yugoslavs, to the Administrative Office. She started with difficulties in her relations with the workers. She continues in the office because of the Yugoslavs' blessings but she is very unpopular and much disliked by many workers.
However, as pointed out earlier, the present Personnel Manager, being the Yugoslavs' ally, is easily manageable by them. The feeling of the ordinary workers will not change the situation because they are of little importance in the eyes of the Yugoslavs.

4.6 The Technical Manager

Workers have given him a new name "Hammurabi the Law Giver" and also describe him as the man capable of performing all duties; ranging from those of the Managing Director to those of the Cloakroom attendant. His name is actually Mr. J. Kolaric. His post of Technical Manager is the only one among the top managerial posts that has not been held by more than one person.

Most of the problems facing the company are associated with Mr. Kolaric. He is the main cause of generally harsh and unfriendly task management style and most employees believe the other departmental and section leaders are influenced by his tough attitude. He is taken as the most powerful person, in the company, whose opinion will, as a rule, be always adopted. The workers in the factory have named him Hammurabi, the famous Islam Law Giver, because of his methods of management.

Mr. Kolaric's Management Style

1. Communication system:

A "short circuit" method. He has no defined system of conveying information to his workers. Mr. Kolaric will discuss any official business with any worker of any grade. The Section Heads in the factory, who are supposed to convey
official messages, find themselves embarrassed to learn of such plans and developments from workers junior to them.

2. Responsibilities:

The Technical Manager has assumed the role of every supervisor and manager in the company. He acts as the Technical Manager, Production Manager, Company Pharmacist, Marketing Manager, Public Relations Officer, Personnel and Administrative Manager, Purchasing Manager, Financial Manager and Managing Director.

His official title is Technical and Production Manager and he has, on a few occasions, acted officially as the Managing Director in the absence of the current acting Managing Director, Mr. Rostocil but all the other responsibilities he assumes are self given.

In his relevant and official section - production or the factory operation Mr. Kolaric supervises practically all duties, no matter how small. He does this through bulldozing every worker from the rank of the section head to the cleaner. He looks after the equipment and their spare parts. He supervises cleanliness of equipment, walls, floors and working benches. He supervises, directly, all the 14 sub-sections of production, among them antibiotics filling, capsules production, syrups and aerosols bottling, tabletting, sterility and potency testing in microbiology laboratories for quality of antibiotics, quality control - chemistry side, printing of labels in the
packaging section, labelling of finished products, packing and sealing of storage containers. He is also directly responsible for the warehouse in which finished goods are stored and distributed to the consumers.

Mr. Kolaric arranges duties for staff, including day and night shifts. Shift operations are found mainly in production areas and in the canteen. He frequents the factory even after mid-night to supervise work in progress. Mr. Kolaric is well known in other departments of the company.

The Chief Accountant will be forced to buy any item the Technical Manager admires or pay any expenses incurred by anybody with the approval of the Technical Manager. In all labour and industrial disputes, the Technical Manager appears to be the chief negotiator while the Personnel Manager is usually in the shadow. Mr. Kolaric occasionally inspects clock-in system of the workers for attendance and punctuality records. At the same time, he has to see to it that workers’ pockets and car boots are inspected at the exit gate for possible theft of company property. He does not only visit Government departments on selling business but also participates in writing quotations for tenders.

The list of types of work performed by the Technical Manager of Dawa Pharmaceuticals is long and difficult to exhaust but it may be worthwhile adding that he is the most active supervisor of the surrounding compound lawn and flowers’ attendants. Critical analysis of the effectiveness of such an active manager reveals counter-productivity of the individual to the entire organization.
4.7 **The Company Pharmacist**

Unlike any other pharmaceutical firm in the country, the professional functions of the Company Pharmacist have been regarded as unnecessary for the firm's operations. The post exists merely because the Kenya Government will not allow any pharmaceutical firm to operate without a qualified and registered pharmacist. The work of the pharmacist in Dawa is certainly irrelevant to the profession. The position is held by an Eritrean lady Dr. Besrat Hagos (Miss). She is also the Chief Quality Controller. She is the third Company Pharmacist in the short life of the company and was promoted from within the organization after she successfully registered herself as a member of the Pharmaceutical Society of Kenya in 1978. Dr. Hagos was educated in Hungary before joining Dawa late in 1977, to take over from Miss Berbuc as Chief of Antibiotics production but was later transferred to Quality Control Section. She has been rising very fast and carries a lot of authority today due to her excellent relationship with Mr. Kolaric. Dr. Hagos, however, is very unpopular with many workers especially the subordinates. Two other pharmacists had joined and left the company before Dr. Hagos. The first one was Mrs. Kinyua, who is said to have resigned after the management decided to reduce her salary by 40% for no apparently good reason. Her successor, Mr. Maina, also a Kenya citizen, resigned from the company after only one year of service with much bitterness because of frustration from the Technical Manager and as such the entire company management.
5. Sources of problems and conflicts in Dawa Pharmaceuticals

5.1 The Expatriates

In the event of any foreign investor starting up an industry abroad and especially in the developing countries, careful planning is of paramount importance. It may rightly be argued that transfer of technology to the developing world from the developed countries results from such ventures. The investors send a group of technical staff and one or two administrators to open up the operations and teach the local staff the methods of operating the machinery and equipment or any other technical procedures required to run and maintain the manufacturing plants. An alternative method of training the local personnel is to send them to the original factories abroad where they may work for a length of time to familiarize themselves with all operations and prepare to start on their own when they return home.

The former practice is preferred in Kenya. A team of workers from the parent firm is sent to train local workers as factories begin operations. Such selected trainers are referred to as expatriates. They are allowed into the country on work permits which specify the period after which they are required to either return home or apply for renewal of their work permits and contracts.

In Dawa, expatriates were sent from Kirka, to start the factory, in two major categories.
Category A: Management

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Barsh</td>
<td>Project Manager</td>
</tr>
<tr>
<td>Mr. Rostocil</td>
<td>Deputy Managing Director</td>
</tr>
<tr>
<td>Mr. Kolaric</td>
<td>Technical Manager</td>
</tr>
<tr>
<td>Mr. Zivkovic</td>
<td>Marketing Director</td>
</tr>
</tbody>
</table>

Category B: Technical

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Gorenc</td>
<td>Chief Factory Engineer</td>
</tr>
<tr>
<td>Mr. Vinko</td>
<td>Asst. Factory Engineer</td>
</tr>
<tr>
<td>Mr. Strosmeskie</td>
<td>Chief Quality Controller</td>
</tr>
<tr>
<td>Miss Maria</td>
<td>Asst. Quality Controllers</td>
</tr>
<tr>
<td>Miss Tanja</td>
<td></td>
</tr>
<tr>
<td>Mrs. Sanji</td>
<td>Laboratory Technicians</td>
</tr>
<tr>
<td>Mr. Tonny</td>
<td></td>
</tr>
<tr>
<td>Mr. Metod</td>
<td>Tabletting Technician</td>
</tr>
<tr>
<td>Mr. Robnic</td>
<td>Packaging Technician</td>
</tr>
<tr>
<td>Miss Berbuc</td>
<td>Antibiotics Chief</td>
</tr>
<tr>
<td>Mr. Sanji</td>
<td>Antibiotics Production Technicians</td>
</tr>
<tr>
<td>Mr. Ranko</td>
<td></td>
</tr>
</tbody>
</table>

As mentioned earlier, there was a team of local technicians that had been sent from Kenya to Kirka for training, which was supposed to last six months. This team had stayed in Yugoslavia with all the expatriates listed above who were selected to fly to Kenya along with them. They
were conversant with the Yugoslavs' behaviour and competence at their work in Kirka. Very few of the expatriates were described by the Kenyan team as impressive or competitive.

When the new Dawa factory was started, the large number of expatriates presented problems related to skin colour discrimination. They regarded themselves superior to the African workers and showed obvious signs of black man contempt and effort to frustrate them. The frustrated lot was not only the few Kenyan technicians who had trained in Yugoslavia but all black workers including technical and administrative staff. The most obvious sign of skin segregation was in the staff canteen. The dining halls were two with a heavy wooden partition between them. All the expatriates would use one hall and no blacks would join them even after they had filled up the Blacks' side. There were three Asians and these used to eat with the Yugoslavs, leaving the Blacks' hall "really black".

The sitting arrangement was not the only form of colour bar. Food preparations were specified and grouped into two lots, one well prepared rich dish which sold at Shs.7.50 and the other common dish with a selling price of Shs.2.50. The price difference was a clear way of discouraging local staff, who were earning "peanuts" compared to the expatriates, from going in for the prestigious meals prepared specially for the Yugoslavs.

There was growing tension in the canteen as days, weeks and months went by, and the "whites only" dining hall was named "Yugoslavian Embassy" by the local workers.
Racial segregation and tension among workers extended to the working benches in the laboratories, production floors and in resting places outside the factory. The results of numerous quarrels ranged from mistrust at work to open personal hatred. The work itself was affected especially in the laboratories where analytical results of one product presented by local technicians would differ from those of the expatriates. Arguments would follow and in all such occasions the white technicians would conceal any mistakes associated with themselves but magnify errors made by local staff. On one occasion, sub-standard tablets were released for sale by the white technicians despite strong protest from one local technician.

The Management of the company was aware of the existing disagreements between the expatriates and the local staff and yet little was done to minimize the growing tension.

Replacement of the expatriates

All the technical staff who had been sent for training in Yugoslavia were promised smooth take over of posts and positions from the expatriates at the time of their work permits expiry. The expatriate technicians had been given a two-year contract, the section heads three years and the management expatriates, five years.

The workers' terms of service for the expatriates during and even after their stay were different from those of the local staff who were supposed to succeed them. A few of the differences are listed below:
Benefits | Expatriates | Local staff
---|---|---
Car allowance | Loan to purchase cars granted, house to office mileage allowance paid monthly. | No car loan and no car allowance.
House allowance | Company house provided | No house allowance and not eligible to occupy Company house.
Salaries | Kshs.4,500/- - 6,000/- per calendar month | Ksh.2,000/- - 3,000/- per calendar month.

The differences show obvious favour on the expatriates’ terms of service. The local staff were patient and hopeful that once the expatriates left the country, the posts with their benefits would go to them. It is clear that this kind of situation would only increase dissatisfaction and local workers’ grievances. They were obviously looking forward to an early return home of the expatriates who were anyway very unfriendly.

When the time came for the first lot of the Yugoslavs to leave, a campaign was launched to have all work permits renewed. Some had their contracts renewed for one more year; others, two more years while a few left for home. The Yugoslavs had also their own internal problems. Hatred and fights between themselves had developed over a period. It was difficult to pin-point the source of conflicts between them but those local staff who had worked with them in Yugoslavia associated their differences with different ethnic tribal groups from which they had originated at home. They had formed informal groups,
each reporting the other back in Kirka. Some of their technicians went back home in protest even before the expiry of their renewed work permits; one was recalled and a few remained.

These intergroups, inter-personal and, as a result, inter-departmental rivalries, resulted to notably poor performance in production department. The quality of goods produced would deteriorate for instance when the Production Head of Department disagreed with the Head Quality Controller or vice versa. Untested raw materials would be used in production department or wrong products would be packed during such periods of disagreements.

Finally, all the expatriates in category B - technical, left by last year, 1980. The last one to leave was the Factory Engineer. The position today is that all the technical side of the firm is composed of local staff except the head, Mr. Kolaric. His style of management was described earlier in the previous chapter.

While the local staff are oppressed by the management, most of the promised posts and positions left vacant by the expatriates were never filled. Mr. Kolaric's method of giving posts to his favoured individuals has frustrated most of the technicians who had been sent to Yugoslavia. Yet, because of the five-year or Kshs.45,000 bond, they had signed, they would not be allowed to resign. Other locally qualified technicians have joined the company and left disappointed. Only two of all the Kirka trained local technicians today feel that their deal at the point of engagement was not a swindle. The two are the Technician in-charge of Tabletting Section and that in-charge of Packaging Section, both known to be among the four Technical Manager's
best allies and as such worst enemies of most workers. Another one is coming up in Quality Control Section.

5.2 Problems associated with the Technical Manager

A human being is not capable of appearing in more than one location simultaneously. It is, therefore, impossible for one person to carry out several duties at the same time. The Technical Manager's effort to practically supervise and intervene in all the activities of Dawar has resulted to a state of confusion and administrative mess. Employees are uncertain of their routine duties, responsibilities and their limits of power in decision making. Many senior officers are unable to adequately represent the company in meetings, negotiations or marketing trips because they cannot commit themselves with confidence. The Technical Manager's or the Managing Director's "blessings" are a necessity in such situations.

Effect on production material

There is usually acute shortage of raw material. Most of the packaging materials are locally available and easily obtainable even at short notices to the suppliers. All the raw materials, except Crystalline Cane Sugar (Sucrose) and unpurified alcohol come from overseas especially from Kirka. Since proper short and long-term planning is non-existent, the supply of such raw materials is poor. Production schedules are difficult to make. Cases of one or many sections remaining idle for as long as months, waiting for production materials, are quite common. When the long awaited item(s) arrive, invoiced orders
from customers are overdue and production has to commence immediately. A pharmaceutical manufacturer is not allowed to use raw material for production before testing them as specified by Good Manufacturing Practice Manual (GMP). This is not always followed in Dawa, partly because of the hurry to supply pending orders and partly due to lack of serious consideration on the part of the Technical Manager. A continuous 24-hour production schedule is hastily arranged. As a result of the night and day shifts, production orders that would take two months may be finished in less than half the period. Then the staff again would go idle for another long period; on and off like so never with continuous departmental operations.

Another important point to note in this hasty production planning is temptation to order material by airfreight. It is a much quicker method but certainly highly expensive especially for bulky and heavy material. Mr. Kolaric has been forced, on several occasions, to order by air as heavy material as glass vials and ampoules.

**Effect on Quarantine**

Pharmaceutical manufacturers are required by law to follow the laid down procedures so as to minimize health hazards which may result from faulty manufacturing methods. One of the requirements is storage of finished medicines, especially liquids, in quarantine for a specified period before releasing them for sale. Infusion solutions for intravenous application, for instance, are required to remain in quarantine for six weeks. During this period, any unsterile container will be
detected after the incubation of microbial organisms which multiply and render the solution turbid. All the specified quality tests are carried out while the goods are in the quarantine. The most important tests include pyrogenity, sterility, chemical and physical conformity and contamination. Only after all the results are obtained should finished products be released to the stores for sale.

In circumstances such as prevailing in Dawa, this practice is not always followed. The Technical Manager has the final say and finished products have been released on countless occasions before the quality control results are obtainable. Representative samples of finished products are sent to Britain for pyrogen testing because facilities for such tests are unavailable in Dawa. Results take long to come back and when customers' orders are long overdue, Mr. Kolaric will release them for sale before such results are available. Such orders have been supplied to Government Medical Stores. The Company Pharmacist has a right, by virtue of her profession, to block sale of drugs in such circumstances but for reasons only known to herself and the management, she does not intervene. A recent memorandum addressed to the Principal Immigration Officer by workers objecting to the renewal of work permit for the Technical Manager shows the workers' feelings on this dangerous situation.11/

It was noted on several occasions also that some drugs were released on Mr. Kolaric's orders after he had gone through the Microbiology Technician's Laboratory records book and found that they had passed the tests. The Chief Quality Controller, during that

11/ See Exhibit 1
period, was Mr. Stremeskie, a fellow Yugoslav, but he was not informed. Serious conflicts on principle between Mr. Stremeskie and the Technical Manager began that time and continued till the time of his (Stremeskie) departure.

**Effect on actual production**

Whatever maladministration the Technical Manager carries out goes on with good knowledge of the Managing Director. While Mr. Kolaric may be held largely responsible for most of the problems facing Dawa, Mr. Rostocil should take quite a large portion of the blame.

Dawa Pharmaceuticals company is licensed only to manufacture and market their products. They are not authorized to import finished products. Those firms licensed to import pharmaceuticals are required to note the products manufactured locally and which they are not allowed to import. They are required to obtain clearance certificate from local manufacturers, Dawa being one, for products claimed to be locally available under "local manufacturers protection act" of the Kenya Government. There have been numerous complaints that Dawa is importing finished products, repacking them, labelling and selling them as products "manufactured by Dawa Pharmaceuticals". The claim is true despite strong refute from Dawa's management.

In their memorandum of protest referred to above, the employees of Dawa have named a few of the finished products, imported under cover of raw material for production, which are repacked as company's manufactured brands among them Pitoquin – a 30cc Chloroquin Phosphate injection preparation imported from Kirka, Yugoslavia. Other known

12/ Available as Exhibit 1
26th February, 1980

The Immigration Department,
P.O. Box 30191,
NAIROBI.

Kenyanization of Personnel Bureau,
P.O. Box 72575,
NAIROBI.

The General Secretary,
Kenya Chemical Workers Union,
P.O. Box 73820,
NAIROBI.

The Secretary General,
Kenya Management Staff Association,
P.O. Box 11856,
NAIROBI.

Dear Sirs,

RE: OUR TECHNICAL MANAGER — MR. J. KOLARIC — FILE R.379550
PASSPORT NO.445992 — KPB.NO.54297/6

The undersigned employees of this Company has decided
to bring their grievances to your notice for there is
nobody who can help us except you.

The attached are the reports we have on hand.

Hoping for your favourable co-operation.

Yours faithfully,

Phillip. Wambua; Shop — Stewart

SIGNED BY: 2. James Kiarie,
3. CHRISTINE KIBI
4. Mary Anne Mvuli
5. RELIUS G. Mvula
6. Christopher Nganga
7. Elidge Mwiranga

DIRECTORS: E. M. WAMAE (CHAIRMAN), J. K. GITAU (MANAGING); G. W. KARIURI; P. K. KINYANJUI; J. S. KINYANJUI; (All Kenya)
Z. ROSTOCIL*, M. ZIVKOVIC*, (MARKETING) (ALT) — YUGOSLAV
ANNEX 1

MANUFACTURING REPORT

It is surprising that, ever since this Company started operating, there are some drugs which have never been manufactured here while they are known to be manufactured by Dawa, instead they are imported from India and as soon as the drugs reach the Company, the labels of India are removed and replaced by Dawa labels to cheat the Government that they are manufactured by Dawa. These are the drugs such as Frustumide and Chloroquin 30 cc injections. These are imported as raw materials, so that nobody can know that they are already manufactured drugs.

Again when the Chloroquin 2 cc. and 5 cc. are manufactured (these are the only ones manufactured by Dawa), the samples are usually taken Overseas for a test if it is okay for the human consumption, hence the result should always be awaited for before the drug is sold to the Government or any other Customer, as this can be poisonous and make a lot of people lose their lives, which is not the case in Dawa. In Dawa immediately it is manufactured, the sample is taken Overseas for the test alright, but before the result comes back, the drugs are already sold, mostly to the Government. It should be noted that such a thing is very serious as it can be very dangerous to the extent of causing so many deaths, by the time the result comes, so many people would have died.

All these are being done under the directions of the Technical Manager.
DISAPPOINTMENT OF EMPLOYEES

(ANNEX 2)

1) In collaboration with the Company Pharmacist who is a refugee, finished products such as Frustmide and many others are being imported as raw materials and then labelled here as explained in the first page (Annex 1).

This Company Pharmacist being a refugee does not care much and cannot question such drugs. No wonder the same refugee has been made the Company's Chief Quality Controller. Who knows, perhaps these drugs are already expired, and then are sold to this Company at a cheaper price.

2) The Technical Manager has victimised several Kenyas in the past three years. Most of those who fell victims of his discriminative nature held senior posts, e.g. Company Pharmacists and Heads of Departments. At the moment the Company Pharmacist is a refugee as mentioned above. This post has formerly been held by two Kenyans Pharmacists, who were frustrated by the Technical Manager and forced to resign.

There are also four heads of sections and of these only one is a Kenyan Citizen. The Kenyan earns the least in this group, in spite of the fact that his qualification is not inferior to any of those other three. We feel that there are several qualified Kenyans who can take up such posts. The fact that there were several fellow Kenyans who held these posts and were either sacked or forced to resign due to frustrations, this clearly shows that he is opposed to Kenyanization Policy.

3) He likes victimising Local Experts and blocking them from rising or advancing in the Company. There has already been such cases where the victimised local experts have taken up the matter with the Ministry of Labour and have won their cases. He is generally opposed to man-power development of the employees of this Company; ref: ADM/PERS/DH/79/10 of 9.8.79. Therefore, as long as he remains here, future advancement of the African employees of this Company remains in darkness.

4) He uses tricky manuvres to prevent the workers from getting their rightful entitlement. There are instances where workers have to fight for their overtime or nightshift allowances to be paid. There
are certain employees whose salaries were revised and the said employees were given letters showing their new salaries more than two (2) years ago, and these salaries have never been effected, though the letters were not withdrawn.

5. The Technical Manager discriminates in distributing privileges and benefits to employees. He pays salaries and benefits to individuals, depending on friendly basis and not the work or post. In doing this, he does not follow any Company policy or consider educational achievement of the employees. As such you will find better salaries and benefits extended to certain employees in one job group and not to the others in the same job group. The employees who are discriminated in this manner cannot complain due to fear of his threats and the fact that he is himself the Management. He employs, sacks, and promotes, this has especially worsen after our African Managing Director and the Personnel Manager left the Company, which leaves the Technical Manager with more powers. He over-looks our present Admin/Personnel Officer.

6. Forcing people to work for long continuous hours (12 hours) without regard to their health or general welfare. During such long hours some workers are compensated and others are promised off duties as compensation which he latter on refuses, does not fulfill the promise.

7. He has a very strong general low opinion on Africans whom he openly declares and regards as thieves by nature. This is one of his many reasons which he gives for not trusting Africans. How can we then work with somebody who does not trust his workers on anything?? This is a very mean and colonial mentality about us Africans and this should be a thing of the past.

It hurts to be aware of the presence of some people with such colonial mentality in the present free Kenya, and after about 18 years of independence.

As for the foregoing, we the undersigned feel that, if his post cannot be Africanised, and must be held by a Yugoslav, we would then rather have another Yugoslav instead of the present Technical Manager.

Finally, Annex I on this report can even show how much he cheats the Kenya Government, that drugs are all locally manufactured, while most of them are imported then labelled here.
products are Sulphonamide tablets imported from Peoples Republic of China and named Sulphadimidin, Frustmide and Aldomet.

There are many other manufacturing irregularities. A good example is unnecessary labour input in the process of production and hence unnecessary expenses in production costs. One product called Sustac (reliable sources claim) is manufactured by Dawa but not used in Kenya. It is sold to the Russians by Kirka. Instead of Kirka itself manufacturing the drug, they import the raw material from Russia, re-export it to Dawa who make the tablets for export back to Kirka, who in turn sell it to USSR. It is difficult to understand the logic behind such manoeuvre.
6. **General Working Conditions in Dawa Pharmaceuticals**

Over 95% of all the employees of this firm describe the working conditions as far from satisfactory. A number of specific conditions will be discussed in this section.

6.1 **Recruitment**

Appointments of middle grade staff, until recently, were made by a team of interviewers chaired by one local investor, Mr. Kinyanjui. The team is not permanent but is selected on ad hoc basis each time there is a sitting. There is a likelihood of selecting a competent applicant especially when the department wishing to recruit a worker is represented in the interview. On some occasions, the Technical Manager or the Managing Director may employ a worker without consulting anybody else. The senior and middle grade staff, however, are not many. They comprise 3% only of the total labour force.

The other low grade workers form about 96%. As a rule, Dawa does not advertise publicly their vacant positions in these grades. Proposals are made by those already employed especially if in good books of the Technical Manager or his friends. The results of such recruitment practice is common cases of brothers, sisters, cousins, in-laws and friends; all working together in the same sections. The chances of selecting the best and competent workers are limited in such circumstances.

6.2 **Salaries and Wages**

There are no established wage guidelines in Dawa. There are no salary categories and every employee is paid as an individual with
6th April 1931

The General Manager

Technologists

GRIEVANCES OF TECHNOLOGISTS

We the undersigned wish to bring to your attention our grievances which we discussed with the Personnel Officer on 2/3/31 (copy attached).

We received a reply in form of recommendations (copy attached) from Technical Manager and Personnel Officer and we feel that most of our grievances were not solved and no solution was given.

To mention a few examples:

(1) Representation will be taken care of in future as indicated in the reply - nothing has been done to rectify the damages caused by lack of it in the past.

(2) Technologist or Technician (Paragraph 4 of the attached minutes and paragraph 3 of the reply).

We were appointed as Technologists according to our letters of appointment and we are not aware of the Data chart.

(3) Allowances (paragraph 6 of the attached minutes and paragraph 5 of the reply).

Nothing is said about Tabulating and in the meeting letters were quoted which were promising these allowances and there is nothing in those letters to indicate that allowances are part-time or they can only be implemented when engaged in full production.

(4) Second part of paragraph 3 of the attached minutes was not mentioned in the reply.
6th April 1981

The General Manager

We therefore wish to kindly seek for an audience with you at your convenience with hope that you will help us.

Thank you.

Mrs. M. Okello

Mr. C. Mainaina

Mr. W. Ntcsa

Mr. E. Kagatha

cc. Admin/Personnel Officer
    Technical Manager
Recommendations by the Technical Manager & Admin/Personnel Officer on the grievances of technologists which were discussed on 2.3.81.

1. Presentation will be taken care of in future when merit of decisions will take place.

2. The new technologists who joined the Company just the other year have caught up in salary with old technologists because the Management consider the amount of workload they have been carrying out plus the quality of their work.

3. Technologists/Technicians

Although these peoples' certificates show that they are technologists according to Dawa's organization's chart the posts are indicated as technicians. But the Company is ready/willing to give in details of what one has been doing in Dawa in case one decides to leave. All expatriates who were here with similar qualifications were called technicians.

4. Favouritism on Cherie

There is nothing like favouritism but the management would only like to stimulate & motivate workers. The ones who were upgraded were more capable & had shown more interest in their duties.

Allowances

Mr. W. Meere

Please refer to your letter of 9.5.78 Kshs.100/= was included in your salary.

Mr. Wainaina & Mrs Okello

If the section is fully engaged the Kshs. 100/= for working condition might be considered. This would include shifts, and specific working (constant presence throughout the working time in aseptic areas).

5. 13 Days in August 1976

The management will have to check when you were last paid by your last employer and to see your letters of appointments. It would help us to have your letters of appointment where it specifically states that you were appointed with effect from 1.8.76.
7. All other benefits will be given to you as to every other employee when and if the schemes come into operation.

J. Kolaric
TECHNICAL MANAGER

Mr. W. M'kere
Mr. C. Wamima
Mr. E. Kagotho
Mrs. M. Ochillo

J. O. Ogutu (MS)
ADMIN/PERSOENNEL OFFICER

[Signature]

[Date: 14/3]
all salaries personal to the holders. During the time of recruitment, 
negotiations on the salary to be offered are not welcome. Rather, 
an offer is made for the new employees as "take it or leave it". It 
is the responsibility of the management\textsuperscript{13} to decide each individual's 
salary, regardless of the post attached to the employee or the posi-
tion he or she may be taking up.

Compared to other employers in the same category as Dawa, of 
manufacturing organizations, salaries offered here to most workers are 
very poor. A few workers, not exceeding five, who are the Technical 
Manager's favourites, are enjoying high salaries and some benefits. 
Unlike many other employers, Dawa has not established regular annual 
salary increments. In public institutions, Government and its para-
statetal bodies, employees fall under specified salary categories with 
fixed automatic increments to certain bars. In private sectors, salaries 
are not so clearly defined but employees expect increments at the 
beginning of each year. The rise given is usually dependent upon pro-
fits made by the firms and the prospects of business in the following 
year and may be as high as 20\% of one's pay. Employees of Dawa do not 
expect automatic annual salary rises. Some may get rises while others 
may not. I learnt recently that all the staff in Antibiotics Section 
had no salary rises at the beginning of this year while some workers in 
other departments had their salaries increased by over 20\%.

Review of salaries is equally frustrating with only a few having 
their salaries reviewed several times while others may remain for five 
years on the same pay.

\textsuperscript{13} Management here may be rightly defined as any one powerful man's 
decision. There are only two known strong men who can make such 
decisions namely Mr. Kolaric and Mr. Rostocil.
Allowances paid to workers when they act on higher positions in the absence of their holders are unheard of in Dawa.

6.3 Other benefits

Leave allowance:
Given to expatriate only when they proceed on leave abroad.

House allowance:
Again house allowance is given to members of staff on discriminatory basis. Only one pharmaceutical technician was entitled to owner-occupied house allowance in 1973 in the whole of technical department. He was among the Technical Manager's few friends in the factory. Some other workers would receive their monthly pay advice slips with remuneration cunningly broken down into house allowance and salary but the gross pay amounted to the figure promised.

The expatriates and some of the senior staff live in company houses. The criteria used by the management to select, among the senior staff, who should get and who should not is unclear because the Personnel/Administrative Manager was not among those qualified to live in a company house. The present acting Chief Accountant does not occupy a company house, yet the former holder of the same post lived in a company house.

Medical allowance and pension

Medical bills incurred by senior and middle income members of staff are paid or reimbursed by a medical insurance scheme company but families of members of the scheme are not covered. The low income group staff are attended to by one doctor reserved by the company.
The company has not introduced any pension scheme for workers. No benefits are expected on retirement from Dawa or at death while in the organization's employment.

Car and travelling allowance

Company cars are given to members of staff at Management's prerogative irrespective of positions held. You will find, therefore, some senior officers driving own cars while others holding much junior posts drive company cars. One Personnel/Administrative officer used to come to work on foot in 1979 while one company car was reserved for a workshop technician, friendly to the Technical Manager.

Extreme cases of the organization's inconsiderate attitude were observed in Sales Section where one Medical Representative was using buses and matatus to go round the country on official business. I have not come across any other firm where salesmen are not provided with cars or allowances for using their own cars while at work.

House to office mileage allowance for those employees owning cars is paid only to a few selected on the same discriminatory basis.

6.4 Health and safety of workers

One notable good point in Dawa is the care taken to see that protective clothing, masks, shoes, eye glasses, etc. are provided to every worker exposed to harmful chemicals, dusts and lights which are abundant in the factory. In case of accidents while at work, employees are covered by the Workman's Compensation Act enforced by the Government as a requirement in all industries of Dawa's kind.

The company provides a van to transport workers to and from the factory at night only for safety purposes.
6.5 The clocking-in system

This has been an important source of dissatisfaction and frustration to many workers because only some are expected to check-in and out each they go through the main gate. Supervisors complain that they are humiliated to have to clock-in and out along with their juniors. Some supervisors are exempted from clocking or are just adamant and nothing happens to them while others may be strongly reprimanded for failing to clock once. One has to know where one belongs.

6.6 The inspection at the gate

This is another controversial practice. Jackets, trousers, shirts and dresses' pockets, including women's handbags are inspected at the main gate just before clocking out. The practice is intended to curb theft of company property. Married women claim to be subdued to embarrassment in front of their husbands who come to pick them daily.

Again, some supervisors are inspected while in a queue with their juniors. Some, including their car boots, are exempted from inspection.

In spite of careful scrutiny of staff leaving the company premises, Dawa has lost huge sums of money through regular theft of finished products. The mystery behind the common disappearance of heavy drums filled with tablets or capsules has taken the company and the Kenya Police at Muthaiga all these years to solve and no conclusion has been reached.
A few Dawa prins tablets or tetracycline capsules that would fit in a worker's trouser pockets are of little commercial value to the firm and a more satisfactory and appropriate method of safeguarding company property should be designed.

6.7 The Canteen

Now that all the expatriates are gone back home except the two administrators, the canteen is no longer operating on colour-bar policy. The senior managers anyway never use the canteen for their lunch breaks. Food is no longer prepared in two categories and all workers earning Shs. 2,075/- per month and under are served free of charge. Those with salaries above this limit (they are very few) have to pay Shs. 2.50 for every meal. I consider this charge quite reasonable subsidy by the company for the type of meals prepared in the canteen. Workers of all classes pay for the soft drinks, tea and coffee.

The eating facilities provided are commendable in that very little movement outside the company premises is made by the staff during breaks and this minimizes the risk of outside contamination to the factory. While such conditions are recommended for pharmaceutical factories, the administration in Dawa utilizes that chance to herd the workers while confined within the surrounding barbed wire fence. They are divided into groups and supposed to enter the canteen at intervals of 15 minutes during coffee and lunch breaks.
The canteen is associated with other problems related to workers' unrest. Apart from the critical timing of sitting periods, food quality is sometimes used by the Management as a tool to frustrate workers. Many a times, workers have refused to eat here and opted to go on with their work hungry or sit out until a more palatable meal is prepared. There is a recent report that Mr. Kolaric personally prepared lunch meal in the canteen, from the stomach walls of a cow (Matumbo) which was very badly done and unacceptable to the workers. The Technical Manager's motive behind this act was, as I understand from the workers, to incite them for a protest. On further inquiry, I learnt that a very newly appointed African General Manager from ICDC is not in the two Yugoslavs' favour and any effort would be made to justify their complaints about him. They would work hard to show cause for his eventual dismissal.

6.6 Working hours

Dawa operates on a five-day week schedule. Saturday, which in Kenya is a half working day, is compensated by increased working hours of the week days as follows:

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.15 a.m. to 1.00 p.m.</td>
<td>Forenoon session</td>
</tr>
<tr>
<td>1.00 p.m. to 1.30 p.m. for employees in Production Department</td>
<td>Lunch break</td>
</tr>
<tr>
<td>1.00 p.m. to 2.00 p.m. for other employees in Administration.</td>
<td></td>
</tr>
<tr>
<td>1.30 p.m. to 5.30 p.m. for production staff</td>
<td>Afternoon session</td>
</tr>
<tr>
<td>2.00 p.m. to 5.00 p.m. rest of the staff.</td>
<td></td>
</tr>
</tbody>
</table>

14/ The practice of releasing the Administration Section employees earlier than those in Production Department was recently discontinued.
The working time arrangement clearly divides employees into two groups. Those in production side believe workers in administration block are regarded as superior, and this has played a part in causing personal hatred among workers.

6.9 Employees training and educating

Employees who join Dawa without specialization of any kind and hope to be trained or sent for higher education all stand to lose. The company policy, though not officially established, is to woo trained staff especially technical, from institutions known to be good at sponsoring their staff for training or higher education. Such well known organizations are, among others, the University of Nairobi, Kenyatta National Hospital, Ministry of Agriculture’s department of Veterinary Services and the defunct East African Community. Company employees who join Dawa immediately on leaving school are frustrated because they are not encouraged to further their knowledge for advancement or competence in particular disciplines. There is only one case in the entire firm where the Technical Manager had to give in after great pressure and persuasion and sponsored one laboratory assistant, Miss V. Kithome, who joined Dawa after her Form Six examinations. She is now studying in Kenya Polytechnic for a Laboratory Technician’s Certificate.

Employees wishing to further their knowledge in any field have to meet all the expenses.
6.10 Labour Union and collective bargaining

It took the Chemical Workers' Union four years to penetrate Dawu's Management and secure signed recognition. The stubborn attitude employed by the management had made the Union to decide to take the dispute to the Industrial Court.

After the Union was recognized, most workers in the lower and middle grades joined with high hopes of improvement in the demoralizing working conditions. But to many people's surprise, very little was achieved and oppression of the workers seems to be on the increase.

It was, however, at the first collective bargaining agreement that the Union managed to secure free lunch meals for workers with lower earnings. As regards working hours, end of day leaving time was changed from 5.30 p.m. to 5.00 p.m. but the 30 minutes coffee break was scrapped.

As a whole, the Union has very little effect on the operations and working conditions in Dawu.
7. The Foreign Investors and Host Nations

7.1 Definition of MNC

Foreign investors are mainly Multinational Corporations (MNC) defined by the United Nations as enterprises which control assets in two or more countries. MNC interests in the third world have been a subject of much criticism for their role in the development countries. They are associated with several misgivings especially when viewed as private government's richer in assets than some of the countries in which they operate and also as multi-citizen since they obey laws of each country where they operate, pay taxes to these countries and, at the same time, respond to managerial bond domiciled with the countries of source borders. They have certain objectives and strategies in their ventures abroad.

Raymond Vernon concludes in his studies that the modern world has been eroded by MNC. The International Management Magazine reports that 70 billion dollars has been invested in the third world by Multinationals and the host nations have not benefited from the investments because most earnings are repatriated back to the developed world. Piere Jalee - 3rd World and World Economy - also claims that the MNC grabs more from the developing countries than they give.

15/ Speech delivered by Kenya's Vice-President on television recently summarizes problems facing the link between Multinationals and the developing nations. (See Exhibit 4)

Multinationals ‘Vital for Development’

ANYBODY who listened to Vice-President Mwai Kibaki’s speech last Friday night on the role of multinationals in developing countries could not avoid feeling somewhat awed by the picture he portrayed of their power. Kibaki, who is also Kenya’s minister for finance, submitted that developing countries cannot move forward without the financial and human resources provided by the multinational corporations. Developing countries are poor, he said, because they lack both capital and qualified manpower, resources which multinationals have in abundance.

Yet multinationals, Kibaki admitted, were certainly not in developing countries on philanthropic missions; they would not be here, he said, unless they were sure of a decent profit for themselves. That decent profit is subject to interpretation, but poor countries have hardly any other recourse than to watch helplessly as the corporations determine their own profit levels.

Multinational corporations often have more resources at their disposal than do the countries in which they operate, Kibaki conceded, which makes it difficult for their hosts to put any obstacles in the way — difficult, and even unwise.

To back up his contention, Kibaki asserted that multinationals are the most important source of development inputs capital and manpower surpassing even the contribution of governments. The only solution that holds promise for developing countries, Kibaki felt, is to strike up partnerships with multinationals. Problems with multinationals concern mainly the question of determining how much tax the companies should pay in their host countries. Whereas host countries would like to tax multinationals, they come up against the demands of the multinationals’ home governments which often insist on taxing the total profits earned by the multinationals in different countries. There is moreover, little that developing countries can do to prevent multinationals from engaging in transfer pricing, by which they are able to report low values for their production and high costs for their inputs. Eventually they use these figures for declaring little or no profits earned and host countries find it difficult to tax them.

The overall impression conveyed by Kibaki’s speech is that developing countries, including Kenya, are almost powerless to influence the behaviour of multinationals. In the words of Mr. Anthony Sampson in The Sovereign State, “How can governments ever hope to control such an organism which is like a jellyfish, both everywhere and nowhere?” On this occasion, the minister for finance avoided debate on the political problems that multinationals can create in their worldwide operations. And questions still remain on what enables such companies to operate so successfully in different cultures and geographical regions, and whether governments, in fact, everywhere in the world are not becoming more and more “captive” to corporate creatures.

Kibaki: awesome picture
7.2 Objectives of the foreign investor

(i) The MNC have technical know-how and often may wish to test it after working at home for instance Chemical Engineering and Pharmaceuticals. Domestic market may be competitive for them.

(ii) Foreign investors may venture into projects abroad in search for access to their products or raw materials which may be faced with stiff competition at home.

(iii) Very cheap labour is available in the developing world and this is a very important rationale for overseas operation.

(iv) An investor seeks satisfactory returns on his investment that will justify his investment from commercial point of view. This is probably the most important objective and maximum effort is made to acquire the highest possible profits.

(v) Foreign investors seek some legal guarantee for instance against nationalization.

(vi) They also require assurance to compensate for the tightened risks of investments by seeking certain privileges with regard to taxation, repatriation of earnings and capital and granting licences to competitors. Government protection against competition is an important condition laid down by MNC in their terms of agreement. Earnings required to be repatriated back home fall under various categories among them: Managerial fees, consultancy fees, technical fees, royalties and dividends. 17(i)/


17(i)/ Raymond Vernon. Pages 157 - 158
7.3 Objectives of host countries

(i) Investment must be integrated in the national economic development plans through raw materials, capital, salaries, employment etc. Certain percentage of raw materials in manufacturing, for instance, may be required to be local. Since most developing countries are short of cash, the contribution should be in form of cash, machinery and instruments.

(ii) The MNC must undertake the training of local skills in general management and scientific expertise aimed at eventual replacement of the expatriates.

(iii) The foreign investments must strengthen the national economy by developing productive facilities which will reduce dependency on foreign imports or lay foundation for an export industry. To encourage exportation of goods manufactured in Kenya, the Central Bank provides a 20% refund, on all products costs exported from the country.

(iv) The MNC investment must be linked with the country’s infrastructure or social overheads capital.

(v) Foreign investors who open up industries or commercial enterprises contribute to a large extent to reduction of unemployment in the host country. Unemployment is an acute problem in most countries of the third world.

(vi) Investors should minimize loss of potential incentives by locals by exposing positive encouragement in various aspects such as ownership. 100% ownership should not be allowed although

The studies of MNC in the whole of this chapter (7) are derived largely from Raymond Vernon’s book entitled Storm over the Multinationals
The Real Issues: Chapter 7 pages 139 - 173
preferred by most investors for many reasons among them flexibility in assigning functions, freedom in transfer pricing, simpler decision making process, avoidance of fairness, carrying the full risk and receiving all the net profit.

(vii) An investor should not undermine national pride and economic independence of the host nation. Multinational Corporations are known to be used by their parent countries in transferring of political and social policies and influence to the third world countries where they are located.

7.4 Contracts and agreements

When the foreign investor decides to venture abroad, extensive exploration is carried out to determine the best location for his investment. The approach used by the MNC in identifying countries in which to invest is systematic and scientific in that careful research is carried out on potential, environment, prediction and timing of the best locations.

After a choice is made, negotiations between the host country and the investors are opened. All the conditions of the venture are laid down by both parties and stipulated in a signed agreement or legal contract. Such contracts give assurance of Government protection against competition if necessary, for a specified period, may specify the allocation of key posts and disciplines in an organization and specify the

10/ Strategy, Policy, and Central Management. Newman, Iogan

12/ 10 years for Firestone (1969) Kenya Ltd. No other firm would be allowed to open a tyre manufacturing plant in Kenya. After the 10 years expired (1979), one tyre plant is coming up in Kisumu.
sources and distribution of working capital. Terms of operations, taxation and remittances of profits to the investor's mother country are determined along with any other points that may be deemed necessary to both parties.

7.5 Sources of conflicts between the foreign investors and the host nations

(i) Divergence of the investor's and the host nation's goals. This may not be of the investor's making but may be due to the host nation's objectives change over time or change in power which may cause the investor to become centre of animosity. Re-allocation of operations may result in a climate of this nature. Over-emphasis on objectives and infringement of agreements may result to serious confrontation. An example here would be over-pricing of imported material and hence finished products, so as to achieve high profits, refusal to train local skills and hand over of the management machinery by the expatriates, sources of materials and personnel resources etc.*

(iii) Perceived threat of imperialism where the host fears being treated as second class citizen of its own country.

(iv) Distortion of markets through restrained competition and excessive repatriation of earnings.

There are many points for discussion responsible for conflicts between investors and host nations but only a few are relevant to the organization under study.

*These problems facing foreign investment are dealt with in great details by Raymond Vernon - Pages 143 - 160.
8. **Organizational Effectiveness and Strategy for Change**

**Introduction**

Valuable and positive effectiveness in an organization is dependent upon many factors surrounding and within the organization itself. External or macro environmental factors – political, legal, cultural and economic; internal or micro environmental factors – work, human, authority, communication and organizational structure subsystems are all important determinants of effectiveness in management. Leadership effectiveness affects, to a large extent, the organizational productivity, performance, profits or proficiency, the maximum level of which a manager should aim at.

Failure in controlling these important factors or misuse of available opportunities may result to insurmountable organizational difficulties which may bring about a halt in the operations of the entire organization. A number of organizations have failed in Kenya and other parts of the world. Ailing organizations may be saved by proper planning and effecting change, an art that requires suitable strategy and management.

8.1 **The macro and micro environment**

There is symbiotic relationship between organizations and the government because each provides requirements to the other in a return pattern. Both should exist in harmony for a good pay-off.

Members of an organization have or belong to certain culture whose values roles determine their standard behaviour. Leaders or managers of the organizations should make an effort to understand the

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*The study in this section (chapter 8) is based mainly on Fundamentals of Organizational Behavior by Andrew J. Dubrin 2nd Edition*
behaviour of workers under them. If the individuals have to be subjected to change, the changes should be gradual and should be introduced with the knowledge that resistance may result.

The economic environment in an organization is very important. Man is economic and believes that the claims on him by the organization should be less than the rewards he receives. From the organization's perspective, the contribution by the individual must be greater than the costs of maintaining the individual. The numerical representation of these conditions are as follows:

\[
\text{Rewards - Claims} > \odot \quad \text{(individual's perspective)}
\]

\[
\text{Contribution - Costs} > \odot \quad \text{(organization's perspective)}
\]

Resources are scarce and proper allocations are necessary for meaningful operations.

The communication systems in organizations should function to inform, persuade, initiate action and facilitate social contact within the organizations. A proper channel of communication system is represented in form of a model starting from the Sender who transmits the message to the Receiver who responds to the message.  

\[
\begin{array}{c}
\text{SENDER} \\
\text{RECEIVER}
\end{array}
\]

\[
\begin{array}{c}
\text{(Perceive --- Encode --- Message --- Transmit ---)} \\
\text{(Receive --- Decode --- Respond)}
\end{array}
\]

Communication covers all methods of transmitting or making known ideas or information so as to make oneself understood. The degree of success in an organization depends, ultimately, on the morale that exists among the employees. Human behaviour is largely determined by

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20/ Compare with the Sclar Chain.

General and Industrial Management. Henri Fayol P.34 and

A.J. Dubrin P. 313 - 339
relationship between people which is established and maintained via communication. It should be clear, complete, concise, correct and courteous. Many different forms of communication channels are available and may be adopted by different organizations.

Finally, the organizational structure sub-system affects the operations of the organization. A good structure should indicate a vertical pattern of work and physical resources that contribute to the attainment of the organization’s mission.

Work sub-system is units of work combined in a pattern that results in creation of utility. Work management and operations affect subordinate staff positions greatly. Poor management results to poor productivity from the subordinates. Human personality in an organization may be classified into formal or De Jure and informal or De Facto behaviour. Informal groups are acceptable in any organization and should not be encouraged by the leaders because they may be used to inform the formal groups.

All the above factors affect performance of an organization. The role of the manager is to maximize the profits of the organization which are a function of competence of staff and their motivation: 21/

\[ P = C \times M \]

where

- \( P \) = Performance or
- Proficiency or
- Productivity or
- Profits.

- \( C \) = Competence level of the manager’s subordinates and
- \( M \) = Motivation within the subordinates.

---

21/ General and Industrial Management H. Fayol P.97 and Andrew J. Dubrin P.38. fp.
8.2 Leadership effectiveness

We have just seen that a good manager will work to maximize profits of his organization. Managerial leadership will be determined by the manager's personality, the groups in the organization, the characteristic of the situations and the organizational factors. A good manager should be able to view viability in strategic terms and hence human skills are essential for managers at all levels. Supervisory managers require technical skills while conceptual skills are a requirement for managers at the top management levels.

Robert Blake and Jane Mouton have classified types of management into five groups in their managerial grid:

Diagram 4

```
Concern for Production

1 2 3 4 5 6 7 8 9

Concern for people

1 1 = Impoverished Management
1,9 = Country Club Management
5,5 = Dumpened Pendulum
9,1 = Task Management
9,9 = Team Management
```

*Fundamentals of Organizational Behavior by Andrew J. Dubrin
2nd Edition Pgs. 241 and 468
Satisfactory production is unobtainable in position 1,1 of impoverished management because people are lazy, apathetic and indifferent. Conflicts are inevitable. In position 9,1 of Task Management, man is taken as a commodity not different from a machine. The manager's job is to plan, make decisions, direct and control the work of subordinates. Country Club Management on position 1,9 indicates that good fellowship is more paramount than work and the latter's production is very low. Position 5,5 is the middle of the rod or Dumped Pendulum, stuck in the middle of the people and the work. Team Management at position 9,9 has integrated the task of production with human requirements.

Leaders may have in-born traits and their leadership may be affected by the situation or group characteristics. The continuum of leadership patterns model of Tannenbaum and Schmidt helps to classify further the various managers in organizations and each leader should be able to place himself in a particular point in the model.

**Diagram 5**

![Diagram](image-url)
Leadership effectiveness is contingent or dependent upon:

(i) Leader member relations.
(ii) Task structure.
(iii) Leader position power in the organization that is formal
to provide for that position by the formal organization.

In conclusion, many styles of leadership will be derived depending
on various characteristics:

(i) Authoritarian or autocratic dictatorship. The leader
her will determine all policies, dictate the techniques and the
activity steps, one at a time, so that future steps are always
uncertain and also dictate who will work with who. He tends to
be personal in his praise and criticism to his subordinates.
(ii) Democratic. Policies are a matter of group participation
and activity steps are during discussion period. The leader is
objective and fact minded. Critics of this style of leadership
describe decisions as usually a bundle of compromises which may
not always be optimal.
(iii) Free rein (Laissez-faire). Complete freedom for group or
individuals is given here and the leader has minimum participation
except through spontaneous comments.
(iv) Bureaucracy. This is rule by the rules or by the book.
The system is indispensable and leadership is depersonalized.
The role of the leader is to monitor variations between neuro-
ocratic, paternalistic, accommodative and collegial leadership.
8.3 **Strategy for change**

Rather than leave an ailing organization to disintegrate with eventual collapse, experts in Change Management or Change Agents have studied situations, formulated strategies for change and implemented such changes, often with encouraging outcome.

Policy strategy is defined by Alfred Chandler as "Determination of the basic long term objectives and goals of the enterprise and the adoption of the resources necessary for carrying out these objectives". Thus, resources of an organization should be determined, in planning for change, along with problems associated with the firm, weaknesses, risks undertaken, constraints existing or predicted and marked opportunities. This procedure will lead the strategist to appropriate action plans, the most optimum of which should be implemented.

Evaluation of company strategy will be made systematically by asking oneself several questions that would determine, among others, the levels of risks feasible in economic and personal terms (Risk averse attitude should not always be encouraged); degree of suitability to the personal values and aspirations of key managers and contribution to society; the levels of stimulus contribution to organizational effort and commitments. Then, several approaches in change implementation will be available after planning is complete. The peoples' groups in the organization can be used as medium of change in which the change agents and those to be changed must have strong values or belonging to the groups. A group is more attractive when it satisfies needs for its
members. The behaviour, attitudes etc. of those to be changed will require effective influence or exertion of pressure realizing that resistance to change may be encountered.

Changes should be aimed at minimizing or eliminating disturbances existing that usually result to frustration, failure, short time perspective and conflicts. The nature of the formal principles of the organization may have caused the subordinates to experience rivalry, hostility, every among themselves, unnecessary competition and development of a focus towards the path rather than the whole. Promises of major improvements in the way that an organization serves needs of man will convince many members. Motivation, innovation, individual growth and satisfaction will make the climate healthier and more attractive.

Characteristics of an improved New Organization have been listed in books analysing superior - subordinate relationship, rewarding and incentive provision to the employees, individual profit centres, determination of compensation, freedom of access to information, elimination of internam monopolists, balancing of rewards and risks, mobility of the individuals, enhanced rise of individuals and education within the corporation coordinated with man's development.

Summary on organizational effectiveness*

Finally, the organizational effectiveness is dependent upon or is a function of various factors already looked into in this chapter.

*Andrew J. Dubrin Page 385 fp.
In summary, if $E_n = \text{Enterprise or Organizational Effectiveness}$, then

$$E_n = \text{Function}\ (Z; MP; X; E.)\ \text{where}$$

$Z = \text{Management Effectiveness}$

$MP = \text{Management Practices}$

$X = \text{Management Philosophy}$

$E = \text{Environmental Conditions}$.

All these factors interact and affect one another to conclude the effectiveness in the enterprise which is the organization's economic factor growth. Careful, short and long-range planning, taking all these factors into consideration, is therefore essential for the attainment of economic growth and development of the organization.
CASE I
Mistreatment report to Management, November 1978

The department of Antibiotics and Ointments comprised:

Mr. U. Patel - Section Head
Mr. C. Wainaina - Production Technologist
Mr. J. Githiomi - Production Technologist
Mrs. M. Okello - Production Technologist plus 15 factory workers including cleaners.

As shift operations continued in this department, two of the technologists, with the backing of all the 15 workers, wrote and signed a memorandum to the then Managing Director, Mr. J. Citau, to express their grievances and seek changed conditions. The Section Head is not normally affected by shift operations because he is not required to appear physically during the night.

The Managing Director's reply to the memorandum in question is presented as Exhibit J. Little change was made, if any, for the worse on the complainants' side.
CASE II

Housing allowance, March 1978

Mr. J. Githomi was employed on 1 November 1977 as Production Technologist. In his letter of appointment, remuneration was broken down as:

Salary - £x p.m.
House allowance - £y p.m.
Owner occupier house allowance £(y + Ksh.200) p.m.

Mr. Githomi owned a house in which he had lived for the preceding four years. He requested the Management to pay his house allowance at the rate indicated for owner-occupied house and produced documents to prove ownership and occupancy.

His request was rejected by the Managing Director despite the fact that this allowance was in the letter of appointment which is normally regarded as a legal contract between an employer and an employee. The reply to the request was rather rude and is available as Exhibit 6.
DATE: 30th October 1978

TO: Mr. J. Githiomi
    Mr. C. Wainaina

FROM: Managing Director

SUBJECT: NIGHT SHIFT

On 27th October 1978 we discussed your memo dated 24th October regarding problems arising from night shift operation. I would like you to note the following:

(a) As to the time one shift starts or ends, it is a Management decision and cannot be questioned. Never-the-less, such decision is not taken arbitrarily and must accommodate the interest of the majority of your fellow workers among other factors peculiar to the Industry.

(b) My information from experts on labour matters is that night hours are equated equally as day unless the nature of the job presents special problems when done at night. In which case night workers can receive special compensation in a manner to be agreed. In our case there is no special problems posed by night operations, other than transport home.

(c) No one group of workers should work in a night shift for an indefinite period of time. They should rotate periodically as agreed.

(d) There is no excuse for driver to arrive late.

(e) Arrangements should be made for a meal to be taken.

Since you two wrote on behalf of the others, I take it that you will inform the rest of the contents of this communication.

J. H. GITAU
MANAGING DIRECTOR

cc

Deputy Managing Director
Technical Manager
Head of Department – Injections & Ointment.

/sg

30/10/78

TO: MR. JOSEPH GITHIOMI

FROM: MANAGING DIRECTOR

SUBJECT: HOUSE ALLOWANCE

With reference to your letter of 13th July, 1978, please note that we do not pay house allowances on basis of houses staff select to use. People can occupy expensive houses if any employer did not restrict house allowances payable. Equally if you moved to a cheaper house the Company will not reduce your present house allowance. Your claim cannot therefore be entertained.

However, you are due for a salary review next October and I hope that this will go some way to assist you.

J. H. GITAU
MANAGING DIRECTOR

/sg
CASE III

Salary Increments

Since salary reviews and annual increments were not stipulated by the organization and hence not automatic, workers had to remind the Management of their existence and completion of probationary periods or one year of continuous service.

Two Technologists who had joined Dowa on the same day wrote a joint memorandum to the Managing Director pointing out their completion of the first year of service and requesting salary increments.

The letter sent to Mr. J. Gitau is available as Exhibit 7.
14th November 1978

Managing Director

J.W. Gacanja / J. Githomi (Quality Control Dept.)

SALARY REVIEW:

We have already completed one year of services with the company and we were anxiously waiting for our salary review last month as was indicated earlier by you.

J.W. Gacanja
Microbiology

J. Githomi
Antibiotics
CASE IV

Theft of Penbritin Capsules

On one weekend, early in the month of February 1981, a huge consignment of Penbritin capsules, 250 mg, were stolen from the semi-finished stores of the factory's tabletting section. The evaluation of the stolen antibiotics showed the following estimates:

Amount - 90 kilogrammes or 45,000 capsules
Value - Approximately Kshs. 150,000.

A report of the theft was made at Muthaiga Police Station on the following Monday morning. Intensive investigations by the Police, after they had found hardly any force used to open the doors and no signs of violence within the premises, led to arrest of one security officer and the Section head of the affected section. Interrogations of the suspects were carried out several days in the Police cells. The other employees, when interviewed, say attempts to commit the two suspects to a court of law by the Police after they had finished their investigations were intercepted and halted by the Management of Dawa. The Management said that (according to the workers) that the Section Head, although responsible for the keys of the entire section and had been reported as having worked there during the weekend in question, was an extremely faithful servant of Dawa and could not possibly have been involved in the felony. The Police insisted adamantly that they would proceed with their plans but great pressure from the Management to have the case dropped forced them to do the same. The same sources say that
the Police have, as a result, informed the Management of the company
that in future they might refuse to act in case of theft reports from
the organization.

The suspects were released by the Police and, after a short stay
at home, resumed their normal duties.

Thus the company lost, as on several occasions, the goods and
their entire cash value. The decision prevailing selects to lose
the goods rather than a good worker who is known to be the Technical
Manager's favourite choice in Production Section.

Other workers, dissatisfied with the decision, secretly though
unsuccessfully, planned to protest to the open discrimination taking
into account that many petty crimes of pinching small items had caused
dismissal of several of their fellow workers.
CASE V

The Technical Manager’s contract renewal

When Mr. Kolaric’s (the Technical Manager) work permit was about to expire in mid-1980, majority of the workers of Dawa organized themselves to block the renewal of his work permit.

A letter of protest, listing several grievances, was sent to the Kenya Immigration Department and copied to several other authorities. The letter was signed by 113 workers. It is available as Exhibit 1 in Chapter 5.
9. Conclusions and Recommendations

It is at this stage necessary to compare the operations, management and leadership practices of Dawa, all detailed in chapters 3, 4, 5, and 6 with the study of organizational effectiveness in chapter 8. The objectives of foreign investment in chapter 7 should be compared with those of the Yugoslavian pharmaceutical firm and those of Kenya as the host Nation.

The environment surrounding Dawa is far from what the study of organizations would describe as good or satisfactory. It is very important that good relationship between the organization and the Kenya Government exists. Yet, evidence shows some strained relationship especially with the Ministry of Health and ICDC. Dawa Pharmaceuticals company, being the only local factory of its kind, should be given full support by the Ministry of Health which is the biggest consumer of human drugs and medicines, yet the company is faced with a difficult task of winning tenders from Central Medical Stores. Recently the Minister for Health, Mr. Arthur Magugu, in his tour of the firm, had to advise the company to quote reasonable and realistic market prices for its products. The ICDC, a share-holder and Government interest from commercial point of view, has been receiving no financial rewards; most of the time having had to inject more capital to revive operations and on occasions, having had to lend to the company money for payment of staff salaries. The end of auditors' reports of insolvent positions of the company over the years is not encouraging to ICDC.

*See Annual Report and Accounts (ICDC) 1978/79 Exhibit 8
**Compare pricing system of finished goods with the report in the Studies of Raymond Vernon Pages 156 - 159.
DAWA PHARMACEUTICALS LIMITED

Authorised Capital
Kshs. 38,000,000

Issued Capital
Kshs. 20,295,050

ICDC Shareholding
32.65%

During the fiscal year ended 31st December, 1978, the company sales amounted to Kshs. 26,646,300, an increase of 100% over the previous year. Sales for the first six months of 1979 were Kshs. 17,000,000.

Due to heavy financial charges and under-utilization of plant capacity, the company incurred losses of Kshs. 8,650,000 during 1978 bringing the total accumulated losses as at 31st December 1978 to Kshs. 20,988,400.

The company’s share capital was increased by a further Kshs. 16,000,000 to enable the company to finance its commitments which at 31st March, 1979 amounted to Kshs. 16,000,000. This injection of equity funds, coupled with a vigorous campaign for Government support in marketing, is expected to improve the company’s performance markedly during 1979.
The social culture and habits of indigenous Kenyans is far from those of the Yugoslavs and an attempt to enforce socialism to Kenyans will encounter resistance. Kenyans are capitalistic and a suggestion or impression that a Kenyan's salary can be reduced when the company in which he is working does not make good profits is entirely unacceptable and impossible to comprehend. This practice is so in Kirka but then I am made to understand that every worker is owner of the company in which he works.

Most of the workers in Dawa are of very low earnings and as such quite dissatisfied but with scarce employment opportunities in Kenya, many have to put up with poor conditions at work. Unemployment is not the only constraint in Kenyan firms but the resources are also scarce; yet one will find organizations like Dawa have opted to allocate earnings on discriminatory basis with only a few at high levels while many remain low.

Communication system in Dawa is very poor and inadequate. It is a good potential source of internal hatred among workers. Leaking of information before it is officially released only creates tension and in some cases false expectations. The ultimate result of unco-ordinated and unsystematic communication in Dawa is low productivity.

It is generally difficult to determine the organization's objective because of its present structure. If there are any profits made by the company, they are enjoyed by only a few. While it is not my intention to say that the annual loss statements showed by Dawa are false, it is
nevertheless quite easy to conceal profits earned and project losses while such may not be the true financial picture*. Kirkaz as the foreign investor has succeeded in marketing a large number of its products and machinery and has received unknown payments in various forms. The foreign investor may have fulfilled his/her objective at the expense of the local nation and its citizens.* Payments made to the foreign investor are technically difficult to analyse as is observed by Kenya's Vice-President in Exhibit 4.* Yugoslavia has also been successful in transferring a good number of her citizens abroad (Kenya) for foreign experience where cheap labour is readily available.

While Dawa has contributed to reducing unemployment in Kenya, most workers do not foresee bright prospects ahead of them. This has resulted to endless quarrels between themselves and the Management and when coupled with the poor planning existing and low market opportunities, production is below 50% of the factory's machinery capacity.**

The host country, Kenya, may claim to have a big complex factory erected in the country but it is important to consider the contribution the industry is making towards the Nation's objectives. Local skills have been trained but the transfer of technology and eventual take over from the expatriates has created a long lasting tension between the Kenyan workers and the Yugoslavs. Dissatisfaction is thus not only among the subordinate workers but also the upper graded employees, many of whom describe their employer as "not one of the companies we would work for, given an open choice".

*See studies of Raymond Vernon Pages 157, 154, 160 respectively.

**See Exhibit 8
A very high percentage of the raw material required to manufacture drugs is imported. The gelatin capsule and the filling mix for instance are imported whole and just filled and packed; the antibiotic powders are imported mixed and just filled into imported vials and then sealed. Packing material is local but forms as small percentage in the final costing of a finished product. One of the main objectives of the host country, as observed in chapter 7, is to minimize dependency on foreign imports and it is not clear what Dawa has in her plans to achieve this goal.

It is such above spelt out goals divergence that usually result to conflicts between foreign investors and the host nations. Conflicts between an employer and employees are a result of many aspects such as those observed in the greater portion of this paper, incriminating the workers themselves, their supervisors, managers, directors and the organizational environment as a whole.

The point to be stressed in regard to the organization under study in this paper concerns effectiveness of leadership and management which should be improved for proper running and growth of the company. Positive performance will be achieved as observed in chapter 8 with competent and motivated subordinates. The low class and middle grade workers of Dawa, who form a large majority, should be motivated so as to change the prevailing climate. A comparative analysis of the formula at the end of chapter 8 which indicates the level of enterprise effectiveness leaves a lot to be desired in regard to the present running of Dawa Pharmaceuticals. The environmental conditions are far from satisfactory; the management philosophy compared to the study in
the preceding pages and as the workers openly indicate is largely unacceptable; the management practices and hence effectiveness is counter-productive and unsatisfactory to most workers.

Recommendations

In the final analysis of a task, one should aim at success and not a failure or form a policy of "forward ever backward never". Thus a project started should not be left to collapse or die and with that philosophy in mind, most ailing industries in Kenya have been revived especially by the Kenya Government and ICDC.

Since Dawa is faced with many problems that could result to eventual collapse, the organization should be saved from the situation now. I will at this juncture suggest a number of recommendations that could contribute to improved performance of the firm and success in the enterprise:

(i) The set up of the entire organization should be re-organized. Each department should be dealt with separately with roles defined for every section of the departments.

(ii) Once the departments are clearly defined, it is important to discourage unnecessary departmental interactions especially those sections that have distant connections. This will help workers and their supervisors to realize their responsibilities and the persons they are directly answerable to.

(iii) The departmental heads appointed should be allowed to possess and exercise the de jure authority entitled to their positions without fear of possible humiliation from other higher managers. 22/

22/ As described by James Macgregor Burns

Leadership. Harper and Row Publishers. P. 296 and

Management. Tasks, responsibilities, practices by Peter F. Drucker
P. 250 - 281
SUGGESTED NEW ORGANIZATIONAL CHART
FOR DANA PHARMACEUTICALS

BOARD OF DIRECTORS

GENERAL MANAGER

DEPUTY GENERAL MANAGER

COMPANY PHARMACIST

FINANCIAL CONTROLLER & COMPANY SECRETARY
- General Accounts
- Internal Audit
- Production accounting and Costing

MARKETING MANAGER
- Advertising; Medical Reps; Stores; Distribution

TECHNICAL MANAGER
- Maintenance; Quality Control

PRODUCTION MANAGER
- Production, Packaging

PERSONNEL AND ADMINISTRATION MANAGER
- Personnel Matters
- Industrial and Employee Relations
(iv) The Accounts and Personnel departments require some expansion so as to cover the wide aspects necessary for effective financial and personnel management respectively. A competent financial controller for instance, Cost Accountant and an Internal Auditor should be appointed. The personnel side requires a competent Personnel Manager, a Public Relations Officer and a few junior experienced officers or clerks to deal with routine affairs of the organization.

(v) A properly organized Personnel and Administration Department with absolute powers will lead to improved handling of workers in all disciplines aimed at harmonizing relationship between workers themselves and the Management. Definition of duties should be clearly stipulated for each of the positions in middle grade workers. Salaries attached to such posts should be established within a competitive region. At whatever cost, diversified payments of salaries and increments to personal holders should be stopped so that such is paid to the posts but not persons. Occasional incentives will help to increase motivation of workers.

(vi) The currently existing disputes and complaints can be solved diplomatically and harmoniously with the help of an arbitrator rather than long paper correspondence that seems to have little effect but instead complicates the problems further each time.

(vii) For proper implementation of planned change in Dawa as suggested above and any other changes that may seem imminent, new appointments of the Company's Chief Executive (Managing Director) and the Technical Manager should be made. Efforts to improve the
operations in Dawa have been made before without success and as long as the two executive expatriates remain in the organization, plans and future efforts will always encounter resistance with eventual failure. The ICDC has powers to install new administration altogether as was observed earlier. In fact, I have come to learn that a new General Manager has just been appointed by the ICDC to head the company. He is a Kenyan, Mr. Gatimu Maina. I believe Mr. Gatimu Maina is aware of the problems that have crippled the company for so long and his position is challenging. It is my believe that Mr. Maina will not succeed in revitalizing Dawa Pharmaceuticals with Mr. Rostocil as his deputy and Mr. Kolaric still in the company. Dawa Pharmaceuticals has a big factory which Kenya should feel proud to have and every effort should be made to have the plant operate at its full capacity and the organization prospering for the benefit of the developing nation and its ever increasing population.
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