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ADDIS ABABA UNIVERSITY

Kenema Pharmacy Enterprises Strategic Roadmap (2018- 2024EC)

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1. Introduction and Background

1.1 Introduction

Most developing countries have opted for state owned enterprises (SOEs), due to their potential to accelerate national development, to increase productivity, create employment, and to raise standard of living (Ghitlangi, 1988). In the same way, the national expectations from SOEs in Ethiopia is very great. The leading roles of state-owned enterprises are to serve the public's basic needs, protect national interests, and advance economic growth. Parallel to the Federal government, the states and the City Administrations in Ethiopia establish their own public enterprises. One of such public enterprises is Kenema pharmacies enterprise (KPE), which is owned by Addis Ababa City Administration. KPE is a community retail pharmacy established to supply medicines and medical equipment to the end users in Addis Ababa City.

The Dergue government established Kenema Pharmacies enterprise in 1975 by nationalization of private pharmacies, with the aim to expand the supply of quality and affordable medicines to the community, which was subjected to the exploitation by unreliable supply and unfair prices charged by the private sector. After the fall of the Dergue, the Kenema Pharmacy Enterprise has continued to enjoy the support of the government. The city administration has given great attention to enable KPE to achieve its goals. For instance, the city administration facilitated for Kenema Pharmacy Enterprise acquisition of shops in condominiums and facilitated acquiring of buildings and renting of new pharmacies. In 2024, the number of branch pharmacies of KPE reached 50 (from 3 in 1975). At the same time, the organization's initial capital increased from 138,000.00 birr when it was established in 1975 to 215,518,099.76 birr in 2024.

Kenema Pharmacies Enterprise was re-established by the Addis Ababa City Administration Regulation No. 175/2024, as a public enterprise, with mandate of supplying to the residents in Addis Ababa and its surrounding areas, variety of basic and essential medicines and medical equipment that are proven to be of high quality, and accessible at reasonable prices and locations. The goals of the enterprise include to provide the community with the necessary medicines and medical equipment at reasonable prices, to relieve the shortage and abuse of the supply of medicines, to stabilize the price increase, and to improve the supply and make it accessible.

The organization strives to be fast and efficient in operation, achieve high-quality service delivery, and install a transparent and accountable governance system. It has undergone reform to become a competent competitor and profitable organization, dreams to create a comfortable work environment and increase customer satisfaction by providing high quantity, variety and quality medicine at an affordable price.

In the 2016 Ethiopian calendar, in accordance with the City Administration Proclamation No. 84/2016, its accountability to the municipality was transferred to the Public Enterprise Administration Authority, which is an authority mandated to oversee all public enterprises owned by the City Administration. A Board of Directors manages the organization. The mandate of the organization has also increased to include a wholesale business, while for a long time it had been confined to providing drugs and medical supplies at retail basis to the end user customers.

KPE envisions to be a leading supplier of drugs and medical equipment that fulfill the needs of the city residents in the drug retail business. The mission of the enterprises is to provide the necessary medicines and medical equipment in type, quantity, and reasonable price, for the wellbeing of the community in coordination with other medical service organizations in a manner which promotes its performance & profitability. The organization needs to formulate a 7 years roadmap to achieve its missions, based on rigorous scientific study conducted by a competent organization.

1.2 Rationale

State-owned enterprises are established with the dual purpose of promoting the public interest while operating under sound commercial principles. To achieve this balance, this institutions must have a clear strategic direction that aligns operational autonomy with public accountability. A well-defined roadmap is essential to ensure that the enterprise delivers on its mandate efficiently and sustainably.

Kenema Pharmacies Enterprise is expected to fulfil its social obligation of providing affordable pharmaceutical products while also performing effectively as a business entity. However, the enterprise currently lacks a comprehensive, forward-looking roadmap that defines its long-term direction, performance goals, and accountability mechanisms.

Although a previous strategic plan had been in place, it has now run its course. One of the key objectives of this new initiative is to assess the current status of that plan identify what was achieved, what remains unfulfilled, and what lessons can be drawn. This review will serve as a critical stepping-stone for developing a new strategic plan that builds on past efforts while addressing emerging challenges and opportunities. The need for a new strategic roadmap arises from the enterprise's ongoing ambition to:

- Improve financial sustainability and profitability,
- Establish strong oversight and accountability frameworks,
- Enhance competitiveness in the pharmaceutical sector,
- Promote innovation and the use of modern technologies,
- Improve operational efficiency and service delivery,
- Align strategic goals with broader social and public health mandates.

To this end, the Addis Ababa City Administration Public Enterprises Administration Authority, mandated to support and oversee public enterprises under the City Administration, has commissioned Addis Ababa University, College of Business and Economics, to develop a strategic roadmap for Kenema Pharmacies Enterprise. This new plan will serve as a guiding document for KPE's transformation into a high-performing, socially responsible enterprise.

1.3.Objectives and Scope of the Work

The overall objective of this consultancy service project is to study the operation of Kenema Pharmacies Enterprise and based on which to develop a road map and support the enterprise to put the roadmap into effect. The project also has the following specific objectives.

1.3.1. Specific Objectives

- To review the organizational environment, the effectiveness of service delivery and administration of KPE;
- To identify based on organizational diagnosis the internal weaknesses and, strengths as well as external opportunities and threats of KPE;

- To investigate the accessibility of KPE services;
- To undertake stakeholders analysis and map their interests and influence;
- To assess the effectiveness of legal, institutional and policy frameworks under which KPE is operating;
- To benchmark best performance of the class in relation to public pharmacies locally and globally and identify lessons to improve performance of KPE;e seven. To design standard business model and market strategy for KPE;
- To develop a 7 years strategic roadmap for KPE.

1.4.Scope of the proposed project

This project involves diagnosis of the internal and external environment of the organization to identify its weakness and strength together with opportunities and threats, based on which the organizational long-term strategy was formulated. As part of assessment of the external environment the impact of legal, policy and autonomy aspects of the organization was evaluated. The study also has undertaken stakeholder analysis and develop a stakeholder map that shows key stakeholders and their interests, strategy to manage stakeholders' interests and engage them. The service performance of the enterprises was assessed from perspectives of accessibility, quality and customer satisfaction. Organizations with best performance in retail pharmacy business with both business and public goals were identified and lessons will be derived from sources of their success. Finally, the project develops a business model, marketing strategy and long term roadmap for KPE.

1.5.Study Framework

A comprehensive framework that integrates profit chain model, SERVQUAL, Net promoter score were used to analyse the current situation of the enterprise and helps to set the way forward. This part of the report discusses how these frameworks were applied in this project.

1.5.1. Profit Chain Model (Service-Profit Chain Model)

The Profit Chain Model, also known as the Service-Profit Chain, is a business framework that links employee satisfaction, customer satisfaction, and profitability. It was introduced by James Heskett, W. Earl Sasser, and Leonard Schlesinger in the 1990s. This model has been widely adopted in customer-facing, service-driven industries.

The service-profit chain establishes relationships between profitability, customer loyalty, and employee satisfaction, loyalty, and productivity. The links in the chain (which should be regarded as propositions) are as follows: Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal, and productive employees. Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers. (See the following diagram, “The Links in the Service-Profit Chain.”)

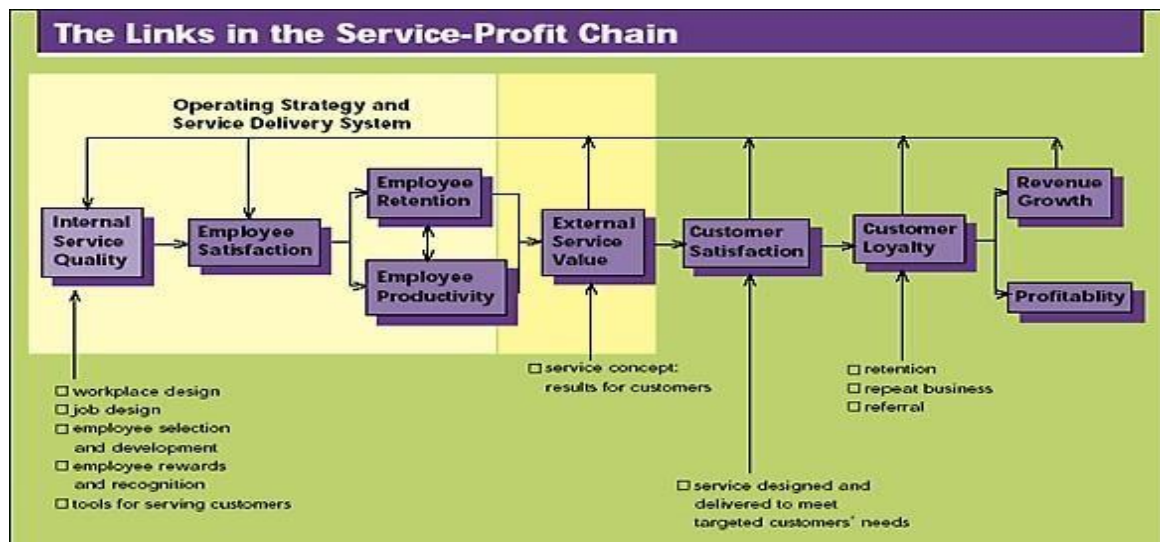


Fig 1-1: The Links in the Service-Profit Chain

The Core Chain of Linkages:

- Internal Service Quality:** This refers to the quality of support services, workplace design, tools, and policies provided to employees. The Components include Training and development, Efficient systems and processes, Supportive leadership, Clear communication, Positive

organizational culture. A well-designed internal environment ensures that employees have everything they need to do their jobs effectively.

- b. **Employee Satisfaction:** When employees have the tools, support, and environment they need, they are more likely to feel satisfied, motivated, and valued. Satisfied employees show: Higher levels of engagement, Greater commitment to their roles, Lower absenteeism and turnover rates
- c. **Employee Retention and Productivity:** Satisfied employees tend to stay longer, reducing the costs of hiring and training. Over time, retained employees become more skilled, more productive, and develop better relationships with customers.
- d. **Service Value:** Engaged and experienced employees deliver better, more consistent service, which customers perceive as high value. Value can be functional (speed, efficiency), emotional (friendliness, empathy), or both.
- e. **Customer Satisfaction:** When service meets or exceeds expectations, customers become satisfied. Satisfaction comes from: Quality of product/service, Responsiveness, Personalized interactions, Reliability
- f. **Customer Loyalty:** Satisfied customers are more likely to return, recommend the service, and be less sensitive to price changes. Loyalty drives repeat purchases and word-of-mouth referrals, which are more cost-effective than acquiring new customers.
- g. **Revenue Growth and Profitability:** Loyal customers contribute to steady revenue streams. Reduced churn, higher customer lifetime value (CLV), and lower acquisition costs lead to sustainable profitability.

1.5.2. Model of Customer Loyalty Measure - The Net Promoter Score (NPS)

NPS was used to supplement the profit chain model. NPS is a common metric used in customer experience programs. An NPS score measures customer loyalty by looking at their likelihood of

recommending a given business. An NPS score is measured with a single-question survey and reported with a number ranging from 0 to 10, where a higher score is desirable.

NPS is often held up as the gold standard customer experience metric. First developed in 2003 by Bain and Company, it is now used by millions of businesses to measure and track how their customers perceive them. NPS scores provide a snapshot of the overall customer experience; if customers are more likely to recommend the business that naturally points to a high level of customer satisfaction and a positive customer journey.

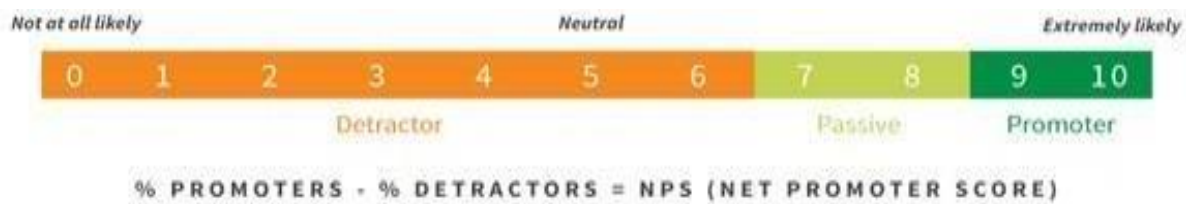


Fig 2. Source: <https://www.productplan.com/glossary/net-promoter-score/>

NPS measures customer perception based on one simple question:

“How likely is it that you would recommend [Organization X/Product Y/Service Z] to a friend or colleague?”

Respondents give a rating between 0 (not at all likely) and 10 (extremely likely) and, depending on their response, customers fall into one of 3 categories to establish an NPS score:

- **Promoters** respond with a score of 9 or 10 and are typically loyal and enthusiastic customers.
- **Passives** respond with a score of 7 or 8. They are satisfied with your service but not happy enough to be considered promoters.
- **Detractors** respond with a score of 0 to 6. These are unhappy customers who are unlikely to buy from you again, and may even discourage others from buying from you.

Subtracting the percentage of detractors from the percentage of promoters yields the Net Promoter

Score, which can range from a low of -100 (if every customer is a detractor) to a high of 100 (if every customer is a promoter).

1.5.3. Analysis of KPE Competitive Strategy - the five forces model

To identify KPE's competitive strategy, the consulting team will apply the five forces model (Porter, 2008) and the generic strategies approach of Porter (1985). According to Porter (1985), there are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation, and focus.



Fig 3; Porter's Five-force model

Table 1-1: the generic strategies approach of Porter (1985).

Industry force	Generic strategies		
	<i>Cost Leadership</i>	<i>Differentiation</i>	<i>Focus</i>
Entry Barriers	The ability to cut prices in retaliation deters potential entrants.	Customer loyalty can discourage potential entrants.	Focusing develops core competencies that can act as an entry barrier.
Buyer Power	Ability to offer lower prices to powerful buyers.	Large buyers have less power to negotiate because of few close alternatives.	Large buyers have less power to negotiate because of few alternatives.
Supplier Power	Better insulated from powerful suppliers.	Better able to pass on supplier price increases to customers.	Suppliers have power because of low volumes, but a differentiation-focused firm is better able to pass on supplier price increases.
Threat of Substitutes	Can use low prices to defend against substitutes.	Customers become attached to differentiating attributes, reducing the threat of substitutes.	Specialized products & core competency protect against substitutes.
Rivalry	Better able to compete on price.	Brand loyalty to keep customers from rivals.	Rivals cannot meet differentiation-focused customer needs.

1.6. Benchmarking analysis

1.6.1. General consideration

Benchmarking is a process an organization uses to measure the quality and performance of its services and processes by comparing its own data against a standard - a benchmark. Benchmarking aims at using the data gathered in such an organization's benchmarking process to identify areas where improvements can be made by:

- Determining how and where other organizations are registering higher performance levels than that organization has been able to achieve.
- Comparing the services, processes and strategies of another organization against such organization which seeks to know where it stands.
- Using the data gathered from the analyses and comparisons to implement changes that will improve the organization's performance and services (Hong, Hong, Roh& Park, 2012)

Benchmarking is a tool an institution can employ as part of improvement model used within an organization. Benchmarking can be useful to:

- Improve processes and procedures,
- Gauge the effectiveness of its current performance.
- Provide the organization a better idea of how best peers and best regional global similar institutions operate, which will help it to identify best practices to increase performance.
- Increase efficiency.
- Improve quality and customer satisfaction (Scott 2016).

There are different types of benchmarking including strategic benchmarking, which involves in looking beyond an organization's sector industry to identify world-class performance and best practices so that organization can look for ways to adapt their methods to its, performance, procedures and processes; and another type is process benchmarking that focuses on discrete work processes (Scott 2016).

1.6.2. Steps in the benchmarking process

Benchmarking is a process which entails the following steps:

1.6.2.1. Select a subject to benchmark: Executives and other senior management should be consulted in deciding which processes are critical to the organization's success. The processes should then be prioritized based on which metrics are most important to all stakeholders. After prioritizing, one needs to select and define the measures to collect (Kelessidis 2000).

1.6.2.2. Decide which organizations to be benchmarked: benchmark processes could be compared within own company, a competitor, a company outside industry, or another country. Although finding matching data is a challenge, it is advisable to gather information from several sources to get the most detailed information about the organization to study for comparison (Kelessidis 2000).

1.6.2.3. Document your current processes: At this stage, one needs to map out the current processes in order to identify areas that need improvement and more easily compare against the chosen organization. This is undertaking proper diagnosis-situation analysis (Kelessidis 2000).

1.6.2.4. Collect and analyze data: This step is important—but it can prove difficult when one is trying to gather data from a competitor because a lot of that information may be confidential. It is advisable to gather information through research, interviews, casual conversations with contacts from the other companies, and with formal interviews or questionnaires. Secondary information from websites, reports, marketing materials, and news articles is another option. However, secondary information may not be as reliable. After collecting enough data, it is important to get all stakeholders together to analyze the data (Alosani, Al-Dhaafri&Yusoff 2016).

1.6.2.5. Measure performance against the data collected: This involves looking at the data collected side by side with the metrics gathered from analysis of own processes. One may want to layer own performance metrics and map out competitor's processes to more easily

see where the gap lies. During the comparisons, it is vital to try to identify what causes the gaps in own process. For example, determine whether the gaps lie in the legal framework, institutional structure or autonomy or number and training of employees assigned to perform tasks. (Alosani, Al-Dhaafri & Yusoff 2016).

1.7. Methodology

1.7.1. Approach

For the development of a strategic roadmap for KPE, the Consultant pursued a mixed approach — quantitative and qualitative — for collecting and analyzing data and interpreting them into meaningful information. The primary reason for choosing the mixed research approach is that either the quantitative approach or the qualitative approach alone is insufficient to generate the relevant information pertinent to the problem. The mixed approach is problem-centered and believed to be helpful to use the advantage of both quantitative and qualitative data simultaneously. The mixed design is also helpful in triangulating information gathered from several sources.

The methodological steps for preparing the road map was developed by addressing the following basic questions:

- Where is the KPE now?
 - Where does the KPE want to go (where do we want to be)?
 - What does the KPE need to do to get there (How do we get there)? And
 - How do we measure our progress?

1.7.2. Data Sources

The study has employ standard and scientific methods for gathering data and making analysis. The major data collection methods and tools include extensive document analysis (Published and unpublished previous and ongoing study documents), in-depth interviews, resource persons conduct, rapid assessments/visiting, focus group discussions, workshops, and surveys from various stakeholders was conducted.

To achieve the objectives stated and perform all the tasks specified, the consultant used both secondary and primary sources of data. To this end, the secondary data source from

various sources such as KPE, City Administration, Public Enterprises Administration Authority, Central Statistics Agency, Ministry of Health, Revenue and Customs Authority, and other relevant sources were gathered. The information gathered as statistical data were used for the foundation of the organizational diagnosis. Such documents are useful for providing a more in-depth understanding of what is currently going on in the area. The desk review covers the past strategic plan and its level of execution, operational performance reports, audited financial statements, internal study reports, resources inventory, advertisement, and other promotional budget commitments, and marketing research-based data of the enterprise.

To collect primary data, random sampling techniques was employed. The data collection techniques pursue a triangulation approach including questionnaire, interview, focus group discussions, key informant interviews, and observation. This primary data was collected by using a small sample-based study, rather than a large-scale survey because of the short study period. Primary data was collected from the internal and external stakeholders of KPE, which includes employees and management, customers, suppliers, competitors, major partners, supervising authorities, and partners.

1.7.3. Data Collection Instruments

A mix of data collection instruments/techniques was utilized to generate data for both quantitative and qualitative components, which includes document collection and review, key informant interview (KII), Focus Group Discussion (FGD), structured survey questionnaires, and visiting/observation.

1.7.4. Document Review

A document review involves the identification of written or electronic documents containing information on the market share trends, strategic plan and its level of execution, operational performance reports, audited financial statements, internal study reports, resources inventory, advertisement and other promotional budgets, and marketing research of KPE. The consulting team has kept track of and cite the information retrieved from these documents. In consultation with the experts from the enterprise, the validity and reliability of the documents to be reviewed was carefully checked by the consulting team. Following full cross-checking of data to assure completeness, accuracy, and appropriateness to the topic, it was further be triangulated with other relevant data sources. Best practices in retail pharmacy was reviewed and incorporated from available literature.

The consultant team has documented and reviewed the current situation of KPE and other similar public enterprises within a national and regional context; to identify and utilize opportunities for service-oriented business organizations; analyze key constraints, including the status of implementation of previous strategic plan and competitiveness issues faced by businesses and means to address them. This process is important for developing a situational analysis of the enterprise.

1.7.5. Qualitative Data Collection from Internal and External Stakeholders

1.7.5.1. Interview with Internal Stakeholders

In-depth interviews was held with the internal stakeholders to collect data from members of the management and employees of KPE. The data collection activity aims to solicit information about factors affecting the quality, accessibility, customer satisfaction, competitive advantage, and profitability of KPE. The data related to the efficiency of existing structure, human resources, and work processes was collected. This was done by telephone interview as well as face– to–face interviews.

1.7.5.2. Qualitative Interviews with External Stakeholders

An inductive (in-depth) qualitative case study was also conducted with representatives from individual customers, experts, researchers in the area, and health institutions in the city. The case study was based on the interview protocol, which was designed by emphasizing the main contexts related to the pharmacy services.

1.7.5.3. Focus Group Discussion with Internal and External Stakeholders

Focus group discussions was also conducted with managerial employees and non-managerial employees. The FGDs are aimed at getting diverse ideas on pharmacy services, and competitive advantages of the industry in general. FGDs are also useful to triangulate the information obtained from individual interviews. Each focus group discussion (FGD) consisted of 5 to 8 people (Yin, 2003) and it lasted 1.5 to 2 hours (Strauss and Corbin, 1998).

Thus, in terms of methodology from a qualitative data collection perspective, the study is largely based on individual interviews and focus group discussions with external and internal stakeholders of KPE. Individual (personal) interviews are a way to get in-depth and comprehensive information regarding the interviewee's opinion on pharmacy services and competitive advantages in the industry. The FGDs has served to triangulate the data obtained from the individual interviews.

This was helpful in understanding the organizational structure, performance, system, scope, challenges, opportunities, and prospects of the enterprise under study. Then, situational, challenges, and the perspective of the organization examined. SWOT analysis was prepared thereof.

1.7.5.4. **Holding consultative meetings:** - It is considered to gather necessary data from key representatives of major stakeholders. To this end, depending on the availability of resources and time, two or more consultative meetings can be arranged. Those meetings will be used to gather data about the existing scenario and for situational analysis, and validation-type meetings once the draft study report is prepared.

1.7.5.5. **Field Visit/Observation:** - visiting the enterprises, working environment of managers and employees, clients' service situation.

1.7.6. Quantitative Data Using Structured Survey

The quantitative information was collected using the structured and standard questionnaire that is prepared for this purpose. The questionnaire has different sections pertaining to the objectives of this study. It has sections on the demographic and socio-economic situation of the respondents, service satisfaction, affordability, accessibility, and adequacy, quality of service, and efficiency. The questionnaire was pre-tested to check the suitability of the options to the local context of the Kenema Pharmacies Enterprises. The respondents were selected based on representative principle in terms of age, sex, marital status, educational background, intensity of service uses, and degree of relevance to the enterprise.

The data collection process was conducted by experienced qualitative and quantitative data collection experts who know the local context very well (including language). They were

selected based on experience, educational qualification, and merit. Adequate training on the data collection instruments was given to the selected enumerators to explain the data collection tools and clarify all the issues in relation to the data collection.

1.8. Target Population and Sampling Procedure

The population of this study are both internal and external stakeholders. The internal stakeholders are employees and management of the Enterprise, while the external stakeholders are customers. As it is not possible to determine the number of customers of the KPE, the sample from the customer and employees were determined based on sampling formulae of infinite population. In this case, we have employed the Cochran (1977) sample size determination formula to determine representative sample size from clients and employees of KPE. Cochran's (1977) sample determination is expressed as follows.

Where, n =

sample size

$Z^2 = 1.96$ (critical value from the table at 95% confidence level)

P =Population variability (assuming maximum variability= 0.5) $q=1-P$

e^2 =the desired level of precision/margin of error (5%)

N =Total population of the study

Thus, based on the above assumptions, we want to calculate a sample size for clients by taking the 95% confidence interval. Assuming the maximum variability, which is equal to 50% ($p=0.5$) and taking a 95% confidence level with $\pm 5\%$ precision, the calculation for the required sample size will be given as follows.

$= [1.96^2 * 0.5 * 0.5] / 0.05^2 = 384$. Therefore, proportionate samples was taken from employees and client groups of different branches of shops. We assigned an equal proportion of samples for each group of clients for comparing the means.

The table-1-2 shows the distribution of the sample for the qualitative as well as quantitative data collection tools.

Sample Size Distribution

Table 1-2 shows the distribution of the sample for the qualitative as well as quantitative data collection tools. The total sample size for the questionnaire survey is 384 as calculated above. This sample is equally divided between employees and customers of KPE, each category filling 192 questionnaires. On the other hand, the total number of KPE pharmacy branches that can be included in the sample are 44¹ and these 44 branches are categorized based on customer density as Class A, Class B, and Class C, where Class A having the highest customer density and Class C having the lowest customer density. Furthermore, the number of branches in Class A, B, and C are 18, 11, and 15 respectively. By applying the stratified sampling technique, the 192 questionnaire is further divided among the three categories of pharmacies: Class A, Class B, and Class C based on their proportion in the total number of branches of KPE. Accordingly, out of 192 questionnaires, 79 was distributed to Class A, 48 was distributed to Class B, and the remaining 65 was distributed to Class C branch employees.

The questionnaire assigned to customers of KPE was also distributed in the same manner as employees of KPE. That is 79 questionnaires were distributed to Class A branch customers, 48 to Class B branch customers, and 65 to Class C branch customers.

The sample size for qualitative data collection techniques such as Key Informant Interview (KII) and Focus Group Discussion (FGD) was decided based on the principle of saturation, where the data collection stops when the researchers start hearing repetitive information, and new information is no longer obtained. However, the researchers have conducted FGDs, with employees and the management of KPE. On the other hand, 30 KIIs were conducted with management, employees, and other stakeholders of KPE. Consequently, 10 KIIs were conducted with each category of management, employees, external stakeholders of KPE.

Table 1-2: Sample Size Distribution

Data collection tools	Target population	Sample size from each strata			Total
		Class A	Class B	Class C	
Survey	Employee	79	48	65	192
	Customer	79	48	65	192
	Total	158	96	130	384
FDG	Employee				1
	Management				1
	Total				2
KII	Employee				10
	External Stakeholders				10
	Management				10
	Total				30

¹The remaining branches are either newly established and lack operational data or they are not operating due to various reasons.

1.9.Data Collection Process

The data was collected using face-to-face interview discussions for open-ended individual interviews and FGDs. Data was also collected using a structured (survey) questionnaire. During both the face-to-face interview as well as with the structured questionnaire data collection phases, the consulting team has deploy the consulting team members and trained enumerators to exercise the data collection.

1.10. Methods of Data Analysis

After the collection of relevant data from various actors using various data collection

instruments, the data was managed in the following manner. Information collected through key informant interviews, rapid observation, and focus group discussions was qualitatively analyzed. The quantitative survey data was analyzed descriptively. Moreover, appropriate data analysis software such as SPSS and STATA were employed to analyze the collected data in combination with the methods employed.

The major steps in data collection and management involved three major technical steps: information gathering, information processing and analysis, and preparation of the diagnostic results. Under the information-gathering step, the statistical data was used for the foundation of the diagnosis.

The analysis of statistical data was conducted on the basis of a number of carefully selected indicators. It involved drawing a table, establishing a time series (including a first estimation of future trends), computing means, ratios, and growth rates, measuring disparities, etc. In all cases, graphs and cartographic illustrations were highly utilized as the best way of making statistical information more easily understandable. The data analysis and stakeholder consultations resulted in the creation of a full description of the organization as it currently exists.

Because of the nature of the study, the researches employed both qualitative and quantitative methods to present, analyze, and interpret the data.

a) *Quantitative Methods of Data Analysis:*

The study has used both descriptive and inferential statistical analysis to analyze the quantitative components of the research with the help of Statistical Package for Social Science (SPSS) and STATA. Descriptive statistics were employed to analyze and present data using percentages, frequency tables, items analysis, mean, median, and standard deviation. Parametric measures were also applied using the analysis of variance (ANOVA) and regression analysis methods.

b) *Qualitative Methods of Data Analysis*

In addition to quantitative analysis, qualitative analysis was employed in this project. The research project has used different qualitative analysis techniques such as narrative, content, case study, and framework analysis to explain and understand the different qualitative aspects of collected data. The team has also followed important basic steps to analyze qualitative data

collected through different qualitative data collection tools including carefully coding data; identifying themes and patterns and organizing it into coherent categories; connecting within and between categories of data; and finally, data interpretation was done using the themes and connections identified.

Finally, the output of quantitative analysis was carefully connected and triangulated with the results of qualitative results as well as information obtained from secondary sources whenever needed using divergence-convergence analysis in such a way that the specific objectives are effectively addressed. The patterns, trends, and interconnections of the results were analyzed and interpreted in light of the specific objective and related literature.

1.11. Research Ethics

In compliance with applicable ethical procedures, the purpose of this project was informed to the participants and their consent was requested when they take part in this research. In addition, the anonymity and confidentiality of all the participants in the research was strictly preserved. The consulting team exercised utmost care in the confidential handling of the data collected during this study from different organizations and individuals.

2. Global and National Outlook of Community Pharmacies in Ethiopia

Introduction

Community pharmacies are essential access points for medicines and health services, particularly in low- and middle-income countries. Globally, they are evolving into integrated health hubs offering not only dispensing services but also chronic disease management, health promotion, and preventive care. In Ethiopia, community pharmacies, especially those operated as public enterprises, such as Kenema Pharmacies Enterprise (KPE) play a vital role in ensuring equitable access to essential medicines and market stabilization. However, they remain underutilized due to structural, financial, and policy-related challenges. This section explores how global trends in community pharmacy practice compare with Ethiopia's current landscape, with a focus on public models like Kenema Pharmacies Enterprise (KPE). It identifies key gaps and opportunities for reform, with a focus on aligning the operations of KPE with international best practices. The analysis is intended to inform strategic planning aimed at strengthening pharmaceutical service delivery as well as efficiency, profitability, and improving health outcomes.

2.1. Global Outlook of Community Pharmacies

2.1.1. Models of Ownership and Operation

Globally, community pharmacies operate under public, private, and hybrid models. These models influence not only how pharmacies are distributed and managed, but also the accessibility, affordability, and quality of pharmaceutical services provided to the public.

In countries that follow pharmacist-only ownership, such as Germany, Finland, Portugal, and Australia, pharmacy ownership is restricted to licensed pharmacists to uphold professional accountability and ensure public safety. Germany mandates that the owner personally manage the pharmacy, discouraging absentee ownership, while Finland enforces stringent licensing and operational standards. Portugal and Australia emphasize the clinical role of pharmacists through sole legal ownership.

Conversely, corporate and chain ownership models prevail in other nations. In the United States, pharmacies can be owned by corporations, including retail giants like CVS and Walmart. The United Kingdom also allows non-pharmacist ownership, resulting in widespread chain pharmacies like Boots and Lloyds. Canada presents a mixed landscape, with some provinces permitting corporate ownership while others restrict it to pharmacists.

Mixed models blend professional and corporate approaches. Sweden deregulated its pharmacy sector in 2009, opening ownership to private entities under tight professional regulation. France maintains pharmacist-only ownership but allows cooperative arrangements for purchasing and logistics. South Africa permits both pharmacist and non-pharmacist ownership, under the supervision of the South African Pharmacy Council.

While public ownership models promote equitable access and alignment with public health systems, private and hybrid models are often associated with scalability and innovation. In Ethiopia, a hybrid model is adopted for community pharmacies. Although pharmacies must be managed by a licensed pharmacist—referred to as the technical manager—ownership is not restricted to pharmacists. Non-pharmacists may own pharmacies if they employ qualified professionals and comply with Ethiopian Food and Drug Authority (EFDA) licensing requirements. This hybrid approach allows non-pharmacist investment while ensuring professional oversight through EFDA regulation.

2.1.2. Key Functions and Services

The role of community pharmacies has expanded beyond traditional dispensing functions. In many countries, pharmacists are now recognized as integral members of the primary healthcare team. Community pharmacies globally are expanding their scope. According to a survey conducted by FIP (2021) including 79 respondent countries, more than half of the 79 countries and territories provide services such as emergency contraception dispensing and prescription renewals for chronic disease patients. Additionally, 68% support home delivery of medicines, 51% offer home care and medicine reviews, and 54% supply medicines to care or nursing homes. While disease screening is included in pharmacy services in some regions, broader adoption is needed. As of December 2020, only 18% of surveyed countries had pharmacies conducting COVID-19 testing, and just 19% offered HIV screening.

In high-income countries, pharmacies are also involved in vaccinations, opioid substitution therapy, and home care services. Services such as emergency contraception, prescription renewals, and home deliveries are now common in over 50% of countries surveyed by. For countries like Ethiopia, where community pharmacies remain underutilized, there is significant potential to

expand their scope and impact through policy support, workforce development, and digital innovation.

2.1.3. Trends and Innovations

The global pharmacy market is estimated to be USD 1.49 trillion in 2025, and is expected to reach USD 1.96 trillion by 2030, at a CAGR of 5.60% during the forecast period (2025-2030), driven by aging populations, chronic disease prevalence, and digital health adoption (<https://www.mordorintelligence.com>). Key trends in the global pharmacy sector include:

- Digital transformation such as:
 - ✓ E-prescriptions: e-prescribing reduces errors, improves medication tracking, and enhances coordination between prescribers and pharmacists
 - ✓ Telepharmacy: enables remote consultations, especially in rural or underserved areas, improving access to pharmaceutical care.
 - ✓ Mobile health apps: allow patients to manage prescriptions, receive medication reminders, and access pharmacy services from their smartphones.
 - ✓ In Ethiopia, platforms like **Medhanite** are emerging to help users locate medicines across pharmacies in Addis Ababa, signaling the early stages of digital pharmacy innovation
- Expanded clinical roles: Pharmacists are increasingly involved in prescribing and patient education. This shift not only alleviates pressure on physicians but also improves patient outcomes through more accessible care.
- Sustainability: Green practices, such as eco-friendly packaging and energy-efficient operations, are gaining traction.
- Point-of-care testing for conditions such as HIV, malaria, and COVID-19
- Expanded immunization services, especially in underserved communities

These innovations have improved service efficiency, reduced health system burdens, and enhanced patient outcomes. Despite these advancements, the global community pharmacy sector continues to face significant challenges; one of which is *Access Disparity*. A survey was conducted by FIP (2021) involving 79 countries and territories to evaluate global community pharmacy access. The survey revealed significant disparities in pharmacist and pharmacy availability between regions and income levels. The number of pharmacists and pharmacies per 10,000 population of a nation

measures the level access to medicines and the professional services of pharmacists in that nation. Based on the survey, the worldwide average was 5.14 pharmacists per 10,000 populations. However, Africa lags behind at just 0.95 pharmacists per 10,000, and low-income countries average only 2.29—far below the 6.66 seen in high-income nations. Similarly, pharmacy density across 76 countries averages 2.75 per 10,000 people, yet Africa and low-income nations again fall short, with fewer than one pharmacy per 10,000 people.

For Ethiopia, as a low-income country, these figures point to a serious gap in access to essential medicines and pharmaceutical care. With the average low-income pharmacy serving nearly 27,000 people, compared to 8,940 globally, Ethiopia likely experiences limited reach, longer wait times, and challenges in ensuring timely medication delivery. This underscores the need to invest in expanding the pharmacy workforce and infrastructure to meet public health needs. Without such investment, access to medicines and health guidance remains disproportionately out of reach for many Ethiopians.

FIP (2021) also highlighted the shortage of pharmacy workforce; as a result, in African and Southeast Asian countries many pharmacies operated without qualified pharmacists. Non-prescription medicine was another challenge observed in the study where medicine was often sold outside pharmacies, raising safety concerns.

2.2. Country Context: Community Pharmacies in Ethiopia

2.2.1. Policy and Regulatory Framework

Ethiopia's public community pharmacies emerged post-1975 to ensure equitable access to essential medicines. Proclamation No. 31/2002 and later updated by Proclamation No. 1314/2024 provides the legal foundation for public enterprises like KPE. The Ethiopian Food and Drug Authority (EFDA) is the primary regulatory body overseeing pharmacy practice. Key policy instruments include:

- The National Medicines Policy
- Licensing and inspection guidelines for retail outlets
- Standards for Good Pharmacy Practice (GPP)

Despite these frameworks, enforcement remains inconsistent, and regulatory capacity is often constrained by limited resources and workforce shortages in developing countries like Ethiopia.

2.2.2. Current Role of Community Pharmacies

In Ethiopia, community pharmacies are primarily concentrated in urban centers and operate under a mix of private and public ownership. Their core functions include:

- Dispensing prescription and over-the-counter medicines
- Providing basic health advice and referrals
- Supplying essential health commodities

However, their role in preventive care, chronic disease management, and health education remains limited.

2.2.3. Operational Landscape

Numerous studies have highlighted that community pharmacies, particularly chain pharmacies are an underutilized component of Ethiopia's healthcare system. Most pharmacy services are delivered through small, privately owned outlets, with only a limited number of chain pharmacies operating in Addis Ababa. Among these, Kenema Pharmacies Enterprise (KPE), owned by the Addis Ababa City Administration, stands out as the largest chain pharmacy in the country. KPE currently operates over 50 branches across Addis Ababa, serving residents in all sub-cities. With the city's population estimated at 6 million, according to United Nations projections in the year 2025, and an additional 2 million people commuting daily from surrounding areas, the demand for pharmacy services is substantial. Addis Ababa also functions as a national hub for medical referrals, further increasing the pressure on pharmacy services (Amare, 2023).

The growing reach of the Community-Based Health Insurance (CBHI) program has significantly boosted demand for services of community pharmacies like KPE. Currently, approximately 285,000 CBHI beneficiaries, sponsored by the City Administration, rely heavily on KPE to access affordable medications. In addition to serving individual customers, KPE provides credit-based pharmaceutical services to over 300 organizations and supplies antiretroviral (ART) drugs and insulin free of charge. Furthermore, KPE provides all its services with a fixed 20% maximum markup policy, which increases affordability of medicine to low – income customers.

Despite the fast expansion of pharmacies in general and KPE branches in particular, Ethiopia has the highest population-to-pharmacy ratio 130,385 people per pharmacy; compared to the global median of 4,182 (Amare, 2023, www.fip.org).

In Ethiopia, the number of community pharmacies remain limited in number and capacity, often overshadowed by private outlets. The Ministry of Health has recently initiated model community pharmacy projects to improve access and affordability. The implementation of this initiative has

shown encouraging results especially in regional towns such as Hawassa, Werabe, Dilla, and Sodo (<https://epss.gov.et>).

2.2.4. Challenges

Despite some achievements, Ethiopia's community pharmacies in general and KPE in particular continues to face several systemic barriers that hinder the full potential of community pharmacies:

- Fragmented supply chains leading to stock outs and variable medicine quality
- Limited integration with the broader health system and referral networks
- Workforce gaps, including uneven distribution and limited CPD opportunities
- Weak regulatory enforcement, particularly in rural and peri-urban areas
- Lack of digital infrastructure to support modern pharmacy services
- Overburdened staff: some branches of KPE pharmacies serve 1,848 customers weekly, with a dispenser-to-customer ratio of 61—well above WHO's recommended 45–50 (Amare, 2023).
- Short dispensing time: The average is 1.6 minutes, below the WHO standard of 5 minutes (Amare, 2023).
- Infrastructure gaps: Many branches lack consultation rooms, proper storage, and accessibility features.
- Manual systems: Absence of ERP or digital inventory systems hampers efficiency.
- Human resource issues: High turnover, limited training, and low motivation persist.
- Financial constraints: Shortage of capital for investment and fixed pricing limits revenue, while delayed payments from institutional clients affect cash flow.

2.2.5. Comparative Analysis: Ethiopia vs. Global Trends

A comparative assessment reveals significant gaps between Ethiopia's community pharmacy sector and global best practices:

Dimension	Global Trends	Ethiopia's Status
Service Scope	Preventive care, chronic disease management	Primarily dispensing and basic advice

Digital Integration	E-prescriptions, telepharmacy, health records	Minimal digital infrastructure
Regulatory Oversight	Competency-based, risk-based inspections	Fragmented and under-resourced
Workforce Development	Structured CPD, specialization pathways	Limited CPD and uneven workforce distribution
Public Health Integration	Immunization, screening, health promotion	Minimal involvement in public health efforts

2.2.6. Strategic Opportunities

To strengthen Ethiopia's public community pharmacy sector, the following strategies are recommended:

- Digital Infrastructure: Implement ERP and mobile platforms for inventory, reporting, and customer access. A traceability system is already being piloted to improve transparency and efficiency.
- Branch Expansion: Prioritize underserved areas, based on population density and healthcare demand.
- Wholesale and Import Services: Reduce reliance on intermediaries and improve supply chain resilience.
- Policy Reform: Reassess the 20% profit cap to ensure financial sustainability and incentivize service expansion.
- Human Resource Development: Improve compensation, training, and career development to attract and retain skilled staff.
- Stakeholder Engagement: Strengthen collaboration with city administration, insurance providers, and regulatory bodies to enhance service delivery and financial performance.

Based on the points discussed in this chapter, it can be concluded that community pharmacies are essential to achieving universal health coverage. Globally, community pharmacies are evolving into hubs for preventive care and chronic disease management. In Ethiopia, public pharmacies like KPE have made significant strides but remain constrained by outdated systems, limited resources, and policy barriers. With strategic investment and reform, they can become powerful engines for efficient, equitable, accessible, and sustainable healthcare delivery.

3. Situational Analysis of Kenema Pharmacies Enterprise

3.1. Background and History

The Derg government established Kenema Pharmacies enterprise in 1975 by nationalization of private pharmacies, with the aim to expand the supply of quality and affordable medicines to the community, which was subjected to the exploitation by unreliable supply and unfair prices charged by the private sector. After the fall of the Derge, the Kenema Pharmacy Enterprise has continued to enjoy the support of the government. The city administration has given great attention to enable KPE to achieve its goals. For instance, the city administration facilitated for Kenema Pharmacy Enterprise acquisition of shops in condominiums and facilitated acquiring of buildings and renting of new pharmacies. In 2024, the number of branch pharmacies of KPE reached 50 (from 3 in 1975). At the same time, the organization's initial capital increased from 138,000.00 birr when it was established in 1975 to 215,518,099.76 birr in 2024.

Kenema Pharmacies Enterprise (KPE) was re-established by the Addis Ababa City Administration Regulation No. 31/2002, as a public enterprise, with mandate of supplying to the residents in Addis Ababa and its surrounding areas, variety of basic and essential medicines and medical equipment that are proven to be of high quality, and accessible at reasonable prices and locations. The goals of the enterprise include to provide the community with the necessary medicines and medical equipment at reasonable prices, to relieve the shortage and abuse of the supply of medicines, to stabilize the price increase, and to improve the supply and make it accessible.

The organization strives to be fast and efficient in operation, achieve high-quality service delivery, and install a transparent and accountable governance system. It has undergone reform to become a competent competitor and profitable organization, dreams to create a comfortable work environment and increase customer satisfaction by providing high quantity, variety and quality medicine at an affordable price. In the 2016 Ethiopian calendar, in accordance with the City Administration Proclamation No. 84/2016, its accountability to the municipality was transferred to the Public Enterprise Administration Authority, which is an authority mandated to oversee all public enterprises owned by the City Administration. A Board of Directors manages the

organization. The mandate of the organization has also increased to include a wholesale business, while for a long time it had been confined to providing drugs and medical supplies at retail basis to the end user customers.

In line with national health policy directives, the organization provides credit-based pharmaceutical services to beneficiaries of the community-based health insurance program, currently covering 111 districts and 98 health centers in Addis Ababa. This initiative is a key component of the government's broader efforts to support vulnerable populations by ensuring access to essential medicines. Additionally, the institution extends long-term credit sales services to over 300 government and non-government organizations, strengthening institutional healthcare delivery and enabling continued access to medical supplies.

Despite the success of KPE in many areas, the situational analysis indicates that the organization faces major challenges that hinder its growth and service delivery. These include outdated manual operations lacking modern technology, which delays procurement, inventory management, and financial reporting, thereby weakening relationships with suppliers and credit customers. The enterprise also struggles with cash flow due to low profit margins (capped at 20%), inadequate capital for expansion, and dependence on credit-based procurement. Inefficiencies in centralized procurement result in frequent stockouts across branches, many of which were opened without proper feasibility studies. The organization contends with high employee turnover driven by uncompetitive salaries, lack of motivation, and limited career incentives. Structural issues like poor infrastructure, insufficient training, lack of clear operational manuals, and changing leadership further exacerbate its inefficiencies. Despite an increasing number of branches, many remain under-resourced, limiting profitability and compromising service accessibility.

KPE envisions to be a leading supplier of drugs and medical equipment that fulfill the needs of the city residents in the drug retail business. The mission of the enterprises is to provide the necessary medicines and medical equipment in type, quantity, and reasonable price, for the wellbeing of the community in coordination with other medical service organizations in a manner which promotes its performance & profitability. Therefore, it became necessary to formulate a 7 years roadmap for the organization to achieve its missions, based on rigorous study. To this end, the Addis Ababa City Administration Public Enterprises Administration Authority, mandated to support and oversee public enterprises under the City Administration, has commissioned Addis Ababa

University, College of Business and Economics, to develop a strategic roadmap for Kenema Pharmacies Enterprise. This new plan will serve as a guiding document for KPE's transformation into a high-performing, socially responsible enterprise.

3.2. Legal Structure and Governance

Kenema Pharmacies Enterprise was previously accountable to the Office of the Mayor of the Addis Ababa City Administration, and in 2024, the city administration issued a proclamation to re-determined the powers and functions of the executive bodies, and KPE was made accountable to the Addis Ababa Public Enterprise Administration Authority, which is an authority mandated to oversee all public enterprises in the City Administration. The City Administration appoints the board of directors that govern KPE.

On the other hand, a range of regulations have been developed and approved by the appropriate authorities to support the organization in fulfilling its mandates effectively. These include Proclamation No. 31/2002 and AACA regulation No.175/2024, which outlines KPE's functions and mandates; as well as guidelines on drug procurement, supply and distribution of medicines and medical equipment, financial management, and human resources management. There are also other guidelines covering labor union agreements, internal regulations for executives, executive recruitment and selection procedures, and performance appraisal and recognition systems. All of which, help to standardize operations and ensure accountability across the organization. In addition to these guidelines, KPE follows regulations established by the Ethiopian Food and Drug Authority (EFDA) for its professional operations.

3.3. Services Provided by KPE

Kenema Pharmacies Enterprise (KPE) is engaged in a broad range of activities aimed at improving access to affordable and essential medicines, particularly for low-income communities and community health insurance beneficiaries. It provides retail services across its growing network of branches, while also delivering long-term credit-based pharmaceutical services to over 300 institutions. KPE is expanding its role from purely retail to include ambitions for wholesale, import, manufacturing, and e-pharmacy services. Though KPE is currently operational primarily in the retail business it is also taking steps to engage in whole sale and import of medicine and medical equipment to improve its supply chain. The organization has also taken steps to modernize

its manual based operations through initiatives like introducing ERP systems, training employees, and revising key legal and operational frameworks. KPE also supports public health efforts by providing preventive supplies during health crises like COVID-19 and actively works with government bodies, suppliers, and insurance companies. Despite financial constraints, KPE remains committed to its social mandate and is working to improve service accessibility, operational efficiency, and self-sustainability through this seven-year strategic roadmap.

3.4.SWOT Analysis

3.4.1. Internal Environment Analysis,

This section focuses on the internal environmental analysis. The internal environment of the KPE was defined by a number of factors and circumstances, particularly those that are under the direct control of the organization and may be consistent with, or contradictory to, existing strategy, vision, and mission and core values.

3.4.1.1. Organizational Structure

When it comes to organizational structure and leadership, the organization is managed by a Board of Directors and its internal organization consists of one General Manager, two Deputy/General Managers; one Special Advisor to the General Manager, 1 Chief Operating Officer, 11 Directors in two sectors of the organization, 11 Team Leaders, 4 Cluster Coordinators and 51 Pharmacies, totaling four senior managers and 76 managers at different levels. The current organizational structure developed in July 2024 aimed to address major issues encountered in the existing system, including unapproved roles, a misalignment between structure and workflow, lack of standardized procedures across departments, and management challenges caused by placing all pharmacies under a single directorate. Additionally, the structure was hindered by a shortage of skilled personnel, which affected operational effectiveness. However, implementation level of the new organizational structure and its success in solving the existing problems is not yet determined.

3.4.1.2.Human Resources

The current human resource structure of Kenema Pharmacies Enterprise includes 624 approved positions, with 580 of them filled, representing a 93% staffing rate. Of the filled positions, 34%

are male and 66% are female. While this coverage is generally acceptable, especially as workforce needs are expected to grow alongside the expanding number of pharmacies, there are notable challenges. Some departments lack adequate staffing, which undermines clear accountability and service delivery. Moreover, there are significant gaps in employee empowerment, including limited access to both short- and long-term capacity building training, minimal use of technology, and poor knowledge-sharing practices. High staff turnover driven by lack of competitive compensation leading to inadequate customer service systems, delays in filling vacancies, and a perceived lack of alignment between employees' interests and the organization's mission further weakens performance. These issues highlight deep-rooted human resource management problems that hinder the organization's ability to fully leverage its workforce.

3.4.1.3. Technological Infrastructure

Kenema Pharmacy Enterprise aims to enhance service delivery through technology that promotes speed, efficiency, and transparency. With modern systems in place, the organization seeks to minimize the misuse of medical resources, reduce operational costs, and improve customer convenience. One of its key initiatives is to implement mobile-based solutions that allow consumers to easily locate and access the medicines they need nearby. These advancements support KPE's goal of becoming a reliable, competitive, and profitable service provider.

However, despite these ambitions, significant technological gaps remain. The current lack of integrated digital systems has created vulnerabilities such as difficulty tracking expired medicines, fragmented information management, and increased risks of fraud and theft. The absence of a customer-facing digital platform has also caused inconvenience, while delays in workflow and poor communication from branch pharmacies contribute to employee fatigue and customer dissatisfaction.

The organization aimed to modernize its service delivery by implementing the Senate software system across all pharmacies. This system was designed to monitor the distribution and usage of medicines and medical equipment, and to allow users to locate needed medicines via their mobile phones. Initially, a pilot rollout was conducted in 12 branches between 2009 and the end of the

2014 fiscal year E.C. However, due to the contracted party's failure to deliver required documentation, the project was discontinued. A new agreement was then signed by the AACAO Office with Tech Ethio at the end of the 2014 fiscal year E.C to implement an ERP system. Despite a pilot being launched in one pharmacy, full implementation was stalled because the project was not completed within the agreed timeframe. Currently, in coordination with relevant stakeholders, the developer has been reorganized into smaller teams to finalize and submit the remaining deliverables within the revised deadline.

Some of the chain pharmacy operational technologies that can be suggested for use by KPE to modernize its operations include: Pharmacy Information System (PIS), barcode scanning, an integrated inventory control system, and Enterprise Resource Planning (ERP).

3.4.1.4.From Customers Perspective

Kenema Pharmacy Enterprise serves over two million customers in Addis Ababa and its surrounding areas. The high demand for services evidenced by the long queues at KPE branches reflects the community's trust and reliance on the organization. A recent feedback survey collected by KPE from its customers indicated important issues related to service quality and customer satisfaction.

Previously, there were customer concerns related to inconsistencies in medicine pricing across different Kenema branches. This issue was resolved by implementing a centralized procurement system through a transparent tendering process, which standardized prices across all outlets. Another ongoing concern is the inconsistent availability of medicines in the required quantity and quality. Although the enterprise is making efforts to address this gap, the national foreign currency shortage continues to hinder suppliers' ability to deliver on time. Because KPE often procures medicines on credit, suppliers prioritize customers who pay in cash, resulting in delays and partial fulfillment of supply agreements ultimately limiting KPE's ability to meet customer demand.

In collaboration with the national community health insurance scheme, KPE offers medicines to patients referred from government hospitals and health centers under a credit agreement. However, these patients are required to present specific documentation for service, and misunderstandings

about these procedures have led to customer dissatisfaction and complaints, including the misconception that KPE is denying service.

Additional challenges include operational limitations related to prescriptions and drug availability:

- KPE is contractually restricted from supplying brand-name drugs, yet doctors often prescribe them explicitly.
- Prescriptions that exceed 5,000 birr require prior authorization from the institution of the customer, causing delays.
- Staff handling and verifying prescriptions sometimes fail to identify brand-name discrepancies, or omit signatures and seals, resulting in service disruptions.

These issues frequently lead to customer complaints and frustration. To improve the customer experience, KPE should be committed to addressing these challenges by prioritizing service related feedback, streamlining processes, and leveraging modern technologies. So as to enhance satisfaction, reduce inconvenience, and maintain the trust and confidence of KPE's growing customer base.

3.4.1.5.Financial Overview

Kenema Pharmacy Enterprise is fully self-financed and manages its expenditures based on revenue collected within each fiscal year. Capital budget planning and implementation are directly tied to performance; in years of higher revenue, the organization allocates greater resources for capital expenditure to meet its strategic goals and execute planned activities. This approach is adopted to supports both the sustainability and operational success of the enterprise.

Revenue Sources and Financial Model: KPE's primary revenue comes from the sale of medicines and medical supplies. While it was originally set up as a public service entity with limited profit intention, its pricing strategy allows a maximum markup of 20% on merchandise, sometimes even operating at zero profit for specific essential drugs. This rigid pricing cap severely limits the organization's ability to cover operational and administrative costs.

Despite serving over 2.5 million insured users and expanding to more than 50 branches, KPE's revenue has not kept pace with its operational costs. It relies heavily on credit sales (around 70% of all sales), particularly through government and institutional insurance schemes, which delays cash inflow and exacerbates liquidity challenges.

Profitability Constraints: The 20% profit margin ceiling, unchanged for decades, does not consider hidden costs like prescription receipt issuance, packaging, or transport. Many branches, especially new ones, operate at a loss due to insufficient demand assessments and rising overhead costs. Internal inefficiencies and lack of cost-control measures further dilute profitability.

Liquidity and Vendor Dependence: Because of low liquidity, KPE depends entirely on credit-based procurement from a small pool of large, tolerant vendors. Payment cycles for suppliers are delayed by 6 to 7 months due to slow manual financial processing, which reduces vendor confidence and limits competitive sourcing.

Financial Management Systems: All financial transactions are recorded manually. With over 10,000 daily transactions, this not only slows down data processing but creates bottlenecks in reconciliations, vendor payments, credit collections, and financial reporting. The lack of integrated financial technology makes it difficult to track and manage stock, costs, and performance effectively.

Capital Limitations: KPE lacks the financial capacity to invest in new business lines such as wholesale, importation, or manufacturing. Its expansion has been primarily driven by government provision of low-rent premises, not strategic market opportunities. Moreover, the absence of owned warehouses and centralized inventory limits resource allocation efficiency.

In summary while the recent restructuring and reforms under the Addis Ababa City Administration Public Enterprises Authority and the introduction of ERP systems signal intent to improve financial governance, the continued use of outdated pricing policies, manual financial system and lack of capital investment remain significant obstacles to long-term financial sustainability.

3.4.1.6.Operational Efficiency

KPE's logistics and distribution operations face significant structural and procedural inefficiencies that hinder both service quality and profitability. Although the enterprise has expanded rapidly in physical coverage, growing to over 50 branches across Addis Ababa, its backend logistics systems have not kept pace with this growth.

1. Centralized Procurement and Delayed Delivery Procurement for all branches is now centralized at the head office, a shift intended to improve control and standardization. However, this has introduced long lead times, averaging up to three months from order to delivery, which frequently leads to stock outs of essential medicines. While centralization enhances oversight, it has reduced flexibility and responsiveness at the branch level.
2. Lack of Technology and Inventory Traceability KPE operates without a real-time digital inventory system. Inventory flow is monitored only once annually during fiscal audits, making it impossible to proactively manage supply or identify imbalances between branches. As a result, expired medicines in one branch may go unused while others suffer shortages. This also limits accountability and transparency in the supply chain.
3. *No Central Warehouse or Logistics Infrastructure:* The enterprise does not have a central warehouse or distribution fleet. Branches receive deliveries directly from vendors or through fragmented internal dispatches, adding complexity and inconsistency. The lack of cold-chain or controlled storage further undermines medicine quality and regulatory compliance.
4. *Manual Distribution Processes:* All logistics and distribution records are managed manually, which slows down data processing, impedes stock-level visibility across the network, and causes delays in restocking decisions. These bottlenecks reduce operational agility and increase overhead.
5. *Geographic Expansion without Operational Readiness:* Many newly opened branches were launched without comprehensive feasibility studies. Consequently, these locations often lack the infrastructure, staffing, and baseline demand to operate efficiently. This results in underperformance and high operational costs that strain KPE's already limited logistical capacity.

3.4.1.7.External Environment Analysis

i. Prospects of the Organization

Kenema Pharmacy Enterprise enjoys a number of strategic advantages that position it for continued growth and service enhancement. As the only government-owned pharmaceutical provider dedicated to serving the residents of Addis Ababa and its surrounding areas, KPE holds

a unique and trusted place in the healthcare landscape. It is widely recognized and preferred by the community, as well as by governmental and non-governmental organizations, in comparison to the many private pharmacies operating in the city.

There are significant opportunities to expand the pharmacy network to improve accessibility across all districts. This is further strengthened by the commitment of the Addis Ababa City Administration and its sub-city and district-level offices, which continue to provide policy and logistical support to help modernize and scale the enterprise's service delivery.

Additionally, strong collaboration with the Ethiopian Pharmaceutical Supply Services (EPSS) ensures a reliable flow of medical supplies and pharmaceuticals—an essential foundation for maintaining service quality and availability. These favorable conditions create a promising environment for KPE to enhance its operational capacity, broaden its impact, and further strengthen its role as a reliable and efficient public health service provider.

ii. PESTEL Analysis

In this section, PESTEL analysis of Kenema Pharmacy Enterprise (KPE) based on the primary and secondary data collected from different sources is presented.

Political Factors

- *Public Ownership & Support:* KPE is a government-owned enterprise, established through nationalization and later restructured by city administration regulations. This political backing provides stability and access to resources, such as shop spaces and infrastructure.
- *Regulatory Oversight:* The enterprise operates under the supervision of the Public Enterprise Administration Authority, which shapes accountability, governance standards, and compliance expectations.
- *Health Policy Alignment:* Its role in supporting national community health insurance and supplying medicines during public system shortages underscores its alignment with government healthcare goals.

Economic Factors

- *Revenue Growth & Self-Financing:* KPE has recorded an average annual revenue growth of 40% over five years, and operates fully from internal revenue—allowing flexible budget planning based on financial performance.
- *Currency Shortages:* Ethiopia’s ongoing foreign exchange constraints hinder the procurement of medicines, especially since KPE buys on credit and is deprioritized by suppliers who prefer cash payments.
- *Price Sensitivity:* As a community-focused provider, KPE must keep medicines affordable for a population with limited disposable income, impacting profit margins.

Social Factors

- *Trust & Preference:* KPE is highly trusted and preferred by the public and institutions alike, owing to its equitable pricing and wide reach.
- *Customer Base:* Serving over two million customers, demand is high, but long queues and service delays reflect pressure on operational capacity.
- *Health Accessibility:* As a bridge between public health institutions and the community, especially for those on insurance, KPE plays a vital role in ensuring accessible medicine distribution.

Technological Factors

- *Digital Transformation in Progress:* KPE is actively transitioning to a tech-supported service model using computer-based systems across its pharmacies.
- *Current Gaps:* Lack of real-time data, outdated inventory tracking, and the absence of customer-facing mobile tools have exposed the organization to inefficiencies, fraud, and customer dissatisfaction.
- *Future Opportunities:* Adoption of mobile applications, e-prescription systems, and centralized inventory management will enhance transparency, service speed, and customer experience.

Environmental Factors

- *Urban Expansion:* Addis Ababa's population growth and infrastructure development offer opportunities to expand KPE's retail footprint.
- *Drug Storage & Disposal:* Ensuring proper storage for temperature-sensitive medicines and managing expired or unused drugs are ongoing environmental responsibilities.
- *Energy Reliability:* Consistent power supply is necessary to maintain quality storage conditions, especially for sensitive medical supplies.

Legal Factors

- *Prescription Regulation:* Limitations around brand-name medications, prescription protocols, and thresholds for expensive drugs create legal and operational complications.
- *Pharmaceutical Procurement Laws:* KPE must adhere to government procurement procedures, which can delay fulfillment timelines but ensure price transparency and fairness.
- *Labor & Accountability Standards:* As a public enterprise, it is held to higher standards of accountability in staffing, service delivery, and anti-corruption compliance

▪ SWOT Analysis Summary

Table: 2-1, Summary of SWOT analysis for KPE

Strengths	Weaknesses
➤ Widespread access and strong public trust.	➤ Outdated manual systems and limited digital integration
➤ Support from city administration, EPSA, and insurers.	➤ Cash flow constraints and delays in receivables collection
➤ Service commitment with extended hours and affordability focus.	➤ Low salaries, limited training, and high staff turnover

- | | |
|--|---|
| ➤ Governance improvements and ethical enforcement actions. | ➤ Procurement delays and poor inventory coordination |
| ➤ Ongoing efforts to modernize and fill key vacancies. | ➤ Weak internal controls and fragmented implementation of reforms |

Opportunities

Threats

- | | |
|--|---|
| ➤ Expansion into wholesale, importation, manufacturing, and e-pharmacy | ➤ Unsustainable pricing model amid rising costs |
| ➤ Supportive legislation and decentralized health governance | ➤ Foreign exchange shortages and macroeconomic instability |
| ➤ Growth in ICT infrastructure and access to tech solutions | ➤ High cost and limited availability of IT skills |
| ➤ Economic growth, skilled labor pool, and rising urban demand | ➤ Resistance to centralization and weak stakeholder coordination |
| ➤ Strong public trust and cohesive, diverse urban society | ➤ Environmental compliance risks due to inadequate waste and pollution management |

Source: own construction based on the reviews

3.5.Assessment of Legal, Institutional, and Policy Frameworks

3.5.1. . Legal Mandates and Expansion of Scope:

Historically, Kenema Pharmacy Enterprise (KPE) was legally mandated to operate solely as a retail pharmacy service provider under the Addis Ababa City Administration. This limited scope forced reliance on external wholesalers for pharmaceutical supplies, constraining both operational flexibility and public service efficiency. However, under Regulation No. 175/2024, KPE has been formally re-established as a public development enterprise with an expanded mandate. Legally, KPE is now authorized to engage in:

- Importation of medicines and medical equipment,
- Wholesale distribution of pharmaceuticals and devices, and

- Retail operations through its pharmacies and medicine stations.

KPE management has also secured preliminary legal authorization to explore pharmaceutical manufacturing as a future strategic direction. Nevertheless, specific operational guidelines, regulatory protocols, and investment frameworks for launching manufacturing activities have not yet been developed. Therefore, while manufacturing is part of KPE's long-term vision, the enterprise has not yet operationalized this function.

3.5.2. Procurement Regulations and Operational Flexibility:

KPE, as a public enterprise, operates under Ethiopia's public procurement framework, which mandates that all purchases of consumables and capital goods be conducted through competitive bidding processes. This system is designed to promote transparency and deter corruption, aligning with national financial accountability goals. However, this model introduces considerable delays, particularly in emergency procurement or for frequently consumed items. The bureaucratic nature of the bidding cycle often leads to stockouts, undermining KPE's market responsiveness and limiting its ability to meet real-time public demand, especially compared to private sector pharmacies that can procure directly from suppliers.

To mitigate this challenge, KPE's Board approved an internal procurement directive allowing the enterprise to:

- Increase purchase quantities by up to 40% from an existing bid-winning supplier without restarting the bidding process.

While this is a critical efficiency reform, KPE recommends that national procurement policies be further revised to:

- Allow direct purchasing in urgent or exceptional cases,
- Introduce flexibility clauses for public health enterprises operating in volatile or time-sensitive supply environments.

These proposals align with HSTP II, which advocates for procurement agility, pooled purchasing, and demand-based supply chain planning.

3.5.3. Pricing Policy and Financial Viability

KPE operates under a fixed 20% mark-up pricing policy for pharmaceutical products, a policy in place since 1975 E.C. (1983 Gregorian calendar). While this approach ensures medicine affordability for low-income populations, it significantly restricts KPE's ability to generate surplus revenue, reinvest in infrastructure, expand its network, and sustain long-term operational viability.

In contrast, institutions like Health centers operate under a 25% markup policy. Given rising costs and KPE's expanding role, the enterprise recommends revising the mark-up rate or offering targeted subsidies or working capital loans from the Addis Ababa City Administration.

These recommendations are consistent with the Health Sector Development and Investment Plan (HSDIP 2024–2026), which prioritizes sustainable supply systems and innovation in public health financing.

3.5.4. Policy Engagement and Reform Feedback

KPE maintains regular engagement with the Addis Ababa City Administration, EFDA, the Ministry of Health, and City Council Committees. These engagements provide a platform for submitting reform proposals and operational feedback. However, policy responses are often delayed due to legislative backlogs, which hamper timely implementation. KPE advocates for structured, time-bound, and transparent policy response systems to improve collaboration between implementers and regulators.

3.5.5. Alignment with National Frameworks and Strategic Health Plans

KPE's activities are aligned with Ethiopia's Health Sector Transformation Plan II (HSTP II) and the Health Sector Development and Investment Plan (HSDIP 2024–2026). These plans prioritize strengthening pharmaceutical supply chains, promoting local production, enhancing regulatory oversight, and expanding access to affordable, quality-assured medicines. Additionally, KPE complies with ES 7084:2024, which sets national pharmacy standards covering facility design, staffing, equipment, and service protocols. Compliance is maintained through regular audits and internal monitoring. Through these alignments, KPE reinforces its role in achieving equitable and resilient healthcare service delivery.

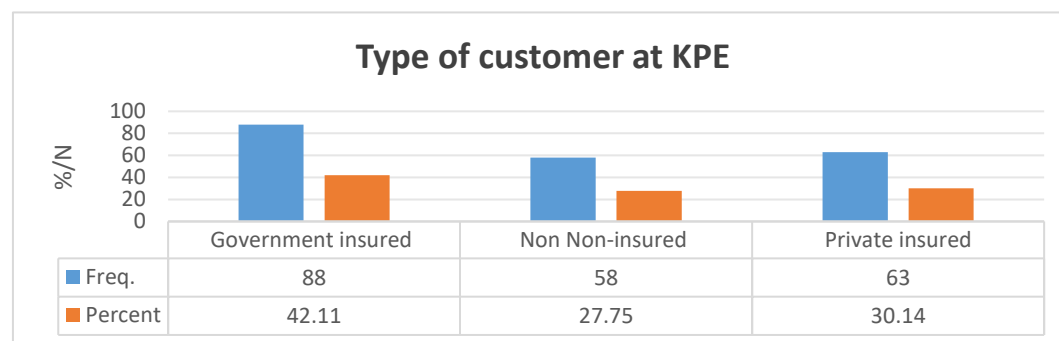
4. Performance Analysis of Kenema Pharmacy Enterprise (KPE)

4.1. Assessment of KPE's Current Performance/Status

KPE's mission is to provide safe, effective, and affordable medicines to Ababa Ababa city residents and the surrounding. It operates in a network of pharmacies categorized into Class A, B, and C, serving an average of 1,848, 900, and 587 customers weekly, respectively. These figures indicate high service demand but also staffing pressure, especially in Class A branches.

KPE plays a vital role in community health but is constrained by under-utilization, limited branch coverage, and outdated systems. The average dispensing time is only 1.6 minutes, and the customer-to-staff ratio is high (up to 61:1 in Class A branches), indicating service strain. Dispensing time averages 1.6 minutes (96 seconds) per customer, which is below WHO's recommended standard for patient counseling. The manual inventory systems dominate operations, leading to inefficiencies in stock tracking and drug availability. Moreover, branch coverage is insufficient to meet Addis Ababa's growing population needs. Most respondents in a 2023 study agreed on the urgent need for expansion (Amare, 2023).

Figure 4.1: Type of KPE's Customer



Source: Own survey, 2025

Figure 4.1 shows that 42% ,and 28% of the customer are categorized as government and private insurance based client respectively.

While evaluating the current **service delivery of KPE**, previous studies show high demand but also highlight under-utilization of community pharmacies in Ethiopia, suggesting room for expansion and efficiency gains. **In terms of inventory management, relying manual systems**

have led to inefficiencies in tracking drug flow and availability. A proposed Pharmaceutical Products Traceability Management System (PPTMS) aims to address this by automating inventory and recall processes can improve its operation.

Table 4.1: Rating the Importance of KPE's Expanding New service/product and branch by customers' Opinion

Potential new product /service, expansion of new Branch	New Product, Service/Branch Need				
	Highly unnecessary	Not necessary	Neutral	Necessary	Highly Necessary
Chronic Disease Management Programs	3.35%	0	4.78%	36.02%	55.02%
Wellness and Preventative Health Services	3.35%	1.91%	2.39%	29.19%	63.16%
Expansion into Underserved Areas or opening new branch	3.35%	3.35%	6.22%	33.97%	53.11%
Partnerships with Healthcare Providers	6.70%	4.78%	10.53%	32.54%	45.45%
Mobile Pharmacy Services	6.22%	0.96%	11%	31.10%	50.72%
Online Pharmacy Service	3.35%	20.10%	22.01%	26.32%	28.23%
Specialty Pharmacy Branch	3.35%	31.10%	24.88%	15.79%	24.88%

Source : Own survey, 2025

The recent survey by the study team on KPE's customer also asserted the need of expansion of new product /service, and new branch. As it is indicated in Table 4.1, about 87% of the respondent show an interest of KPE's expansion into undeserved areas or opening new branch. Moreover, more than 80% of the customer considered in this survey responded that opening of mobile pharmacy services is highly important. Majority of the respondent also stated that starting of online pharmacy service and mobile pharmacy services is highly recommended to function.

Employees' motivation and incentive at KPE is a critical factor influencing service quality and operational efficiency.

The Table 4.2 summarizes survey result on employee feelings using various operational and strategic indicators using a Likert scale. The metrics reflect views on internal service quality, satisfaction, retention, productivity and the service value from employee angles.

Table 4.2: Rating Employee Opinion with KPE Experience (Mean)					
Indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Internal Service Quality	8.34%	21.21%	17.67%	40.25%	12.53%
Employee Satisfaction	7.11%	23.52%	22.82%	39.55%	8.30%
Employee Productivity & Retention	7.11%	17%	22%	39.85%	13.93%
Service Value	5.18%	14.67%	18.37%	45.78%	15.90%
Customer Satisfaction (for employees)	6.52%	20.30%	20.30%	42.96%	9.93%
Customer Loyalty	8.15%	16.89%	18.52%	41.18%	15.26%
Profitability (for management/staff aware of financial)	6.81%	18.51%	20.39%	41.87%	12.66%
The need of Kenema Pharmacy Enterprise(KPE) Expansion	6.52%	19.11%	19.26%	44.59%	10.52%

Source: Own Survey, 225

As it is displayed in Table 4.2, on average about 48% of employees considered under this survey expressed their moderate satisfaction working at Kenema Pharmacies Enterprise while over 30% report dissatisfaction. This suggests room for morale improvement. Majority of them (about 43%) of those respondents also view positive the internal service quality in terms of the availability of tools and resources, training, supportive internal process system, and communication at KPE. However, almost 30% express some discontent. With respect to response on employee productivity and retention, positive perception (about 54%) dominates, indicating effectiveness in workforce management.

The response on service value at KPE shows highest positive rating; staff recognize the value of services delivered to clients. Most of the employees have fairly strong perception that KPE meets client needs, with minimal negative feedback. They have also strong belief in client loyalty, suggesting sustained service impact. Moreover, financial performance is relatively well-understood and positively perceived. Furthermore, employees largely support enterprise growth, suggesting internal endorsement of scaling (see Table 4.2).

Evaluating the KPE's performance efficiency using customer's experience is also performance measurement assessment. KPE serves more than two million customers in and around Addis Ababa city (KPE, 2016). Customers wait in long queues at KPE's busy pharmacies and receive service when they arrive, which clearly shows the customer's trust in KPE.

One of the first complaints raised by the customer was why the same medicine should have the same price at different pharmacies in Kenema. The complaint was completely resolved by having the medicines purchased at a single center through a tender process.

Another source of consumer complaints is the inability to continuously supply medicines in the right quantity and quality. Although efforts are being made to resolve this complaint, due to the current currency shortage in the country, suppliers are unable to supply medicines in the right quantity and quality. Since KPE purchases medicines on credit, suppliers give priority to those who buy them in cash. Therefore, the medicines they won in the auction were not fully supplied to KPE on time and in accordance with their contract. Therefore, it was not possible to fully meet the consumer's supply needs.

Table 4.3, which reflects customer perceptions of their experience with Kenema Pharmacy Enterprise (KPE) across key performance indicators such as service quality, perceived value, customer satisfaction, and customer loyalty.

Table 4.3 : Rating Customer Opinion with KPE Experience (Mean)					
Indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Service Quality	4.23%	18.45%	20.34%	35.15%	21.83%
Perceived Value	1.00%	7.65%	13.88%	51.39%	24.50%
Customer Satisfaction	0.29%	6%	16%	48.61%	30.05%
Customer Loyalty	0.38%	9.76%	18.28%	44.79%	26.81%

Source: Own Survey, 2025

With respect to evaluating service quality at KPE, a solid majority(57% of the respondents) appreciate the quality of service, though 1 in 5 remain neutral—suggesting opportunity for consistency and clarity. Besides, most of the respondent customers believe that they receive good value which shows KPE's strongest area of performance.

According to the data in Table 4.3, over 70% of respondents are satisfied with the service provided by Kenema Pharmacies Enterprise. Notably, 81% of these customers believe that the services exceeded their expectations, while 80% report a positive experience with KPE. This implies that the highest-rated dimension shows strong service alignment with customer expectations. However, there are areas we can improve.

About 60% of respondents disagree with the statement that Kenema Pharmacies Enterprise offers good value for money. Still, a significant 87% of customers feel that the prices they paid were fair for the services received. Additionally, when compared to alternatives, 79% of respondents indicated that Kenema Pharmacies Enterprise provides better value. These findings show KPE's strengths and areas where it can grow in its services and pricing strategies(see Table 4.3).

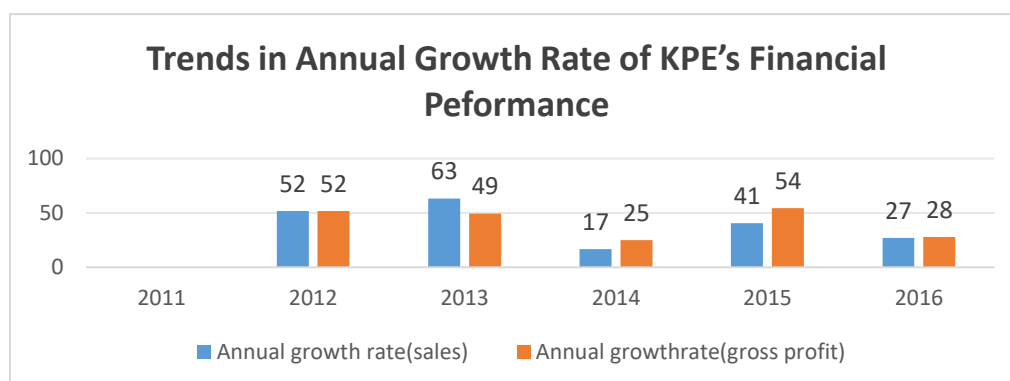
With respect to customer's loyalty, Table 4.5 show that of our recent survey, 76% of respondents said they would choose Kenema Pharmacies' services again. Additionally, 80% of these customers felt a strong connection and loyalty to our products and brand. It is also important to note that 76% of respondents said they are likely to prefer Kenema Pharmacies to competitors in the future. These statistics highlight the positive view and loyalty our customers have built toward KPE, which is crucial for our continued success and growth. This strong levels of loyalty helps to builds long-term trust in KPE's offerings

When the community health insurance beneficiaries do not receive medicine from government hospitals and health centers, KPE provides the service based on the credit sales agreement. When the customers are sent to Kenema pharmacies, they must bring the information that must be submitted according to KPE agreement. In addition to causing inconvenience to the customers, it is observed that they file complaints against KPE, thinking that KPE has denied them the service. Among these operational gaps, our organization does not handle brand-name medicines, which is limited by contract.

4.2. Assessment of KPE's Financial Performance

KPE's financial performance, especially in terms of revenue performance for the past five years (2012-2016 EC), has recorded an average annual growth of 40%. The growth rate recorded in each fiscal year is 52% in the 2012 fiscal year compared to the 2011 fiscal year; 63% in 2013 compared to 2012; 17% in 2014 compared to 2013; 41% in 2015 compared to 2014; and 27% in 2016 compared to 2015.

Figure 4.4: Trends in Annual growth rate of KPE's Financial Performance



Source: KPE, 2017 E.C

Similarly, the gross profit performance has recorded an average annual growth of 42%. The growth rate recorded in each fiscal year is 52% in the 2012 fiscal year compared to the 2011 fiscal year; The increase in 2013 from 2012 was 49%; 2014 from 2013 was 25%; 2015 from 2014 was 54%; and 2016 from 2015 was 28%.

Table 4.4: Financial Performance Report (2011-2016 EC)

No	Major tasks	2011	2012	2013	2014	2015	2016
1	Sales	248,564,827	377,502,681	615,936,289	718,781,014	1,010,937,947	1,282,777,880
2	Purchase	228,518,603	374,963,117	519,066,632	630,866,500	890,311,265	1,088,868,731
3	Gross Profit	40,540,802	61,473,751	91,858,108	114,690,527	176,955,459	226,110,667
4	Total expense	23,723,785	47,009,970	89,275,937	108,286,269	128,740,186	208,290,463

7	Net profit	17,281,764	15,199,522	3,223,781	7,021,724	49,279,096	20,121,936.5
8	Tax	5,184,529	4,686,131	1,109,938	2,263,914	14,783,729	6,036,580.95
9	Profit after tax	12,060,947	10,513,391	2,113,843	4,757,810	34,186,459	13,381,087.77

Source: KPE, 2017 E.C

Regarding expenditure performance, the organization is self-managed from its internal revenue and its expenditure is planned and implemented based on the revenue received in each fiscal year. Therefore, when better revenue is available, the organization has made efforts to allocate a budget that can implement the objectives and activities planned for the fiscal year and implement the activities in accordance with the action plan. (KPE, 2017 E.C).

With respect to the sustainability outlook, despite the dip in net profit, KPE is on a path of balanced growth. The institution's ability to grow revenues and assets, while reversing operating cash flow from negative to positive, signals robust operational recovery (for details, see Table 4. 6: KPE – Financial Snapshot & Sustainability Metrics, in the Annex). The steep rise in reserves strengthens financial cushioning—vital for strategic investments, future uncertainties, or scaling pharmaceutical equity initiatives. To enhance long-term sustainability, however, administrative cost optimization and strategic reinvestment of earnings should be key priorities.

4.3. Job Creation Performance of KPE

Kenema Pharmacy Enterprise (KPE), as a significant public healthcare provider in Addis Ababa, plays a role in job creation within the city's health sector. KPE directly employs a substantial number of pharmacists and druggists to staff its various branches. Beyond direct pharmaceutical roles, KPE employs a range of support staff essential for its operations. Currently, KPE has 53 pharmacies branches in Addis Ababa. As of April 2023, KPP has about 548 permanent employees. According to the data from the human resource department, there are about 304 pharmacy personnel's, working mainly in different branches of the enterprise.

In nutshell, KPE is a direct employer across various roles, from highly skilled pharmacists to administrative and support staff. Its potential for future job creation is directly linked to its capacity

and plans for expanding its network of branches to better serve the needs of Addis Ababa's growing population. KPE contributes to employment through its branch network, but expansion is needed to significantly impact job creation. Digitization and new branches could create roles in IT, logistics, and customer service.

4.4. KPE's Infrastructure (physical and marketing)

Kenema Pharmacy Enterprise (KPE) is a vital part of the public health infrastructure in Addis Ababa. As a government-owned entity, its infrastructure is designed to serve the broad public interest in providing accessible and affordable medicines.

More than 60% of the respondent of KPE's employee rates the existing energy/power, storage facilities and communication infrastructural facilities as poor. Similarly, other facilities like ICT, consultation rooms, waiting areas, rest room, staff facilities and technology equipment are highly constraint for KPE's employees (See Table 4.5).

Table 4.5: Rating Infrastructure Facilities at KPE by Employees

Infrastructure type	Availability			Accessibility		Quality		
	Poor	Adequate	Excess	Difficult	Easy	Poor	Average	Excellent
Energy/power	59.26%	32.59%	8.15%	60.74%	39.26%	56.30%	31.11%	12.59%
Storage facilities	63.70%	25.93%	10.37%	68.89%	1.11%	57.04%	34.07%	8.89%
Communication	65.19	28.15%	6.67%	64.44%	35.56%	52.59%	40%	7.41%
ICT	37.78%	50.37%	11.85	48.89	51.11%	28.89%	54.81%	16.30%
Consultation rooms	42.96%	48.89	8.15%	46.67%	53.33%	31.11%	53.33%	15.56%
Waiting areas	34.81%	48.89%	16.3	40%	60%	26.67%	51.85%	21.48%
Restroom	57.78%	35.56%	6.67%	57.04%	42.96%	51.85%	41.48%	6.67%
Staff facilities	68.89%	24.44%	6.67%	64.44%	35.56%	57.78%	33.33%	8.89%
Technology equipment	48.15%	40%	11.85%	54.07%	45.93%	45.93%	42.22%	1.85%

Source: Source: Own survey, 2025

KPE's infrastructure reflects its mission as a public pharmacy. Its physical infrastructure focuses on accessibility and supply chain management, while its "marketing" is largely embedded in its public service mandate of providing affordable and quality healthcare. There's an apparent need for modernization and expansion, particularly in its physical reach and digital integration, to better serve the growing population of Addis Ababa.

KPE is public trust, affordability, and government support. It rely on manual inventory systems, limited digital infrastructure, and low staff motivation. There is expansion potential, digital transformation (e.g.,Pharmaceutical Products Traceability Management System,PPTMS), and partnerships with academic institutions. KPE has supply chain disruptions, regulatory bottlenecks, and funding limitations. Regulatory delays, supply chain bottlenecks, and budget constraints are considered as threats for KPE.

In order to modernize the service delivery through technology, all pharmacies are expected to use computer-based software to monitor the distribution and use of medicines and medical supplies, and to enable the user to easily find the medicine they need using their mobile phone from anywhere. However, a pilot implementation was implemented in only 12 pharmacies from 2009 EC to the end of the 2014 EC fiscal year. However, the contract was terminated due to the failure of the contracted party to complete and deliver the system as required. At the end of the 2014 EC fiscal year, a contract was signed with a software development company called City Works Office Tech Ethio to implement the ERP System. However, a pilot implementation was implemented in only one pharmacy, but it was not possible to enter into full implementation due to the failure to complete the system within the given time frame. Therefore, by informing the relevant parties and conducting a joint review, the developer is being divided into work groups to complete and submit the project within the given deadline. If the project is not completed within the set time frame, special attention will be paid to the work of updating the service delivery using other options. (KPE, 2016).

4.5. KPE's Constraints to Existing Operations and Expansion

Kenema Pharmacy Enterprise (KPE), despite its crucial role in providing affordable medicines in Addis Ababa, faces several significant constraints that impact both its current operations and its ability to expand and better serve the community. These constraints can be broadly categorized:

A. Insufficient Branch Network and Physical Infrastructure

- **Limited Coverage:** A key finding from research (e.g., "Assessing the Need for Public Pharmacy Expansions: A Case Study on Kenema Public Pharmacies in Addis Ababa") consistently highlights that **"the number of branches is not sufficient to address the need of community's pharmacy service in Addis Ababa."** This means large parts of the city are underserved by KPE, forcing residents to rely on private, potentially more expensive, pharmacies or travel long distances. This facts also supported by recent survey conducted by the study team.
- **Suboptimal Existing Facilities:** Our survey on employee indicates that "the current practice and service of KPE needs to be renovated to fit with the 'good pharmacy practices' standards." This suggests that existing physical infrastructure may be outdated, lack proper layout for efficient service, or not meet modern quality standards for dispensing, counseling, and storage.
- **New Regulatory Hurdles for Expansion:** Recent national pharmacy standards introduced by the Institute of Ethiopian Standards (IES) and enforced by the Ethiopian Food & Drug Authority (EFDA) impose stricter requirements on new and existing pharmacies. These include **minimum floor space, dedicated areas, location criteria, additional facilities, high real estate costs.**

B. Supply Chain and Inventory Management Issues

- **Insufficient Stock and Stockouts:** Public sector pharmaceutical distribution systems in Ethiopia, which would include KPE, face challenges like "insufficient stock" and "stockouts." This directly impacts KPE's ability to provide a consistent supply of essential medicines.
- **Off-Schedule Deliveries:** Irregular or delayed deliveries from suppliers (like the Ethiopian Pharmaceuticals Supply Service - EPSS) can disrupt KPE's operations and lead to medicine shortages at the point of care.
- **Provision of Near-Expiry Products:** This is a significant concern in the pharmaceutical distribution system and can lead to wastage and compromise patient safety if not managed effectively.

- **Financial Constraints for Procurement:** "Finance-related constraints" are a major challenge, stemming from:
 - **Funding Uncertainties:** Delayed budget releases and uncertainty regarding allocated budgets for pharmaceutical procurement.
 - **Credit-Based System:** Health facilities often buy on credit from EPSS, leading to delayed payments back to EPSS, which in turn can create financial shortages for procurement.
 - **Hard Currency Shortages:** Ethiopia's heavy reliance on imported pharmaceuticals means a shortage of hard currency (forex) for imports is a critical bottleneck, directly affecting the availability and cost of medicines.
- **Poor Infrastructure in the Broader Supply Chain** impact the pharmaceutical supply chain in Ethiopia, potentially affecting KPE's inbound logistics.

C. Human Resources and Workforce Challenges

- **Shortage of Pharmacists:** Studies have highlighted a "shortage of pharmacists" as a major stumbling block for clinical pharmacy services in public hospitals, which can extend to public pharmacies like KPE. While KPE advertises vacancies, attracting and retaining a sufficient number of qualified professionals can be a continuous challenge.
- **High Workload:** The existing branches, given the insufficient number, likely face a high workload for their staff, potentially leading to burnout and impacting service quality.
- **Attitude and Skills Gaps (General Public Pharmacy Context):** While not specific to KPE, broader studies on pharmacy professionals in Ethiopia indicate issues like "lack of appropriate vision for professional development," "lack of communication skills of pharmacists," and "lack of managerial skills" which could hinder service improvement.
- **Understaffing:** Some public pharmacies might suffer from "inadequate staffing," which exacerbates workload issues and limits the time pharmacists can dedicate to patient counseling.

D. Operational and Managerial Inefficiencies

- **Underutilized Business Opportunity:** The study on KPE expansions concluded that KPE has an "underutilized business opportunity" and an "underrated community service role." This suggests that current operational models may not be maximizing KPE's potential.
- **Lack of Modern Systems (Historically):** The proposal for digitalizing "Kenema financial and management System" points to a historical reliance on manual systems, which are "inefficient and inaccurate," making it difficult to manage inventory, monitor drug status, and generate reports. While the system is proposed, its full implementation and effectiveness across all KPE branches would be crucial.

In essence, KPE faces a multi-faceted set of constraints ranging from fundamental infrastructure limitations and financial hurdles in procurement to human resource challenges and the broader complexities of Ethiopia's pharmaceutical supply chain and regulatory environment. Addressing these constraints will be vital for KPE to effectively serve its mission and expand its reach to the growing population of Addis Ababa.

5. Comparison and Benchmarking with Best Practice Organizations

This benchmarking report provides a strategic framework for the transformation of Kenema Pharmacy Enterprise (KPE) by comparing its structure, operations, and performance against exemplary models in the public and private pharmaceutical sectors. The benchmarking process involved a structured and iterative methodology for selecting high-performing and expanding pharmaceutical enterprises that operate with efficient systems and share similar institutional intentions as KPE. These included organizations that have demonstrated measurable improvements in supply chain resilience, customer service innovation, technology adoption, and financial sustainability. The analysis incorporates insights from Droga Pharmacy, the Ethiopian Pharmaceutical Supply Service (EPSS), and international pharmacy chains such as CVS Health, Boots UK, and Clicks Pharmacy. Drawing from structured focus group discussions (FGDs), key informant interviews (KIIs), institutional reports, and international grey literature, the report critically evaluates KPE against the existing Market actors and best practices around the world and proposes evidence-based improvements in supply chain management, governance, services, and retail operations.

The goal of this benchmarking analysis is to provide KPE with an actionable path to strengthen its retail, import, and wholesale business by adapting best practices from successful models. Key focus areas include evaluating supply chain performance, technology utilization, customer service standards, institutional governance, and operational efficiency. The report also examines the adaptability of advanced retail, import, and monitoring frameworks to KPE's context, ensuring the recommendations are feasible and data-driven.

5.1.Practice-Based Benchmarking:

5.1.1. Droga Pharmacy vs. KPE

The comparative analysis reveals major structural and operational differences between Droga and KPE. Droga benefits from technology-driven operations and customer segmentation, while KPE remains reliant on manual systems, lacks customer loyalty programs, and is burdened by low profitability due to policy-imposed profit caps. KPE's challenges include low staff motivation, inadequate supply chain infrastructure, and a lack of data integration.

Table: 5-1: Comparison of Droga pharmacy and KPE

Practice Area	Droga Pharmacy	KPE (FGD Insights)	Key Gaps
Retail Operations	Customer-focused layout, loyalty programs, extended hours	Limited hours, basic branding, manual service	No standard branding or customer incentive structure
Inventory Management	ERP-enabled tracking, expiry control	Manual stock counts, frequent shortages	Weak tracking and waste management
HR and Staffing	Incentivized and trained personnel	Underpaid, overstretched staff	high turnover
Import & Wholesale	Dedicated logistics and profit-driven	Vendor-dependent, credit-based procurement	No central warehouse, No capital investment model
Technology	Full ERP and CRM tools	Manual procurement and finance systems	No digital integration
Customer Focus	Loyalty cards, segmented services	Uniform treatment for all clients	No CRM or customer profiling system
Profitability	Flexible margins, high-volume sales	Fixed 20% profit cap	Unsustainable pricing model
Governance	Consistent executive leadership	Frequent leadership turnover	Lack of long-term strategic continuity

5.1.2. Benchmarking with EPSS

Institutional and Supply Chain Insights EPSS provides a relevant public-sector example of how to operate an integrated pharmaceutical supply network. It is structured around a centralized headquarters with 11 regional hubs and utilizes departments specialized in procurement, logistics, quality assurance, ICT, and business development. Its integrated LMIS platform allows real-time tracking of inventory, demand forecasting, and supplier performance monitoring. EPSS also utilizes a robust Monitoring and Evaluation (M&E) framework, with more than 300 indicators to guide institutional performance.

Table: 5-2: Comparison of EPSS and KPE

Benchmark Area	EPSS Best Practices	KPE Recommendations
Structure	Centralized HQ with decentralized hubs	Develop a Segmented service model with defined reporting lines for all the branches
Supply Chain	LMIS, pooled procurement, and quality assurance	Adopt LMIS and build forecasting capacity
Import Operations	WHO-GMP compliance, SOPs for customs	Create import protocols and supplier vetting SOPs
M&E System	Over 300 performance indicators	Establish a phased KPI system with dashboards and reporting tools

5.2. International Benchmarking:

Global Chain Pharmacy Insights: International retail pharmacy chains prioritize standardization, digital health tools, clinical services, and customer engagement through loyalty systems. For example, CVS Health integrates wellness services, vaccination, and MTM under one roof. Boots UK emphasizes online prescription services, and Clicks South Africa operates franchise models to expand reach. These global examples offer models for KPE to consider in the future.

Table: 5-3: Global Benchmark relevant for KPE

Practice Area	Global Benchmark	Relevance to KPE
Retail Design	Standardized formats, counseling rooms	Redesign stores for accessibility and privacy
Digital Services	Apps, refill reminders, e-consultation	Introduce mobile tools and online engagement
Clinical Services	MTM, immunizations, and screenings	Expand the service scope beyond dispensing

Practice Area	Global Benchmark	Relevance to KPE
Product Range	Wellness, beauty, and baby products	Diversify retail offerings
Expansion Models	Franchises and PPP in rural areas	Pilot public-private models in underserved regions

5.3.Best lessons for KPE

Based on this multi-tiered benchmarking assessment, KPE should prioritize the following actions:

- Modernize its retail environments by implementing standardized layouts, clear signage, and private counseling spaces to enhance customer experience.
- Introduce loyalty programs, customer feedback systems, and mobile-based communication tools to improve engagement and retention.
- Establish a dedicated import and wholesale directorate equipped with SOPs, vetted vendor lists, and a financial plan for capital investment.
- Implement a robust ERP integrated with LMIS for procurement, stock tracking, and financial management.
- Review the existing HR structure to introduce a performance-based incentive system, upgrade salary scales, and retain skilled professionals.
- Diversify services by adding clinical offerings such as MTM, compounding, and minor health screenings.
- Advocate for policy revision of the 20% profit margin ceiling to improve operational sustainability.
- Pilot regional expansion through PPP or franchise models in underserved urban areas.
- Institutionalize an M&E framework using EPSS templates and customize KPIs for regular performance audits.

In conclusion, Kenema Pharmacy Enterprise has a transformative opportunity to evolve into a high-performing, public pharmaceutical institution by adopting practices observed in Droga Pharmacy, EPSS, and international retail models. Transitioning from manual systems and constrained pricing to a dynamic, digital, and service-oriented structure will require institutional reform, capacity building, and sustained investment. The outlined benchmarking findings and strategic recommendations provide KPE with a concrete and adaptable roadmap for institutional excellence and national impact.

6. Development of Strategic Plan

6.1. Strategic Road Map Preparation Approach

By leveraging frameworks like the Service-Profit Chain, Net Promoter Score, and Mckinsey 7S Model, Ansoff's matrix, The Porter's Generic Strategies framework, Three Value Disciplines model, Business Model Innovation Framework, the project addressed structural inefficiencies and set a clear vision, mission, and strategic goals for the enterprise.

This report used **Gap Analysis** as a model to compare where KPE is now, where it wants to be, and how to bridge the gap between KPE's current and desired situations. A gap analysis is an examination and assessment of organizational current performance for identifying the differences between its current state of business and where it would like to be. It can be boiled down into a few questions:

- Where are we now?
- Where do we wish we were?
- How are we going to close the gap?

Gap analysis is also useful to identify specific internal deficiencies or resource constraints. The gap analysis is made as a means for suggesting improvements in the strategic map. However, some of the gaps may be solved using quick wins with no additional resources.

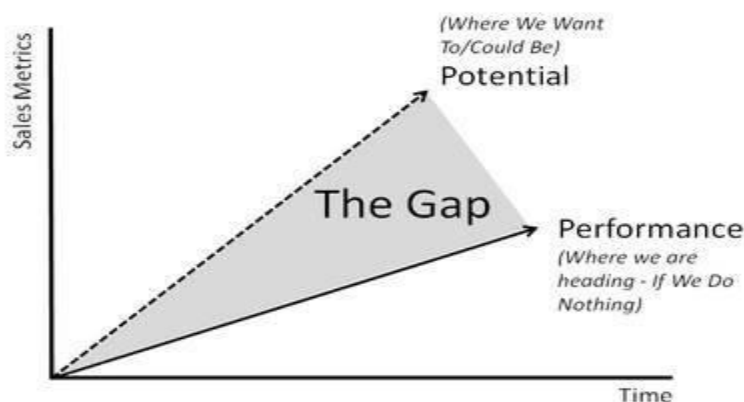


Figure 6.1: Gap analysis model

Using gap analysis tool and addressing gaps must be regular activity of KPE leaders. As strategy is formulated and implemented in a dynamic environment, leadership must have the learning ability to

identify and minimize impacts of threats, to seize and use opportunities, rely on strengths in market competition and remove weaknesses. Through time, strategy becomes a practice in KPE.

The subsequent parts of this subsection presents review of organizational vision, mission, core values and goals; the assessment of the existing corporate growth strategies, business model and marketing strategies; and the discussion of the identified major strategic issues. The review and assessment of existing strategic issues of KPE is followed by formulation of a 7-year strategic roadmap that will enhance the KPE performance in both service delivery and profitability. The proposed strategic roadmap aims to enhance KPE's performance in terms of operational efficiency, service delivery quality, customer satisfaction and profitability. The implementation of this roadmap ensures both the financial sustainability of the organization and service quality and accessibility to the community in Addis Ababa and beyond.

➤ **Major Strategic Issues of the Enterprise**

- Improving efficiency through automation of business process
- Improving attraction of talents, employee job satisfaction Motivation and retention
- Adopting innovative business solution that improve quality and customer satisfaction
- Improving collaboration and partnerships with strategic stakeholders
- supply chain management and ensuring reliable and fast supply of medicines and medical equipment
- Standardization of work process by properly following the established corporate governance, finance governance, and standard working manual for all core activities.
- Business/Service Diversification and Value Proposition: Expanding beyond traditional dispensing to provide a wider range of healthcare services.
- Financial Sustainability: Diversify revenue streams, strengthen cost recovery mechanisms, and explore PPPs in the future.

6.2. Review of the past Corporate Strategy

Kenema Pharmacy Enterprise had formulated a 10-year strategic plan in 2021 under Addis Ababa City Administration. The plan identified four strategic pillars.

- Increasing the organizational capacity through improving organizational structure, technology and human resources;
- Improving the good governance and service delivery of the organization;
- Combating the attitude and behavior of rent-seeking by actively involving the change army
- Establishing a strong monitoring and support system;

Though KPE's strategic plan is to be implemented until 2030, the changes in external and internal environments required a formulation of strategic map for the organization. Among external changes that required the revision of organizational strategy were the changes in legal framework that defines the organizational mandates, the change in supervisory authority that regulates the organization's activity and the policy changes in relation with development of homegrown economy policy demands a new strategic roadmap that guess organizational growth. Besides, these change in external environment, the organization has also undergone internal changes such as change of organizational structure, change of leadership that came with new vision, centralization of procurement practice. The cumulative effect of these changes demand KPE to formulate a new strategic roadmap.

The existing organizational plan did not set direction for growth of KPE, it has not set a business model and functional strategies such as marketing strategies that would enable exploiting opportunities for growth and ensuring sustainability of the organization. Moreover, the existing plan did not recognize KPE as business entity that needs some autonomy in its internal functioning. Rather the strategic plan emphasized the features of bureaucracy of the Ethiopian public sector organizations where strong monitoring and control were exercised to ensure political responsiveness instead of the business model of competitiveness, efficiency and innovation. The customers of the organization were not distinguished from public, not segmented according to their importance and their needs.

Increasing the implementation capacity was tried by enhancing technology, human resources, organizational structure. As part of improving good governance in service delivery, the existing plan required the supply of reliable, accessible, fair, efficient and effective pharmaceutical services and supply of medical equipment to the end users and tried to ensure customer satisfaction through establishing a governance system that attempt to promote transparency and accountability. The efficiency, effectiveness and fairness were also set as core values. The third pillar of the past strategy was combating rent-seeking attitudes and practices. The organizational strategy established to combat rent-seeking behavior was actively involving the public, identifying the practices that open the door to rent-seeking and ensure that the management and professionals are aware of them. The last strategic pillar was establishing a system for monitoring, support, evaluation and feedback, with the objective to ensure the sustainable plan implementation, explore strengths and cascades good experiences, correct weaknesses.

6.3. Vision, Mission, core Values and Goals

i. Vision

The organization had a vision to be the preferred service provider by 2017 by satisfying the needs of the community in supply of medicine and medical equipment.

Though it is good to be ‘a number one choice’ in providing services and products that satisfy the needs of the public, it is not important to delimit the vision with time limit. The organization can continue to be the preferred supplies of medicine and medical equipment over foreseeable future. It is also important to indicate areas where the organization can be more competitive in visioning the future of the KPE. KPE’s potential to ensure availability of products, accessibility of the organization to the wider communities, affordability of the products to a wide classes, high quality products, high quality service etc are very important to create public trust. Finally, indicating the solution that the customers will get from the existence of KPE is not communicated in the existing vision of KPE. Therefore, the following alternative vision is recommended.

Option -1: *“To be the trusted first choice of drug supply for our community, ensuring accessible to wide choice of medicines with affordable price and quality pharmacy services that improve every life we touch.”*

Option -2: *“To be Ethiopia’s most trusted and innovative pharmacy services provider/pharmaceutical enterprise/, delivering accessible, high-quality medical products and services through empowered people, strong supply chains, and digital transformation.”*

Option -3 *“To be the most trusted and innovative pharmacy services provider /pharmaceutical enterprise/, ensuring access to a wide choice of medicines with affordable prices and quality pharmacy services that improve every life we touch.”*

ii. Mission

To make medicines and medical equipment necessary for the health of the community are available to the user community in a coordinated manner in the local area in terms of type, quantity and reasonable price, and to be profitable and effective in its work.

The words such as “ in a coordinated manner in the local area” add no values.

The mission statement is revised to incorporate the new mandates of KPE that include import and wholesale.

“To ensure the supply of medicines and medical equipment necessary for the health of the community are sustainably available with adequate variety of brands, reasonable prices, and customer centered service delivery by professional with high ethical standards.”

III. Principles and Values

The organization had formulated the following values as guiding principles of its relationships with the stakeholders.

- ☐ Prioritizing the interests of the community,
- ☐ Honesty, integrity and honesty,
- ☐ Transparency, accountability and confidentiality,
- ☐ Law-abiding,
- ☐ Role model,
- ☐ Support
- ☐ Adherence to professional ethics,
- ☐ Readiness for change and
- ☐ Providing excellent service

The number of values were too many in number, they were ideas borrowed from highly politically dominated public bureaucracies. The organizational values of KPE overlook the fact that KPE's status of being an enterprise with huge professional responsibility. Thus, for the current strategic roadmap, the study team suggested the following values.

- ❖ Honesty and integrity
- ❖ Customer care first
- ❖ Adherence to professional ethics
- ❖ Excellence in service delivery
- ❖ Data-driven decision making
- ❖ Innovative

iii. Strategic Goals

1. Strategic Goal 1: Increasing Accessibility of community pharmacies to clients in Addis Ababa and surrounding areas.

Strategies

- Expanding KPE branches that will provide community pharmacies in business areas
- introducing convenient Omni-channel services to send medicine to those in urgent need in as fast as 30 minutes
- introduce online medical consultation services provided by a team of professional physicians
- increasing working hours to allow users to purchase pharmaceutical and healthcare products anytime and anywhere
- offering a wide product alternatives with affordable pricing

2. Strategic goal 2: stabilizing market by increasing supply of range of pharmaceutical and healthcare products

Strategies

- Continuously expanding availability of variety of drugs
- Offering high-quality pharmaceutical and healthcare products including Over-the-counter (OTC) medicines that can be sold directly to people without a prescription, prescription drugs, and medical devices, as well as health and wellness products.
- Engaging in import of medicines and medical equipment
- Engaging in wholesale of medicines and medical equipment
- Establishing warehouses and distribution of products

3. Strategic goal 3: To establish and develop strong partnership and networking with strategic stakeholders.

Strategies

- Establishing and cooperating with a supply chain network with leading pharmaceutical companies and healthcare product suppliers to maintain robust supply of products.
- Partnership with insurance and charity organizations to provide support for patients though financing healthcare services for patients with rare diseases
- Allowing third parties such as chain and independent pharmacies and suppliers to sell pharmaceutical and healthcare products through the platform and supplements the business of Kenema Pharmacy physically and online.
- Entering into cooperation with major regions on healthcare insurance payments.
- Partnering with hospitals and launching online consultation for the patients and facilitate for medication support, and online healthcare insurance reimbursement

4. Strategic Goal 4: To continuously improve the quality of pharmaceutical services to the satisfaction of customers.

Strategies

- Maintaining stringent quality control and meeting local and international standards
- Providing users an integrated one-stop shopping experience.
- Setting up one-stop medication services so as to fulfill users' rising medicine demands

5. Strategic Goal 5: Accelerating sales through Digital Marketing and Diversifying distribution channels.

Strategies

- Offering online healthcare services connecting hospitals, doctors and other healthcare professionals such as pharmacists, nutritionists and psychological counselors with Kenema own users to provide them with comprehensive services
- Providing patients with online follow-up visits, prescription renewal and other services through its online healthcare service platform.
- Developing an Omni-channel medicine delivery service to help pharmacies benefit more financially while providing rapid drug delivery services to patients and increase connection with patients. These include supermarkets, convenience stores and brands' offline stores, enabling them to deliver orders that originate from Kenema directly
- Explore innovative marketing solutions to enhance sales by facilitating brand partners' e-commerce marketing. This improves drug accessibility and patient compliance by constantly improving services.

6. Strategic Goal 6: To create and use innovative business models that enhances competitiveness.

Strategies

- Launching pharmaceutical e-commerce business
- Establishing a special clinic with the goal to become an efficient platform with integrated treatment, medication

- Implement a system where the user can use their mobile phone to know the location of pharmacies and the types of medicines available in each pharmacy from anywhere
- Make current information useful to the user community easily accessible by transmitting information on the institution's website, television and/or radio, brochures and other social media;

7. Strategic Goal 7: To generate reasonable return on investment that ensures growth and sustainability of KPE.

Strategies

8. Strategic Goal 8: Modernize Operations and Improve Efficiency

Strategies

- Enhance the full implementation of ERP across all branches.
- Implement a new integrated pharmacy management system (PMS) by including electronic health records integration.
- Reduce average patient waiting time for prescriptions through process optimization and technology.
- Optimize inventory turnover rate, minimizing stock-outs and reducing waste.
- Implement a comprehensive audit system to ensure that the organization's resource collection and use system is efficient and accountable
- Implement the institution's financial management system in accordance with the International Financial Reporting Standards (IFRS) system.
- Connect branches with adoption of appropriate Technology to centrally control the storage, distribution, use and management of medicines and prevent/reduce drug waste

6.4.Growth Strategies

Corporate strategy refers to the overall strategy of a company that is made up of all business units. It determines how the enterprise as whole supports and enhances the values of branches; and it

answers the question **“How do we structure the overall business, so that all of its parts create more value together than they would individually?”**

Based on the situational analysis, benchmarking and performance gap assessment, the strategic plan has been formulated at corporate level and at functional levels (marketing strategy) for Kenema Pharmacy Enterprises.

- Corporate strategy (growth strategy through market development and product diversification) and creating strategic partnership with major stakeholders; and
- Functional strategies

Through corporate strategy, the KPE can perform the following basic functions:

- Building internal competencies and resources (HR, leadership, technologies and other tangible and intangible resources).
- Developing and nurturing a strong brand through creation of brand equity.
- Strengthening internal control systems with integrated information management systems.
- Redefining its value propositions (solution for client’s problems) and its strategic product lines or business units.
- Accelerating the growth strategy through increasing employee productivity, customer base and sales.
- Automation and completing its formalization process such as redesigning strategic processes for effective execution of strategies.

Based on assessment of the internal and external environment of the Company and the resulting SWOT analysis, the consultant has formulated a seven-year strategic map. The strategic map preparation compares two major approaches in strategic planning, (1) inside out (resource based) or (2) outside in (market based) strategy formulation. When the market competition is very strong and it is the buyer’s market, the company must formulate its strategy based on the forces of competition (outside in). However, when the market is characterized by shortage of supply and excess demand (seller’s market), the problem is not selling but production or supply. From these two alternatives, resource-based strategy (inside out) is chosen for KPE. In other words, the company focuses on building capabilities to produce and serve the market better than competitors. For most developing countries such as Ethiopia, the market is characterized by shortage of

pharmaceutical products, as there is no adequate capacity to produce for the growing demand for medicine and medical equipment.

For such a growth strategy, five things must be created inside the company:

1. Create growth strategy through diversification and increasing resource.
2. Develop competitive advantage through quality and cost leadership as a traditional strategy or speedy learning of the environment and adapting the organization to seize opportunities and manage threats (innovation of business model and product) and
3. Create synergy among the functional work units for increased productivity.
4. Creating and sustaining strategic partnerships with major suppliers and clients such Helth insurance companies.

6.4.1. Ansoff's Matrix for Growth Strategy¹

Ansoff's matrix is used to formulate KPE's growth strategy. Ansoff's matrix (see Figure 6.1.) provides a set of strategic alternatives that may be considered by organizations when defining their business growth strategy. The box maps new and existing markets against new and existing products, creating four quadrants.

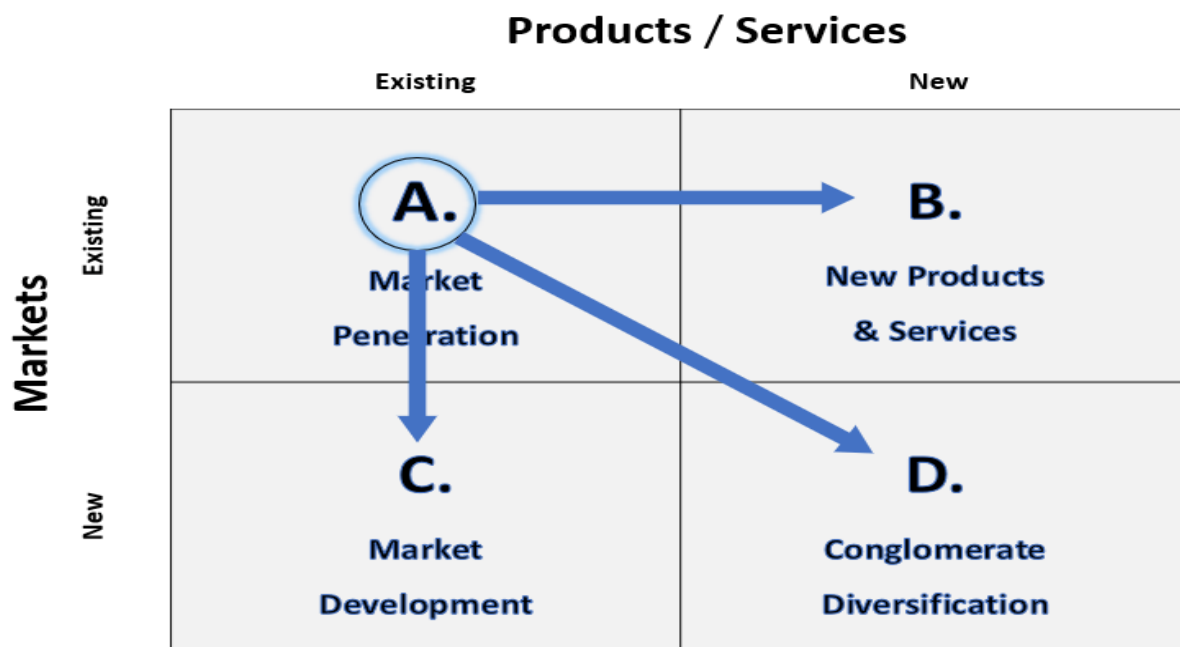


Figure 6.2: Ansoff's Matrix for growth strategy

¹ Ansoff's Matrix is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future business growth.

Market Penetration (Existing Products in Existing Markets): focuses on selling existing products or services to existing markets. The goal is to increase market share, boost sales, and improve customer loyalty. Strategies may include pricing adjustments, marketing campaigns, or product/service improvements to gain a competitive edge in current markets.

Market Development (Existing Products in New Markets):

- Market development involves taking existing products and introducing them to new markets or customer segments.
- The aim is to expand the customer base by reaching new geographical areas or identifying untapped market segments.
- Strategies may include market research, distribution expansion, or adaptation of products to suit the needs of new customer groups.

Product Development (New Products in Existing Markets):

- This quadrant involves the creation and introduction of new products or services to existing markets.
- The objective is to cater to changing customer demands and preferences or to stay competitive.
- Strategies may include research and development, innovation, and new product launches in response to market needs.

Diversification (New Products in New Markets):

- Diversification is the most risk-intensive quadrant and involves introducing entirely new products or services in new markets.
- The goal is to explore new opportunities and reduce reliance on existing markets or products.
- Strategies may include mergers, acquisitions, or partnerships to enter unfamiliar markets or develop new product lines.

However, it should be noted that each quadrant in Ansoff's Matrix represents a different level of risk and potential reward, and businesses use this tool to make informed decisions about their growth strategies based on their current position and goals.

Using Ansoff's Matrix, KPE must mainly implement product development strategy due to its huge potential for creating complementary nature of import, wholesale and retail business. The involvement in import and wholesale business relive the dependency on suppliers and increasing KPE's capacity to achieve its market stabilization mandate. Additionally, the import and wholesale business will support the existing retail business by creating low cost advantage, efficient distribution and reliable supply. However, as the import and wholesale of medicines and medical products are new business, this product development strategy entails the risk of low experience, require additional capital investment for fulfillment of new facilities and meeting of regulatory standards. The growth through product development strategy will be a successful strategy if KPE able to innovate or adapt new business lines.

Additionally, KPE can use market penetration strategies (increasing sales in the existing market for existing clients) to gain a competitive edge in retail business at Addis Ababa and surrounding cities. This strategy can be implemented through marketing campaigns, product/service improvements and branch expansion and keeping adequate quantity, variety and quality of products. Addis Ababa, though not metropolitan city; it has high-level of interdependence with cities and towns in the surrounding areas. People, goods, services, and capital freely move across the boundary of the city. Hence, Addis Ababa market naturally includes the cities in Sheger too. Therefore, opening branches in strategic locations in Sheger cities will expand the customer base of KPE.

Moreover, market penetration can be attained through adopting innovative strategies such as online sale service, door-to-door delivery service, medication services and medicine compounding services. Such innovative strategies can improve service delivery, customer satisfaction and profitability of the organization. The demand for the services of KPE is high due to the experience it has acquired in more than 50 years.

The greatest challenge for the company in execution of its growth strategies is building its capabilities (competencies and resources) and improving its process efficiencies through enhancements and automation of processes. Figure 6.2 summarizes the growth strategies of KPE.

Table 6.3. Growth strategy summarizes of KPE following Ansoff's matrix.

		Products	
		Existing	New
Markets	Existing	<ul style="list-style-type: none"> • Retail pharmacy service • Medicine compounding service 	<ul style="list-style-type: none"> • Import • Wholesale
	New	<ul style="list-style-type: none"> • Online sale • Door to door delivery • Opening branches outside of Addis Ababa 	<ul style="list-style-type: none"> • Clinical and patient centered services (medication therapy management, chronic disease management) • Public Health and Preventive services (vaccination and immunization services, health screening weight management family planning and contraceptive services) • Training and supervision of pharmacy students or interns

Summary of the growth strategies:

- **Market penetration:** Pushing existing products for enhanced market share in Addis Ababa and surrounding.
- **Market development:** Developing new markets for the existing products by focusing on major cities and clients (in this case reaching customers outside of Addis Ababa).
- **Product development:** Developing new products for the existing markets (in this case adding import and wholesale and distribution function as new business line).
- **Diversification:** Developing new products for new markets.

6.5. Strategic Focus of KPE

The Porter's Generic Strategies framework and Three Value Disciplines model are prominent strategic tools used to guide companies' strategic focus in achieving competitive advantage. The generic strategies at business level for competitive advantage are Porter's (1) Cost leadership through scale (volume), (2) Product differentiation through scope or (3) Market segmentation (niche market focus). Porter advises companies to focus only on one of the three areas as it is difficult to be best in all the three areas. Alternatively, Treacy and Wieserma (1995), in their three value disciplines theory, suggest that companies should excel in one discipline (strategic focus) while maintaining acceptable standards in the other two to achieve market leadership as shown in Figure 6.3. They are developed based on generic strategies of Porter (1980), namely, product leadership (differentiation), customer intimacy (market segmentation or niche market) and operational excellence (cost leadership through scale).

KPE has comparative advantage in operational excellence because its centralized procurement system enables buying in bulk and attaining economy of scale. Furthermore, its access to low cost business premises and low profit margin strategy support the cost leadership strategy. Therefore, KPE can leverage the Three Value Disciplines model (with a focus on Operational Excellence), which emphasizes more about how value is delivered to customers alongside Porter's Generic Strategies to create a robust competitive strategy. As the three strategies are not mutually exclusive, KPE can also use differentiation strategy that allows availing both generic and brand medicines and medical equipment. Customer intimacy can also be workable strategy in certain type of customers but without compromising the main operational excellence strategy.

While focusing on operational excellence, KPE need to streamline the work processes by implementing lean practices to enhance efficiency and investing in automation of internal processes like enterprise resource planning (ERP). Yet, the clients also expect best customer service; and there is no contradiction between quality services and cost as implemented by many companies in China, India, Taiwan and South Korea based on the theory of Levit who stated that cost and quality are not inconsistent (Levit, 2006).



Figure 6.4: Three Value Disciplines (based on Treacy & Wieserma, 1995)

This concept, in other words, is often associated with achieving economies of scale and reducing rework and poor quality, leading to cost savings and higher customer satisfaction. Companies like Walmart and Southwest Airlines excel in operational excellence by minimizing costs and maximizing efficiency to offer low prices and high convenience. Some companies from the Global South also managed to provide quality products at a competitive prices.

In practice, companies often find value in integrating elements from both models to develop comprehensive strategies. KPE should pursue operational excellence while also emphasizing customer intimacy to provide efficient yet personalized services. In this understanding operational excellence strategy does not mean that the other strategies such as customer intimacy are not relevant.

6.6.Ethiopian Pharmaceutical Market Analysis

6.6.1. Market Size, Growth Drivers, and Future Trends

The Ethiopian pharmaceutical market is experiencing robust and consistent growth, reflecting a dynamic and expanding healthcare sector. Over the past five years, the market has grown at an

impressive average rate of 15% annually. This upward trajectory is projected to continue, with the market size anticipated to reach \$1.8 billion by 2025 and a substantial \$4 billion by 2030.

This significant expansion is propelled by several interconnected factors. A rapidly growing population, coupled with the emergence of an expanding middle class, directly fuels demand for healthcare services and pharmaceutical products. Increased access to healthcare services across the country, alongside rising government expenditure on health, further stimulates market growth. Additionally, a heightened public awareness regarding diagnosis and treatment options contributes to the escalating demand for pharmaceuticals.

The Ethiopian government has explicitly identified local pharmaceutical manufacturing as a top national priority. This strategic focus is underpinned by an ambitious vision to transform Ethiopia into a major pharmaceutical manufacturing hub for the African continent. This governmental commitment is evidenced by initiatives such as the 2015-2025 strategy, which aims to produce 1,500 graduates in industrial pharmacy and regulatory sciences, a move expected to "transform Ethiopia's pharmaceutical sector, driving growth and development as a key economic engine". The strong governmental support provides a favorable environment for pharmaceutical enterprises.

Spending on pharmaceuticals constitutes a significant portion of the total health expenditure in Ethiopia, accounting for 39%. Notably, out-of-pocket spending represents the largest share of this pharmaceutical expenditure. This high proportion of direct consumer payment underscores the importance of affordability in the market.

The strategic growth of KPP is not merely a commercial objective but directly aligns with broader national health and economic development goals. This synergy provides a powerful narrative for KPP's marketing efforts, positioning the enterprise as a key contributor to national self-reliance in pharmaceuticals and the overall improvement of public health. This alignment can be strategically leveraged in public relations and awareness campaigns to build stronger public trust and garner continued government support, potentially facilitating future expansion and easing regulatory navigation. Furthermore, the substantial out-of-pocket spending on pharmaceuticals reinforces KPP's positioning as a provider of "affordable prices" as a critical competitive advantage that directly addresses a major consumer pain point.

6.6.2. Marketing Mix Strategy

6.6.2.1.. Product

- **Focus on Generics:** Develop and produce affordable generic drugs aligned with Ethiopia's National Essential Medicines List (NEML), covering key areas like antivirals, antibacterial, and chronic disease medications.
- **Quality Assurance:** Invest in quality control to meet local standards and aim for WHO prequalification to enhance trust and export potential.
- **Portfolio Expansion:** Gradually expand to include over-the-counter (OTC) products, which are expected to grow rapidly.
- **Packaging:** Use cost-effective, sustainable packaging to reduce costs and appeal to environmentally conscious stakeholders.

6.6.2.2. Price

- **Competitive Pricing:** Offer prices 5-15% lower than imported drugs from India, leveraging lower local production costs.
- **Tiered Pricing:** Provide discounts for bulk purchases by EPSA and public hospitals to secure large contracts.
- **Value-Based Pricing:** Emphasize affordability for low-income populations while maintaining profitability through high-volume sales.

6.6.2.3.Place (Distribution)

- **Strengthen Supply Chain:** Partner with EPSA to streamline distribution and reduce stockouts. Implement proactive measures like stock assessments and improved forecasting.
- **Expand Reach:** Collaborate with local wholesalers and pharmacies to penetrate urban and rural markets.
- **Pharmaceutical Parks:** Establish operations in the Kilinto Pharmaceutical Industry Park to benefit from government incentives like tax holidays.

6.6.2.4. Promotion

- **Ethical Marketing:** Adhere to ethical standards to avoid influencing physicians' prescribing behaviors unethically, as highlighted in studies showing scrutiny of physician-directed marketing.
- **Physician Engagement:** Conduct educational seminars and workshops for healthcare professionals to highlight product efficacy and safety, using data-driven evidence.
- **Digital Marketing:** Leverage digital platforms like social media and healthcare apps to reach urban consumers and professionals, focusing on disease awareness and prevention.
- **Community Outreach:** Partner with Ethiopia's Health Extension Programme (HEP) to promote health education and product awareness in rural areas.
- **Public Sector Bidding:** Actively participate in EPSA tenders to secure contracts, emphasizing local production and cost advantages.

6.6.2.5.. Additional Ps (People, Process, Physical Evidence)

- **People:** Train sales and R&D staff to align with market needs and regulatory standards. Address the shortage of skilled professionals by partnering with local universities.
- **Process:** Streamline procurement and production processes to reduce lead times and improve supply chain reliability.
- **Physical Evidence:** Enhance branding through professional packaging, certifications (e.g., GMP), and visible presence in healthcare facilities.

6.7. Business model

An organization's long-term competitive success depends upon its ability to create an innovative business model. Business model deals how a company makes money. There are different types of business models. However, all business models constitute four basic elements.

1. **The customer** – WHO are our target customers? It is important that you understand precisely which customer segments are relevant for you and which ones you will and won't address with your business model. Customers are at the very heart of every business model

– always! There are no exceptions. Customers are also one of the key stakeholders in the company.

Generally, the customers of KPE are buyers of medicine in Addis Ababa. Particularly, health service users of public hospitals and public health centers.

2. **The value proposition** – WHAT do you offer to customers? This second dimension defines your company's offerings (products and services) and describes how you cater (serve) for your target customers' needs.

Organizations such as the Kenema Pharmacy Enterprise provide solve customers' problems by curative solutions to patients.

3. **The value chain** – HOW do we produce our offerings? In order to put your value proposition into effect, you need to carry through various processes and activities. These processes and activities, in conjunction with related resources and capabilities, and their coordination along the company's value chain make up the third dimension of business model design. In this phase, the major or key activities of value creation are identified and elaborated.

KPE's higher premium for upholding ethical standards, professionalism, accessibility, affordability, availability and long established public trust will enable to win the market competition.

4. **The profit mechanism** – why does it generate VALUE? This fourth dimension, which includes aspects such as cost structures and revenue-generating mechanisms, clarifies what it is that makes a business model financially viable. It provides an answer to the central question that every company needs to ask:

- How do we produce value for our shareholders and stakeholders?
- Or put more simply: why does the business model work commercially?

KPE sales valuable products with high demand. It provides solutions to illness and protection from illness. Thus, customer willing to pay the price of the products. As the products and services of KPE are marketable, KPE can generate revenue that sustain its self and meets the need of major stakeholders such as employees, the City administration (Addis Ababa Public Enterprises Management Authority) and suppliers.

Developed by Oliver Gassmann, Karolin Frankenberger and Michaela Csik (2014), the Business Model Innovation Framework is a simple diagram to quickly capture a business model as shown in the following figure.

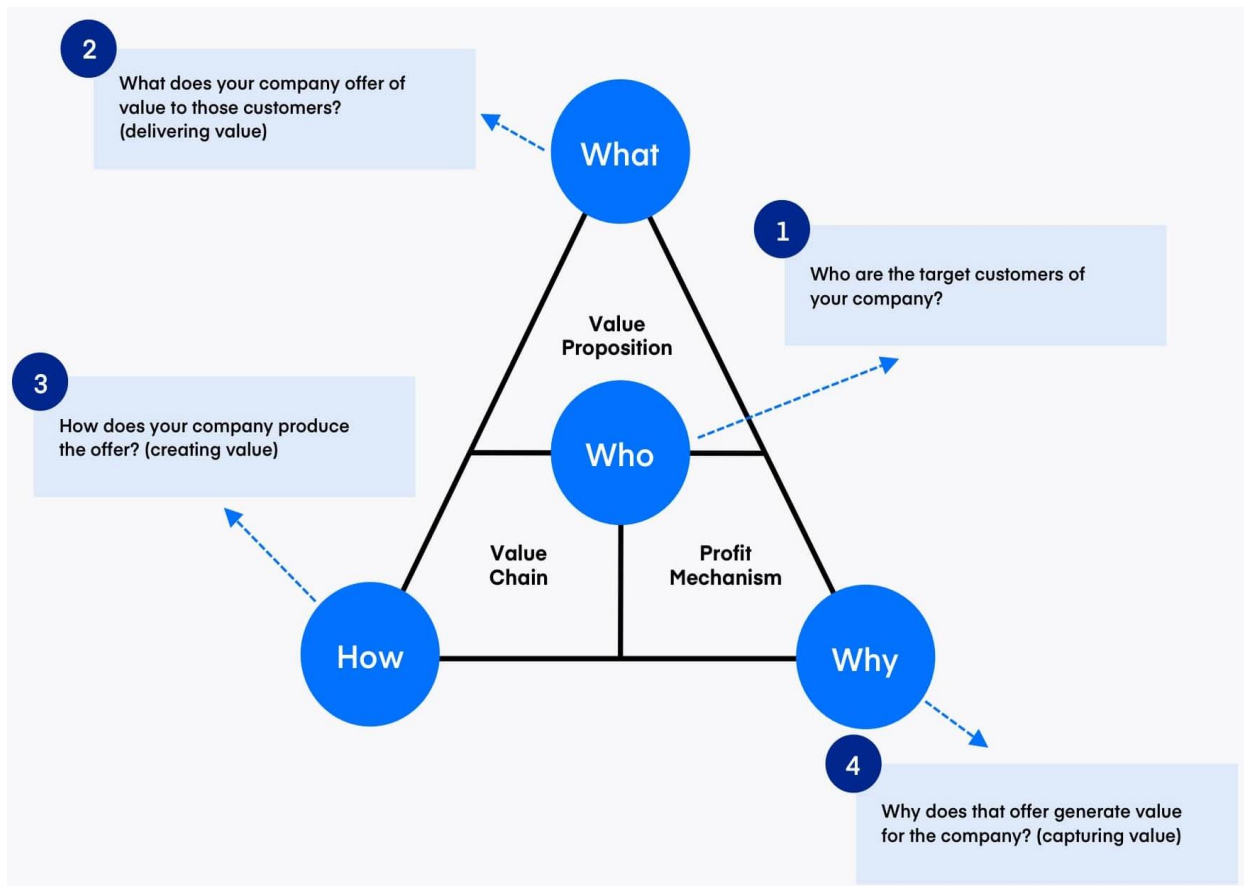


Figure 6.5. The Business Model Innovation Framework (Source: Oliver Gassmann, Karolin Frankenberger and Michaela Csik, 2014).

The following questions will assist the consulting team for developing business model of a company:

- **WHO?** (customers)
 - Who is your customer and which customer segments do you mainly serve?
 - Who are your most important customers?
 - Who are other important stakeholders that need to be considered?
 - What kinds of relationships do your customers expect and how do you maintain them?
 - Who influences your customers (opinion leaders, stakeholders, users)?
 - Do different departments address the same customer segments differently?
 - What distribution channels do you use to serve your customers?

- What actors are behind your customers? Will the same people be here for the next ten years?
(The actors behind customers are often neglected, especially in B2B dealings.)
- **WHAT?** (Value proposition)—addresses why customers buy our offerings?
 - What do you offer to the customer?
 - What customer problems do you solve and what needs do you meet?
 - What are the products and services you put in place to accomplish this?
 - What is the perceived customer value? (Usually this is not the same thing as a product or service's technical specifications.)
 - What value or benefit do you create for customers? How do you communicate it?
 - How do your offerings differ from those of your competitors? What alternatives do customers have?
 - Does your current business model meet your customers' needs fully?
- **HOW?** (value chain)
 - How is the value proposition created?
 - What key resources are behind your offerings and value proposition (e.g. physical, human resources, financial resources, intellectual property)?
 - What competencies and key activities do you need?
 - Does your value chain make full use of your core competencies?
 - Who are your most important partners? What is their relation to your business and what do they bring you?
 - Who are your most important suppliers and what do they contribute?
- **VALUE?** (Profit mechanism) – value is the difference between price and cost. Value is explained by the willingness of the client to pay.
 - Why does the business model generate profits?
 - What are your main sources of income?
 - How is the income generated? What are customers willing to pay for?
 - What are your main costs and the most significant cost drivers?
 - What are the main financial risks in your current revenue model?

In sum, a business model defines who our customers are, what we are selling, how we produce our offering, and why our business is profitable. Who-what-how-why describes a business model of which the first two (who and what) address its external aspects and the second two (how and why) address its internal dimensions.

1. **WHO** are the target customers? (Customer segments and relationships).

2. **WHAT** is offered to the customers? (Value propositions).
3. **HOW** is the value proposition created and delivered to the customer? (Key activities, partners, and resources).
4. **WHY** is the business profitable? (Cost structure & revenue model).

Table 6-2: Who? -What?-How?-Why? aspect of business model as applied to KPE

Who?	Customers	<ul style="list-style-type: none"> Who are our target Customers? 	Individual buyers of medicine, health institution that buy medical equipment, insurance companies, employers
	Stakeholder group	<ul style="list-style-type: none"> For whom do we generate (added) value? 	<ul style="list-style-type: none"> Patients, Addis Ababa City Administration, Employees, competitors, Suppliers, insurance companies.
	Distribution channel	<ul style="list-style-type: none"> Are these channels integrated into with our other business activities? Do the channels correspond to our customers' needs? 	<ul style="list-style-type: none"> Branches, Social Media, Web Site, Mainstream Media channels (TV, radio) Yes, they help to develop mature customer relationship management practices.
	Customer Segments	<ul style="list-style-type: none"> Have we segmented our customer base? What business relationship is sought in respect each segment? 	<ul style="list-style-type: none"> Yes, Premium Customer (people with chronic diseases, health service providing institutions). Strong and high-quality customer service experience with all clients.
What?	Value proposition	<ul style="list-style-type: none"> What customer problem are we attempting to solve? What customer needs do we try to satisfy? What segment specific products and services do we offer our customers? What value do we generate for our customers? 	<ul style="list-style-type: none"> Curing illness caused by diseases, services (cost driven). Reliable supply of high quality effective medicine. Generic medicines to public insurance users. Brand medicines based on choice to other customers Premium services to selected customers. Efficient services for their cost driven strategic focus.

		<ul style="list-style-type: none"> • How does our value proposition differ from that of competition? 	<ul style="list-style-type: none"> • Credibility, dependable and service integrity with strong public trust
How?	Internal Resources	<ul style="list-style-type: none"> • What resources are essential to ensure that we deliver on our value proposition? • How can we allocate the resource efficiently? 	<ul style="list-style-type: none"> • Standard store, ICT infrastructure, competent and motivated employees. • Based on revenue and contribution to our revenue
	Activities and competencies	<ul style="list-style-type: none"> • What activities are essential to ensure that we deliver on our value proposition? • What activities are we equipped to carry out with our existing competencies? • What new activities and what competencies do we need in addition? 	<ul style="list-style-type: none"> • Staffing branches and head office with “right employees”; efficient supply chain management and ensuring product availability at each branch store; automation of inventory management, sales data management and product flow management’ ensuring cost efficiency, productivity in resource utilization; customer care • Retaining good brand image, keeping public trust consistently uphold our values • Market and product development; Process modeling and automation, beginning of import, wholesale and distribution.
	Partners	<ul style="list-style-type: none"> • Who are our most partners? • Who are our most suppliers? • What activities can our partners undertake or what essential competencies do they have? • What do our main partners get out of 	<ul style="list-style-type: none"> • Hospitals, Health centers and clinics; health insurance companies, suppliers • Ethiopian medicine supply enterprise, xxx, xxxx • They determine the medicine the patient has to take based on proper examination and then provide prescriptions • Provision of complete health care service,

		working with us and how can we bind them to us?	
Why?	Cost drivers	<ul style="list-style-type: none"> • What are the principal costs in our business model? • What are the financial risks? How we address them? 	<ul style="list-style-type: none"> • Cost of acquiring medicine and medical equipment; salaries and benefits of employee; Rent for branches and head office; office supplies; , • Inflation, shortage of hard currency for imports, low liquidity and low investment in fixed assets.
	Revenue streams	<ul style="list-style-type: none"> • What are our sources of revenue? • What is the customer willing to pay for? • How do customers pay at present? How do they pay in the future? • How does each revenue stream contribute to the overall turnover? 	<ul style="list-style-type: none"> • Sale of medicines and medical equipment; government subsidy for capital investment; • Prices set for medicine and medical equipment and related services • Minimum price due to the low percentage of profit to revenue ratio. • Currently the enterprise only one business line, however more income are generated from category A branches.

7. Implementation of the Strategic Roadmap

Implementation of strategic map is the process of transforming strategic plans into actionable steps to achieve desired goals. Implementation is central in the process of strategic management as an organization's success largely depends on its ability to effectively and consistently carryout decisions and manage key processes. In fact, the most significant challenge in strategic planning is often not the planning itself, but its execution. Indeed, poor implementation has long been recognized as a major obstacle in strategic management.

Acknowledging the critical role of execution, this strategic roadmap of KPE outlines strategy implementation guidelines with aim to support the shift from planning to action by embedding the adopted strategies across all relevant systems. To support the effective implementation of the strategic roadmap of KPE, this section gives attention to the development of a detailed action plan.

This section includes strategic interventions based on the 7S model, as well as an overview of strategic themes and expected outcomes, strategic objectives, performance indicators, and the action plan/strategic initiatives necessary for successful execution of the strategic roadmap.

7.1. Strategy Intervention Using 7S Model

Developed by McKinsey consultants, 7S strategic business planning model emphasizes the importance of aligning an organization's key internal elements to achieve strategy. These internal elements are structure, strategy, system, skill, style, staff and shared value. The first step in applying the 7S model is to examine the current interconnectedness of these elements within an organization. Following the formulation the current strategic map of KPE, the organizational key elements must be revised in the way that facilitate the implementation of new initiatives, and support the new values and system. The organizational structure established prior to the new roadmap is no more supportive to the new growth strategy that will be implemented in the future.

Besides, the KPE has seen high leadership turnover in the past, which hindered the consistency of exercising effective leadership and the creation of shared values, norms and beliefs that would enhance strategy implementation. The HR practices and skills profile were not revisited in the way that enables KPE to smoothly implement the existing strategy. Moreover, the technical infrastructure that enables daily workflows was not available due to poor culture of adopting and

using information technologies and weak internal control system of KPE. Generally, observation from organizational health assessment leads to the conclusion that KPE lacks the interconnectedness of structure, strategy, system, skill, style, staff and shared value.

The 7S model is best used during a strategy change, or whenever a major shift is occurring in any one of the seven areas. Therefore, with formulation of this strategic roadmap, organization structure must be redesigned and aligned with the new strategic map. Likewise, the internal control system, the IT system, the risk management system, and the communication system must be aligned with this strategic roadmap. Finally, the management of KPE must ensure that the leadership style as well as the norms, values, beliefs, and principles should support the organizational strategic roadmap.

As the integration of 7S is essential for strategy implementation, KPE should formulate policies and procedures in all key functional areas such as operation, marketing, finance and HR. Moreover, the strengthening of internal control system and risk management are important. The following table reveals the specific interventions required along each element of 7S for effective implementation of the seven years strategic roadmap of KPE.

Table 7.1: Application of 7-S Model for effective implementation of strategic plan of KPE

S. NO	Element	Explanation	Current situation in KPE	Interventions
1.	Shared values	The guiding concepts and vision underlying the desired corporate destiny	The core values of KPE indicates the focuses the organization had given to governance and responsive to reform agenda. The core values did not evolve to shared values	The nature of the business of organization requires excellence in service delivery, responsiveness to customer needs, maintaining ethical standards and recognizing being a business entity. Moreover, communication of the core values will create shared values.
2.	Strategy	The coherent set of action by which KPE plans to achieve competitive advantage	The existing strategy sets goals mainly focusing in improving capacity, audit system, internal efficiency and service coverage. However, lack growth objective, overlooks the employee perspective, and resources required for growth/survival of KPE.	Implementation of the revised KPE growth strategy, which considers new business opportunities from which the organization will benefit.
3.	Structure	The formal assignment of organizational tasks, specializations, distribution of authority, and responsibility	The organization has designed new structure based on study conducted in 2016 EC.	The implementation of new initiatives are suggested in this KPE strategic roadmap, and advancement in use of technology requires some adjustments in organizational structure.
4.	Systems	The routine procedural processes and flows of ordinary operations that staff use to get the job done	The organization's operation system, procurement, finance, auditing, operation are manual, inefficient and slow.	Revise and refine internal systems focusing on increased use of IT such as ERP, revision of policies and procedures or development of manual for core organizational activities are required to standardize routine KPE activities.
5.	Style	The style leadership adopted such as centralization, and the tangible patterns of evidence regarding the priorities of the top management team	KPE faces frequent leadership change, who mostly has limited industry experience.	Organizational strategy should consider in-house leadership development and succession plan, management development program and attraction of talents.
6.	Staff	The employees in the organization and their general capabilities, considered in terms of corporate demographics, not individual personalities.	The staffs are inadequately motivated.	Reconsideration of salary and benefits, designing of training and development program, improving of working environment are necessary for efficient implementation of the strategic roadmap.
7.	Skills	A synergistic blending of dominating attributes and capabilities in the Corporation	The organizations capacity to attract competent employees is limited by its low remuneration.	Improving talent management system focusing on attracting, developing, retaining and motivating highly talented employees through revision of incentive plan, frequent training programs, practice of merit-based promotion.

7.2. Strategic Themes and Results

The KPE situational analysis such as SWOT analysis and stakeholders analysis led to identification of strategic themes. The formulation of these strategic themes also has taken into consideration the KPE vision, mission, values and goals. These strategic themes are cross functional and cut across boundaries. The selected strategic themes are expected to provide framework in which similar objectives are placed together as the means to achieve the strategic results that will transform the KPE vision into verifiable actions.

Table 7.2: Strategic Theme and Results

Strategic theme	Results
Growth	Ensuring sustainable profit and more resource mobilization through increasing sale of goods and services.
Customer orientation culture	Satisfied stakeholders
Operational excellence	Ensuring quality and cost-effective service delivery
Digitization	Convenient services and standard work process

In Addis Ababa, the demand for medicine and medical products is very high. This unsatisfied demand is an opportunity for growth of KPE. The current roadmap has taken into consideration the use of full potential of KPE through growth strategy. The growth strategy will focus on expanding accessibilities to increase customer base, diversifying products and marketing channels, improving asset base and liquidity and improving operational efficiency. All these growth objectives should be aligned towards bringing sustainable profit as strategic result.

Table 7.3: Strategic themes and results with description of interim outcomes

Strategic themes	Results	Interim outcomes
Growth	Sustainable profit and highest return on investment	<ul style="list-style-type: none"> • Increased revenue • Increased accessibility • Strong asset and capital base • Repeated customers • Large customer base • Increased market share
Customer orientation culture	Satisfied stakeholders	<ul style="list-style-type: none"> • Strategic alliance with key customers • Improved customer services • Diversified products and services

Strategic themes	Results	Interim outcomes
Operational excellence	Ensured service delivery quality and cost-effective service delivery	<ul style="list-style-type: none"> • Consistent, fast and standard services • Efficient and effective work process • Streamlined organization • Improved operational risks • Motivated and committed employees • Improved performance management • Competent employees (skills & leadership)
Digitization	Convenient services and standard work process	<ul style="list-style-type: none"> • Increased digital accessibility • Optimized internal operations

7.3. Strategic Objectives and Key Performance Indicators

One of the critical steps of the strategy implementation process is identifying the objectives that the new strategy should achieve. To guide implementation of KPE strategic roadmap, strategic objectives are established. Furthermore, the policies and plans in different functional areas must be aligned with this strategic roadmap of KPE. In this subsection, the strategic themes are further decomposed into strategic objectives, which are action oriented, measurable and realistic translation of the vision. The KPE strategic objectives that are developed under each theme are presented below.

Table 7.4: Strategic themes Perspectives and objectives

Themes	Perspective	Objectives
Growth-sustainable profit	Financial	<ul style="list-style-type: none"> • Increase profit by 20 percent every year • Increased sale • Cost control
Satisfied stakeholders – attract and retain customer over a long period	Customer	<ul style="list-style-type: none"> • Increase customer base • Increase customer satisfaction
Operational excellence-Continuous improvement of work efficiency and the quality of services	Internal processes	<ul style="list-style-type: none"> • Improve efficiency • Improve internal operation system • Improve employee competency
Digitization-convenient service and standard work process	Learning and growth	<ul style="list-style-type: none"> • Improve communication and collaboration • Improve digital capabilities

Having examined the strategic objectives, which have served in further decomposing of the strategic themes, the next step is attaching measures and targets to each objective. Measures are indicators to track performance or attainment of strategies, and a way of tracking progress of actual performance against targeted performance levels. The measures, thus serve as a tool to focus

attention on most important matters, to drive desired action, and indicate how branches should contribute to KPE's overall goals. Accordingly, the following sets of objective achievement indicators have been developed to help gauge success in achieving the strategic road map. To keep the measures meaningful and applicable, the measures are expected to be SMART, then the below measures are derived in this manner.

Table 7.5: Performance and Result Indicators

Strategic Goal 1. To increase Accessibility of community pharmacies to clients in Addis Ababa and surrounding areas												
Objectives	Activities	Unit of Measure	Performance indicator	Owner	Baseline	Target						
						2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Expand KPE ² branches	<ul style="list-style-type: none"> Acquire premises Fulfil facilities Staffing 	Number	New branches opened	CEO	50	5	5	5	5	5	5	5
Introduce convenient Omni-channel services	Door to door delivery	Number	Branches facilitated delivery service.	Branch manager		5	10	15	20	20	20	20
Introduce online medical consultation services	Creation of platform for counseling services	Number	Platforms created	CEO	0	1	1	1	1	1	1	1
Increase working hours	7/24 hours services	Number	Branches providing 7/24	CEO		5	7	10	13	15	15	15
Offer affordable wide range products	Products with <= 20% profit margin	Percent	Products with <= 20% profit margin	CEO	100	100	100	100	100	100	100	100

² It is assumed that the enterprise will expand to the surrounding areas, while also enhancing the efficiency of the existing branches. (to be further elaborated)

Strategic Goal 2. To stabilize market by increasing supply of range of pharmaceutical and healthcare products												
Objectives	Activities	Unit of Measure	Performance indicator	Owner	Baseline	Target						
						2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Retain optimum stock of products	Procurement Inventory management	Percent	Rate of stock out	Procurement Director		10	10	9	9	8	8	5
Offer a range of alternative pharmaceutical and healthcare products	Increase the variety of products	percent	Types of new product variety added	Procurement Director		5	5	5	5	5	5	5
Import medicines and medical equipment	Commencement of import	Percent	Percent of imports by KPE from total procurement	CEO		5	10	15	20	25	25	25
Wholesale medicines and medical equipment	Commencement of wholesale	Percent	Percent of products obtained from own whole sale	CEO		5	10	15	20	25	30	35
Establish warehouses and distribution facilities	Establishing facilities Getting license.	Number	Number of facilities	CEO			1		1		1	

Strategic Goal 3. To establish and develop strong partnership and networking with strategic stakeholders												
Objectives	Activities	Unit of Measure	Performance indicator	Owner	Baseline	Target						
						2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Cooperate with a leading suppliers to maintain robust supply of products	Establishing strategic relationship	Number	Number of strategic relationships established with suppliers	CEO		5	6	8	10	12	15	18
Collaborate with insurance and charity organizations	Establishing partnership	Number	Number of strategic relationships established with insurance companies	CEO		10	15	20	25	25	25	25
Work with third parties to sell their products through KPE platform	Establishing partnerships	Number	Number of strategic relationships established with competitors	CEO			1	2	3	4	5	6
Cooperate with regional states on healthcare insurance services	Establishing partnerships	Number	Number of strategic relationships established with insurance companies	CEO			2	4	5	6	7	8
Partner with hospitals to provide online service	Establishing online pharmacy services	Number	Number of users of online service	CEO	0		3	5	10	15	20	25

Strategic Goal 4. To continuously improve the quality of pharmaceutical services to the satisfaction of customers.												
Objectives	Activities	Unit of Measure	Performance indicator	Owner	Baseline	Target						
						2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Meet local and international standards	Maintaining stringent quality control	Percent	Regulatory satisfaction	CEO		80	85	90	94	96	98	100
Fulfill users' rising medicine demands	Provide users an integrated one-stop shopping experience	Percent	Customer satisfaction rate	CEO		75	80	84	88	90	92	95

Strategic Goal 5. To accelerate sales through Digital Marketing and Diversifying distribution channels.												
Objectives	Activities	Unit of Measure	Performance indicator	Owner	Baseline	Target						
						2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Offer online healthcare services	Connecting healthcare professionals with KPE customers	Percent	Share of Online service revenue	CEO			5	10	15	20	25	30
Develop an Omni-channel medicine delivery service	Providing rapid drug delivery services to patients through home delivery	percent	Share of home delivery revenue	CEO			5	10	12	15	18	20
Explore innovative marketing solutions to enhance sales	Facilitating brand partners' e-commerce marketing	Number	Number of innovative marketing implemented	CEO			1	2	3	4	4	5

Strategic Goal 6. To create and use innovative business models that enhance competitiveness.												
Objectives	Activities	Unit of Measure	Performance indicator	Owner	Baseline	Target						
						2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Launch pharmaceutical e-commerce business	Secure necessary licenses for online pharmaceutical sales Draft e-commerce policies for prescription validation, drug returns, and delivery timelines Collaborate with health authorities for guidelines on lines dispensing protocols Design and develop e-commerce website and mobile app with prescription upload and secure login features	Number	Digital service users Number digital website and mobile apps created	Marketing director	0	1	1	1	1	1	1	1
Establish a special clinic	Establishing efficient platform with integrated treatment, medication Conduct a need assessment based on community health	Number	Users of special clinic	Marketing director	0	1	2					

	demands, gaps in current services , and alignment with national priorities Perform cost-benefit analysis and location feasibility studies Obtain clinic licensing and accreditation from health authorities											
Introduce mobile app for information sharing information	Implementing a system where the user can use their mobile phone to know the location of pharmacies and the types of medicines available in each pharmacy from anywhere Train pharmacists and staff to use and promote the app Conduct pilot testing by launching a beta version with select pharmacies and patient groups	Number Percent	Mobile app users Users downloads, active sessions, feedback rating	Marketing director	0	0	1	1				
Create easily accessible information	Transmitting information on the institution's website, television and/or radio, brochures and other social media. Conduct survey or focus groups to understand literacy levels Create visual and interactive design	Number	Viewers of KPE website and followers of KPE social media account Downloads, Search frequency Help requests	Marketing director	0	1	1					

Strategic Goal 7. To generate reasonable return on investment that ensures growth and sustainability of KPE												
Objectives	Activities	Unit of Measure	Performance indicator	Owner	Baseline	Target						
						2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Implement a comprehensive audit system	Prepare audit manual Train staff on audit protocols ethical standards and data handling procedures Audit performance and security of digital systems	Percent Number	Audit coverage Number of trained staffs , training given	CEO		1	2	3	2	3	2	4

	Design audit checklists and scoring matrices for standardization Establish governance and audit framework such as formal audit charter and scope Build audit capacity via recruiting skilled auditors with pharmaceutical, finance and IT backgrounds,											
Implement IFRS	Prepare financial management manual Staff training and capacity building Conduct a baseline assessment of current accounting policies versus IFRS requirements Customize accounting software to support IFRS requirements Introduce automation for recurring IFRS process	Number	Number manuals, number of studies, survey Number of software and system introduced	CEO			3	2	1			
Centrally control the storage, distribution, use and management of medicines	Connect branches with appropriate Technology Establish a central pharmacy operations unit with oversight authority across branches Build or design centralized warehouses compliant with good storage practices and facilities Develop logistics protocols (introduce electronic delivery) for schedule deliveries and emergency redistribution Deploy a centralized pharmacy management linked with inventory, finance, and prescription modules.	Number	Number of connection, number warehouses built/ rented Number of protocols/system	CEO	0	2	3	1				

Strategic Goal 8 . Modernize Operations and Improve Efficiency												
Objectives	Activities	Unit of Measure	Performance indicator	Owner	Baseline	Target						
						2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Implement a new integrated pharmacy management system (PMS) by including electronic health records integration	System design and planning Technology and vender selection Data and interoperability Development and customization Test and quality Assurance Training and Change Management Monitoring , evaluation and scalability	Number	Number of system designed, Technology introduced Training given Monitoring and evaluation conducted	CEO		2	3	2				
Reduce average patient waiting time for prescriptions through process optimization and technology	Diagonize current patient flow Optimize pharmacy operations Deploy digital waiting line management Adopt E-prescription systems Creat patient communication tools Empower staffs and build capacity	Percent Rate Proportion Number	Average patient waiting time Digitalization rate	CEO		30	50	60	70	80	90	100
Optimize inventory turnover rate, minimizing stock-outs and reducing waste	Conduct baseline inventory analysis Implement smart inventory planning Deploy digital inventory management tools Strengthen supplier coordination Reduce pharmaceutical waste Build capacity institutionalize practices	Number Percent	Number of survey/studies Number of inventory conducted Rate of waste reduction Number of training given	CEO	2	2	2	2	2	2	2	2

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7.4. Role and Responsibility of Major Stakeholders

Table 7.6: Internal and External Stakeholders' Analysis

A. Internal stakeholders' analysis				
Stakeholder	Expectation of stakeholders from KPE	Expectation of KPE from stakeholders	Commitment of KPE to its stakeholders	Level of influence
Board of directors	<ul style="list-style-type: none"> • Achievement of KPE goals and objectives, • Maintaining acceptable performance in meeting customer satisfaction and profit • Consistent implementation of policies, procedures and plans • Effective leadership • Timely preparation of annual plan, budget and performance reports • Standard working system, financial report, proper risk management and property management • Observance of corporate governance, and Commercial Code 	<ul style="list-style-type: none"> • Proper use of information accessed • Designing employee motivation strategy • Support in policy development and approvals. • Approval of budget, plan, and reports • Timely decision making of strategic matters • Active engagement in providing leadership. 	<ul style="list-style-type: none"> • Implementation of policies per the Board direction. • Compliance with regulations and timely reporting of its activities • Proper utilization of resources. • Meet mission and annual business performance targets 	High
Management and leadership	<ul style="list-style-type: none"> • Clarity of role and managerial autonomy • Existence of adequate performance management system and corresponding motivational schemes. • Providing a clear policy directions • Competitive remuneration 	<ul style="list-style-type: none"> • Representation, leadership, and clear vision and strategies • Create effective relation with strategic internal and external stakeholders • Institutional dedication and loyalty • Adherence to core values • Adequate delegation and support to employees • Staffing of the organizational structure, motivation and performance management 	<ul style="list-style-type: none"> • Providing managerial autonomy • Design of competitive remuneration, motivation scheme, and adequate performance system • Providing a clear policy, procedures and job descriptions • Promote and maintain transparent, and fair employee relations 	High

		<ul style="list-style-type: none"> • Maintaining efficiency and effectiveness in KPE operations 		
Employees	<ul style="list-style-type: none"> • Clear career path and promotion plan • Adequate and equitable salary and benefit packages • Merit based assignment, and performance management • Clear job description and job specification • Job security and conducive working environment • Acceptable work life balance • Appropriate supervision and trainings 	<ul style="list-style-type: none"> • Compliance with organizational policies and procedures • Effective and efficient delivery of assignments • High self-motivation, positive attitude, high commitment, and good discipline • Uphold organizational values • Acquiring required skills • Team work and citizenship behavior • Respect for employee rights, safety standards, 	<ul style="list-style-type: none"> • Design of competitive remuneration, motivation scheme, and effective performance management system • Promote and maintain transparent, and fair employee relations • Make commensurate and fair benefit scheme • 	High
B. External stakeholders' analysis				
Stakeholder	Expectation of stakeholders from KPE	Expectation of KPE from stakeholders	Commitment of KPE to its stakeholders	Level of influence
End user clients	<ul style="list-style-type: none"> • Availability of high quality medicines and medical equipment with affordable prices • Accessible service location and time • Responsive service delivery • Fair treatment and keeping professional ethics • Alternative service delivery approaches and use of ICT 	<ul style="list-style-type: none"> • Proper prescription and following of advises • Providing feedback for improvement 	<ul style="list-style-type: none"> • Supply of quality products and services with excellence service delivery • Collection of customer feedback for continuous service improvement 	High

Addis Ababa City Administration Public Enterprises Agency	<ul style="list-style-type: none"> • Observance Corporate governance • Service delivery that meets public interest • Return on investment 	<ul style="list-style-type: none"> • Support in strategy and policy development and approvals. • Facilitating in creation of enabling legal and policy environments • Supporting in capital acquisition • Approval strategic decisions and timely response • Active engagement in providing leadership. 	<ul style="list-style-type: none"> • Creating clarity in corporate governance with clear demarcation of responsibilities 	High
Regulatory bodies (Addis Ababa Food & Medicine Agency, Revenue bureau, Trade bureau, Ministry of Revenue, Ministry of Trade)	<ul style="list-style-type: none"> • Get license for pharmacy services • Renew license on time • Provision of services as per the acceptable standards 	<ul style="list-style-type: none"> • Granting of license and permit • Provision of clear rules and standards • Certification of competence • 	<ul style="list-style-type: none"> • Fulfilling legal requirement • Enhancing transparency 	Medium
Health Service providers	<ul style="list-style-type: none"> • sharing information on availability of products • Sharing experience and supporting each other in training 	<ul style="list-style-type: none"> • Training and recruitment support • Long term agreement for supply of medicines and medical equipment • Sharing of facilities for supply of products 	<ul style="list-style-type: none"> • Collaboration in technical support of each others, sharing experiences and knowledge and collaborating in trainings 	Medium
Education Institutions and Civil Society organizations	Collaboration in internship	<ul style="list-style-type: none"> • Training to staff 	<ul style="list-style-type: none"> • Signing memorandum of understanding to support each other 	Low
Insurance Companies	<ul style="list-style-type: none"> • Provision of the guarantee for the purchase (bid) • Timely payment upon agreement 	<ul style="list-style-type: none"> • Property ownership certificate and supportive documents of the property • Legal document • Timely transfer of the title 	<ul style="list-style-type: none"> • Effects timely payment upon agreement and taking over of the buildings • Execute time advance, reimburse, and service charge payments • Executing timely reconciliation of the payments 	Medium

Renters	<ul style="list-style-type: none"> • Timely payment of rent • Settlement of utilities • Keep the reputation, clean and safety of the building. 	<ul style="list-style-type: none"> • Property/building management contract • Delivery of all necessary documents • Handing over the building 	<ul style="list-style-type: none"> • Execute timely deposit of the rent fee • Keep the reputation, clean and safety of the building. 	Medium
Suppliers	<ul style="list-style-type: none"> • Clear bill document & material specification • On time settlement of payments • Timely reception of materials 	<ul style="list-style-type: none"> • On time delivery of materials. • Ensuring quality specification including expiry date • Fulfillment of contractual agreements 	<ul style="list-style-type: none"> • Timely settlement of contractual payments. • Maintain good relationships with suppliers • Execute time advance, reimburse, and service charge payments • Executing timely reconciliation of the payments 	High
Labor union (Partner)	<ul style="list-style-type: none"> • Performance system and corresponding motivational schemes. • Improved salaries and benefits • Job security and better working conditions 	<ul style="list-style-type: none"> • Ability to understand each other 	<ul style="list-style-type: none"> • Maintaining conducive working environment based on collective bargaining and other formal interactions 	High
Competitors	<ul style="list-style-type: none"> • Membership in industry association 	<ul style="list-style-type: none"> • Ethical based competition 	<ul style="list-style-type: none"> • Collaboration in some areas and healthy competition. 	Low

7.5. Detailed Implementation Plan/Action Plan

An action plan consists of several activities that bring changes in KPE Each action step or change to be sought includes the following information:

- ✓ What actions or changes will occur?
- ✓ Who will carry out these changes?
- ✓ When they will take place, and for how long?
- ✓ What resources (i.e., money, staff) are needed to carry out these changes?
- ✓ Communication (who should know what?)

Implementation is an iterative process that can change in course of time due to inevitable unforeseen opportunities and challenges. Therefore, it is more important to be attentive, flexible, and willing to change or readjust plans than it is to blindly adhere to original plan. In its review, monitoring and evaluation, KPE should periodically check new developments in the business environment. KPE must ask the following questions and the answers provided to the questions are invaluable.

- Did we achieve our goals?
- If not, why? What steps are required to get us to those goals?
- What roadblocks or challenges emerged over the course of the strategic roadmap implementation that could have been anticipated? How can we avoid these challenges in the future?
- In general, what lessons can we learn from the process?

Considering the suggested strategic focus of KPE, the Enterprise should implement a combination of the following initiatives:

- **Standardize Processes:** The study conducted to preparer this strategic roadmap shows the core work process of the Kenema pharmacy enterprise is not matured enough and standardized. The procurement process, inventory control process, finance process, HRM process, audit process and the core activities in the import and wholesale process must be supported by standard manuals. Standardization of the core process will facilitate learning, improves efficiency and reduce costs.
- **Invest in Technology:** the current practice of KPE is manual based slow and inefficient process and very bureaucratic Thus, to improve efficiency, meet growing customer demand and reduce wastages, KPE must invest in information communication technology. KPE can invest in a centralized data management to track movement of products, to provide information to clients, to provide innovative services, to apply Omni channel services. This technology investment can improve productivity and reduce the need for manual data entry, leading to cost savings. KPE should also invest in Enterprise Resource Planning (ERP) systems that provide a unified platform for integrating and standardizing business processes across different departments and locations.
- **Centralize Some Functions:** KPE will benefit from centralization of procurement and finance. Centralization provides the opportunity for bulks procurement, standardize prices and increase negotiation capacity in dealing with suppliers. Centralization also leverages economies of scale. By consolidating purchasing decisions and standardizing procurement processes, KPE can achieve cost savings through bulk purchasing and better contract terms.
- **Enhance Service Quality:** KPE can implement a quality assurance program that includes regular client feedback surveys, performance evaluations, and service improvement

initiatives. By continuously monitoring and improving service quality, KPE can distinguish itself as a provider of quality services with competitive prices in the market.

- **Geographic Expansion:** KPE can expand into new geographic markets where there is a growing demand for medicine and medical equipment. It can begin in areas surrounding Addis Ababa.

The following Table summarizes important strategic initiatives of KPE and key activities required to implement the initiatives with time frame.

Table 7.2 : Action Plans—focused on internal capability building

S. No.	Strategic initiative	Key activities	Time Frame
1	Revision of policies and practice to standardize jobs (Formalization)	<ul style="list-style-type: none"> • Study work process for critical work units • Design improved work flow or process • Ensure each core work process has appropriate policies, procedures or manuals • Ensure policies and procedures support the new strategy • Standardize system for managing administrative tasks across all branches • Communicate policies and procedures to employees 	2025/26
2	Implement Management Information Systems strategy and process automation	<ul style="list-style-type: none"> • Assess existing IT Resources and capabilities • Identify digitization requirements • Adopt Enterprise Resource Planning (ERP), for improving efficiency. • Develop implementation plan • Monitor and follow up digitization process • Plan to improve efficiency in routine and structured areas, innovation of products and minimizing costs in a sustainable manner. • Provide intensive training of staff to use advanced technology • Use ICT as a source of competitive advantage and source of innovation • Give maximum care to the ICT security aspects 	2025/26
3	Strengthening of internal control system and risk management	<ul style="list-style-type: none"> • Ensure that each directorate/division has working manuals • Ensure the audit directorate is staffed to oversee adherence to the working system • Implement a comprehensive audit system to ensure that the organization's resource collection and use system is efficient and accountable • Implement the institution's financial management system in accordance with the International Financial Reporting Standards (IFRS) system; • Assign a personnel with responsibility of risk management • Connect branches with adoption of appropriate Technology to centrally control the storage, distribution, use and management of medicines and prevent/reduce drug waste • Monitor the implementation of internal control system and risk management strategies 	2025/26
4	Implement Talent	<ul style="list-style-type: none"> • Establish competency framework • Conduct competency gap assessment • Conduct training need identification • Design training program 	2025/26

	management strategy	<ul style="list-style-type: none"> • Develop succession plan and career development • Develop and implement performance management system 	
5	Improve quality of pharmaceutical services	<ul style="list-style-type: none"> • Maintain stringent quality control to meet national and international standards • Providing users an integrated one-stop shopping experience. 	2025/26
6	Increase accessibility	<ul style="list-style-type: none"> • Conduct feasibility study for opening branch • Establish branch offices in emerging cities in Ethiopia • Staff the new branches • Work with private supermarkets to reach wider community • Arrange home delivery services • Increasing working hours to allow users to purchase pharmaceutical and healthcare products anytime 	2026/27
7	Implement marketing strategy	<ul style="list-style-type: none"> • Assess marketing strategies • Invest in marketing and branding initiatives • sponsor industry events, participating in trade shows, and publishing thought leadership content • Explore innovative marketing solutions to enhance sales by facilitating brand partners' e-commerce marketing. • Implement a system where the user can use their mobile phone to know the location of pharmacies and the types of medicines available in each pharmacy from anywhere • Make current information useful to the user community easily accessible by transmitting information on the institution's website, television and/or radio, brochures and other social media; • Draw implementation plan • Monitor and follow up 	2026/27
8	Invest in fixed assets	<ul style="list-style-type: none"> • Acquire a building for head office and some branches. • Establish warehouse 	2028/29
9	Engage in wholesale of medicines and medical equipment	<ul style="list-style-type: none"> • Conduct feasibility study to commence wholesale of medicines and medical equipment • Acquire business permit, registration, licensee and all legal requirements • Acquire capital and business premises • Design organizational structure and staff the structure with competent staff • Establishing warehouses and distribution facilities • Begin wholesale and distribution with selected goods 	2025/26

		<ul style="list-style-type: none"> • Establish marketing and distribution channels • Scale up the wholesale business 	
10	Engage in import of medicines and medical equipment	<ul style="list-style-type: none"> • Conduct feasibility study to import medicines and medical equipment • Acquire business permit, registration and licensee • Acquire capital and premises • Design organizational structure and staff the structure with competent staff • Begin import selected goods • Establish marketing and distribution channels for imported goods • Scale up the import 	2028/29
11	Establish partnership with suppliers to maintain robust supply of products	<ul style="list-style-type: none"> • Identify strategic partner through the supply chain • Conduct stakeholder analysis and establish a win/win strategy • Sign a memorandum of understanding to support each other • Make commitment to implement agreements • Monitor and evaluate the partnership 	2025/26
	Establish Partnership with charity organizations	<ul style="list-style-type: none"> • Identify strategic partners from charity organizations • Develop project proposal for working with charity organizations • Mobilize funds from charity organizations • Implement funds obtained from charity organizations • Monitor and evaluate the partnership 	2025/26
	Establish partnership with insurance companies	<ul style="list-style-type: none"> • Identify strategic partners from insurance companies • Conduct stakeholder analysis and establish a win/win strategy • Entering into cooperation with major regions on healthcare insurance payments. • Sign a memorandum of understanding with key insurance companies to support each other • Make commitment to implement agreements • Monitor and evaluate the partnership 	2025/26
	Introduce e-pharmacy services	<ul style="list-style-type: none"> • Hire consultant for providing e-pharmacy • Acquire/develop a software program for providing e-pharmacy • Organize a team of professional physicians to provide online medical consultation services • Provide patients with online counseling, follow-up visits, prescription renewal and other services 	2026/27
	<ul style="list-style-type: none"> • Establish special clinic to provide integrated 	<ul style="list-style-type: none"> • Strengthen medicine compounding • Establish check-up and diagnosis centers 	2026/27

	treatment medication	and	<ul style="list-style-type: none">• Provide treatment• Monitor and evaluation	
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Note: 1. One year is short term project
2 to 3 years projects are medium term projects
4 to 5 year projects are long term projects.

8. Strategic Plan Monitoring and Evaluation

8.1. Monitoring and Evaluation

The value and success of any strategic plan is just as good as the ability to formulate appropriate monitoring and evaluation mechanisms, and properly implement them. Hence, the success of Kenema Pharmacy Enterprise(KPE) strategic road map, strategic goals and stated initiatives rely on designing and implementing effective monitoring and evaluation mechanisms for the implementation of the stated strategic actions and others associated appropriate regulation. A continuous follow up and assessment of the implementation of the KPE strategic theme and strategic action plan give the necessary information for leaders and executors of this plan. A strong performance monitoring and evaluation mechanism also plays a critical role in assessing the achievements and limitation in the KPE initiatives and project implementation. Moreover, it assists to have reliable record of changes in inputs, outputs, effects and outcomes over time, and to indicate problems that may be resolved while the initiatives are undergoing.

This strategic monitoring and evaluation framework for Addis Ababa City's pharmaceutical enterprises aims to enhance regulatory effectiveness, ensure compliance, and foster a sustainable pharmaceutical sector. By systematically addressing risks and establishing a robust legal framework, this comprehensive plan will support the goals of public health and safety. It typically involves a structured approach to ensure that strategic objectives are met effectively.

8.1.1. Monitoring

Monitoring should be conducted at every stage of the plan implementation by collecting, analyzing, and using data regularly. Coordinating the implementation of the strategic plan through the various discussions and consultative forum is also important.

I. Feedback Collection System

The monitoring body should regularly prepare meetings on common agendas that incorporate every stakeholder. It is also important to establish a database of the enterprise which ensures communication among stakeholders is effective. Regular provision of information on various issues needs to be done to all value chain actors to keep them informed and to enhance decision-making. Regular supervision of each

initiatives' activities should be done by special task force. Feedback can be also gather from quarterly, biannual and annual reports of each implementing bodies. Furthermore, during the executing the strategic plan period, there should be various stakeholders' platform meetings, consultation works, workshops, conferences, conducting researches on various related topics, regular and updated database of the enterprise, field visit on different value chain actors, special survey of the enterprise's progress.

II. Periodic revision of the strategic plan

Since future is full of risks and uncertainties, the strategic plan should be revised periodically in order to accommodate these changes and adjust to the then prevailing circumstances. The dynamism in the road map of the KPE in general requires frequent review of the assumptions and financial estimations made in the study, and make remedial actions whenever required. Therefore, one component of the M&E should be ensuring that the plan itself is revised as often as necessary. Goals and targets need to be considered in the light of the changing situation both in KPE and in the external environment in general.

8.1.2. Evaluation

The previous activity focuses on “process monitoring”, while this activity focuses on “impact monitoring”. It is critically important to keep track of the impact of implementing the strategic plan at different levels. The logical framework with indicators at overall goal, short term goal and objectives levels should serve as the basis for impact monitoring. A comprehensive impact monitoring plan needs to be developed to provide the necessary evidence that the needed impact is being made. Evaluations are expected to be conducted at each phase end or mid-term of this strategic plan and focus mainly on how well the programs have achieved their goals and targets, and the extent to which changes in outcomes can be attributed to the programs. This can be done via regular supervision, special survey and research works. The detailed that evaluation process and indicators is presented in the log frame Table 8.2.

8.2. Risks and Mitigation Mechanisms

During the implementation of this strategic road-map, various barriers are expected. These prevalent risks need to be considered and measures should be taken in order to reduce their impact to acceptable level. Therefore, the risk management of this strategic plan is considered in order to take precautionary measures in good time and thus prevent failure of the implementation of the strategic plan. In general, the major risks and mitigation plans that are anticipated in the KPE strategic road-map implementation processes are shown in the Table 8.1 below:

Table 8.1: Major Risks and Mitigation Measures

No	Key risks/potential barriers	Mitigation measures
1	Regulatory Compliance Risks: Non-adherence to local and international standards	Training and Capacity Building: Enhancing the skills of regulatory staff and pharmaceutical enterprises
2	Market Fluctuations: Changes in demand for pharmaceutical products.	Crisis Management Plans: Establishing protocols for rapid response to unforeseen challenges
3	Operational Risks: Inefficiencies in processes and systems	Stakeholder Engagement: Collaborating with industry players to identify and address risks early
4	Inconsistent data capture systems	Capacity-building
5	Resistance to digital transformation, Delays in deploying or scaling IT systems	Piloting new tools, create phased IT roadmap; ensure build internal IT capacity
6	Funding gaps for capital budget, technology upgrades	Follow partnership-driven support
7	Global or regional shortages in key pharmaceuticals products	Diversify supplier base; build buffer stock; develop early warning inventory system
9	Weak cost control or unpredictable revenue due to economic volatility	Regular cash flow forecasting; scenario planning; performance-based budgeting
10	High staff turnover or lack of skills for new tech and models	Implement retention schemes; continuous training; institutionalize knowledge transfer
11	Changes in procurement guidelines or drug import	Maintain strong policy monitoring team advocate
12	Strategic partners not aligned on KPE's goals or delivery expectations	Formalize partnership frameworks (MoUs); host biannual joint planning & review forums
13	Poor satisfaction due to slow service, product unavailability, or lack of feedback channels	Implement quality monitoring toolkit; establish 360° feedback systems; design loyalty programs
14	Newly piloted business models fail to scale or show poor uptake	Use pilot-to-scale framework; set clear go/no-go criteria; include customer testing phase

8.3. Leg frame for Checking Strategic Objectives Verification

This matrix represents the logical framework and indicates goals, objectives, major strategies, objectively verifiable indicators, means of verification and important assumptions. The log frame forms the basis for impact monitoring of the strategic plan.

Table 8.2: Leg frame for checking strategic objectives verification

Major Goals	Objectively Verifiable Indicators	Means of Verification	Assumptions
Strategic goal 1: Increasing Accessibility of community pharmacies to clients in Addis Ababa and surrounding areas	<ul style="list-style-type: none"> -% increase in population within 5km radius of a functional community pharmacy -% increase in client visits to community pharmacies per quarter -% of underserved kebeles/woreda with newly operational pharmacies -% decrease in travel time to nearest pharmacy (average across target areas) -Number of new branch pharmacies opened in priority areas -Number of staff trained in community pharmaceutical service standards -% of pharmacies compliant with minimum accessibility standards (hours, signage, disability access) 	<ul style="list-style-type: none"> -Special survey reports -KPE's records -GIS coverage maps; -National Health Facility Master List -Quarterly facility attendance reports; -Expansion progress reports -Client perception survey; -Kenema pharmacy implementation tracker; -Training logs; attendance sheets; pre-post training evaluations -Facility audit checklist; -Inspection reports 	National and international economic situation remain favorable for pharmaceutical product and service
Strategic goals 2: Increasing supply of range of pharmaceutical and healthcare products	<ul style="list-style-type: none"> -% increase in product range available at head and branch level warehouses -% reduction in stockout rate for tracer medicines and essential products 	<ul style="list-style-type: none"> -Warehouse inventory reports; -Annual product catalog -LMIS/eLMIS stockout reports; -Procurement records; -Supplier transaction logs -Health facility surveys; 	-National and international economic situation remain favorable for pharmaceutical product and service

	<ul style="list-style-type: none"> -% increase in annual procurement volume of essential healthcare products -% of healthcare facilities reporting availability of >80% of essential items -% of products procured from prequalified suppliers meeting quality standards -Number of new product lines introduced annually (e.g., diagnostics, chronic disease meds, hygiene products) -% of procurement cycle completed within planned lead time -Number of local manufacturers contracted or supported to supply key products 	<ul style="list-style-type: none"> -EML compliance audits -Market approval records -Procurement process audits; -Number of active supplier contracts with diversification targets -Supplier database; contract and performance reviews -Local manufacturer engagement reports; signed MOUs 	<ul style="list-style-type: none"> -Strong implementation capacity
Strategic Goal 3: To establish and develop strong partnership and networking with strategic stakeholders	<ul style="list-style-type: none"> -Number of formalized partnerships (e.g., MOUs, contracts) with key institutions (MoH, universities, NGOs) -.% of joint initiatives implemented with strategic stakeholders annually -Stakeholder satisfaction score with Kenema's engagement practices (out of 5) -Number of active multi-stakeholder platforms or forums Kenema participates in per year 	<ul style="list-style-type: none"> -Signed partnership agreements; official communications -Joint project reports; -Annual stakeholder perception survey; feedback forms -Meeting minutes; stakeholder platform agendas -Event records; attendance sheets; meeting notes 	<ul style="list-style-type: none"> -National and international economic situation remain favorable for pharmaceutical product and service -Strong implementation capacity

	<ul style="list-style-type: none"> -Number of stakeholder engagement sessions conducted per year -Number of stakeholder-specific action plans developed and followed through -Proportion of key stakeholder groups mapped and prioritized using stakeholder matrix -Number of collaborative research or technical assistance projects initiated 	<ul style="list-style-type: none"> -Stakeholder action plans; progress trackers -Stakeholder map repository; strategy documents -Research MOU copies; joint project charters 	
Strategic Goal 4: To continuously improve the quality of pharmaceutical services to the satisfaction of customers.	<ul style="list-style-type: none"> -Customer satisfaction index score (out of 100) % of pharmacies rated “good” or “very good” by clients on standardized service quality audits -% reduction in customer complaints per 1,000 transactions -Number of frontline staff trained in customer service, clinical counseling, and ethics -% of pharmacies implementing Standard Operating Procedures (SOPs) for customer interactions -% of branches conducting quarterly quality improvement (QI) reviews 	<ul style="list-style-type: none"> -Annual customer satisfaction surveys; complaint management database -Third-party service audits; client exit interviews -Service logbooks; pharmacy information systems -Complaint logs; customer feedback analysis reports -Training attendance logs; certification records -SOP implementation reports; facility audit checklists -Visual compliance audits; facility self-assessment forms 	<ul style="list-style-type: none"> -National and international economic situation remain favorable for pharmaceutical product and service -Strong implementation capacity

Strategic Goal 5: Accelerating sales through Digital Marketing and Diversifying distribution channels	<ul style="list-style-type: none"> -% increase in total sales generated through digital platforms (website, mobile app, e-marketplaces) -% share of total sales attributed to new distribution channels (e.g. mobile agents, e-pharmacies) -% increase in brand visibility/engagement on key digital channels -Number of active digital campaigns launched per quarter -Number of distribution partnerships activated beyond existing retail footprint -% of branches equipped automated and mobile-based ordering systems -% of frontline sales staff trained in digital marketing and omni channel customer engagement. 	<ul style="list-style-type: none"> -Sales analytics dashboard; e-commerce transaction logs -Distribution channel analysis reports; -Digital marketing platform insights (Meta Ads, Google Analytics, etc.) -Social media analytics (reach, engagement); -IT deployment reports; branch readiness checklist -Training records; pre-post assessments 	<ul style="list-style-type: none"> -National and international economic situation remain favorable for pharmaceutical product and service -Strong implementation capacity
Strategic Objective 6: To create and use innovative business models that enhances competitiveness	<ul style="list-style-type: none"> -Number of new business models developed and piloted -% of total revenue from newly introduced business models -% reduction in cost-to-serve via lean and digitized models -% of customer segments served through differentiated value propositions (e.g., chronic care bundles) 	<ul style="list-style-type: none"> -Innovation portfolio tracker; pilot project reports; board approval minutes -Cost-efficiency analysis; supply chain audit dashboards -Customer segmentation analysis; service design reports 	<ul style="list-style-type: none"> -National and international economic situation remain favorable for pharmaceutical product and service -Strong implementation capacity

	<ul style="list-style-type: none"> -Number of business model innovation workshops held with staff and partners -Number of market feasibility studies or pilot assessments completed -Number of innovative partnerships formed to support alternative distribution or financing models % of annual budget allocated to business model experimentation and prototyping 	<ul style="list-style-type: none"> -Training/event reports; attendance records; workshop feedback forms -Feasibility study documentation; pilot evaluation reports Signed MoUs with startups, banks, tech platforms; partner activity logs -Innovation portal data; employee engagement reports -Annual budget reports; board-approved R&D investment memos 	
Strategic Goal 7: To generate reasonable return on investment that ensures growth and sustainability of KPE.	<ul style="list-style-type: none"> -Annual return from investment (%) from core and diversified business units -Operating margin (%) across retail, distribution, and digital channels -% annual growth in net revenue from pharmaceutical and healthcare product sales -% of profit reinvested in strategic expansion or innovation initiatives -Number of new revenue-generating product lines or services introduced annually 	<ul style="list-style-type: none"> -Audited financial statements; business unit profitability dashboards -Finance department reports; -Revenue reports; sales trend analysis -Annual financial audit reports; -Investment portfolio trackers; board-approved reinvestment plans -Retail analytics dashboards; and sales transaction records 	<ul style="list-style-type: none"> -National and international economic situation remain favorable for pharmaceutical product and service -Strong implementation capacity

	<ul style="list-style-type: none"> % growth in sales across branches -Investment scenarios and financial projections reviewed annually -Proportion of strategic capital projects meeting or exceeding expected payback period benchmarks -% budget execution rate across growth-oriented projects 	<ul style="list-style-type: none"> -Capital expenditure reports; post-investment review documents -Budget performance reports; quarterly financial reviews 	
Strategic Goal 8 Modernize Operations and Improve Efficiency	<ul style="list-style-type: none"> -Reduction in average patient waiting time for prescriptions -Increase in inventory turnover rate -At least 70% of medicines dispensed through digital prescription and validation systems -Implementation of an integrated Pharmacy Management System (PMS) across all branches -Launch and functional operation of pharmaceutical e-commerce platform -Establishment of centralized medicine storage and distribution framework 	<ul style="list-style-type: none"> -Patient satisfaction surveys -Inventory management system dashboards; stock reconciliation logs; audit reports -Electronic prescription logs; -Website/app analytics; transaction volume reports; -Supply chain monitoring reports; warehouse audit records 	<ul style="list-style-type: none"> -National and international economic situation remain favorable for pharmaceutical product and service -Strong implementation capacity

	<ul style="list-style-type: none">-Quarterly operational audits conducted and documented across all departmentsStaff digital literacy rate measured through post-training assessments-Reduction in medicine wastage due to expiry-Usage of mobile app or digital platforms for information access and patient engagement		
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10. Annex

Annex-1:

Table 4. 6: KPE – Financial Snapshot & Sustainability Metrics

Financial Metric	Sene 2015 (ETB)	Sene 2016 (ETB)	% Change	Insights
Revenue	1,010,983,795.29	1,282,777,880.28	+26.9%	Strong growth reflecting expanding reach and demand
Cost of Goods Sold (COGS)	834,090,012.24	1,056,667,212.74	+26.6%	In line with revenue; cost efficiency maintained
Gross Profit	176,893,783.05	226,110,667.54	+27.8%	Marginally improved margin on top-line
Net Profit (After Tax)	32,747,479.81	13,381,087.77	-59.1%	Decline due to high opex, depreciation, impairments
Operating Cash Flow	(43,832,882.50)	7,747,401.10	Turn around	Recovered from deficit to positive cash flows
Administrative Expenses	108,531,716.23	167,715,360.49	+54.5%	Needs cost control strategies for long-term efficiency
Total Assets	562,389,620.61	718,463,555.74	+27.7%	Asset base expansion signals institutional strengthening
Total Liabilities	343,754,086.74	422,534,875.45	+22.9%	Growth matched with obligations
Total Equity	218,635,533.87	295,928,680.29	+35.4%	Equity base strengthened by retained earnings and reserves
Retained Earnings	133,861,154.73	141,834,742.61	+6%	Steady accumulation supports sustainability
Risk & Legal Reserves	7,356,717.21	76,676,275.75	>900%	Substantial reserving strengthens resilience against future shocks
Debt-to-Asset Ratio	0.61	0.59	↓ Slightly	Moderate leverage; stable solvency
Cash & Bank Balance	53,037,175.00	75,380,333.27	+42%	Liquidity improved; cushions operational fluctuations

Source: KPE's Annual Report, 2016 E.C/2024

Annex- 2. Key Informant Interview Questions for KPE Branch Managers

Objective 1: Organizational environment, the effectiveness of service delivery and administration

- How would you describe the overall working environment at your KPE branch? What are its key strengths and weaknesses from your perspective?
- In the process of service delivery at your branch where do you see bottlenecks or areas for improvement?
- How effective do you believe the current administrative processes (e.g., inventory management, record-keeping, staff scheduling, reporting) are at your branch? What challenges do you face in these areas?
- How well do you feel your branch is supported by KPE's central administration in terms of resources, communication, and decision-making?

Objective 2: SWOT

- From your vantage point as a branch manager, what do you consider to be KPE's top three internal strengths and weaknesses in your branch's operations? Please provide examples.
- What external opportunities do you see for KPE to grow or improve its services in the current market and regulatory landscape?
- What external threats or challenges (e.g., competition, economic factors, changes in regulations) do you foresee impacting KPE's future operations?
- How do you think KPE currently leverages its strengths to address external opportunities and mitigate threats?

Objective 3: Accessibility of services

- How accessible do you believe your branch's services are to the local community? Please consider factors like location, operating hours, pricing, and communication.
- What measures, if any, does your branch currently take to improve the accessibility of its services?
- What suggestions do you have for KPE to enhance the accessibility of its services across all branches?

Objective 4: Stakeholders

- Who are the primary stakeholders that interact with your KPE branch on a regular basis? (e.g., customers, suppliers, staff, local health officials, community leaders).
- What are the key interests and influence of each of these stakeholder groups in relation to KPE?
- How effectively does KPE currently engage with these various stakeholders? What could be improved in stakeholder engagement?

Objective 5: Legal, institutional and policy frameworks

- Do you find the current legal and institutional frameworks under which KPE operates to be supportive or restrictive of your branch's operations? Please elaborate.
- Are there any specific policies or regulations that you believe need to be reviewed or updated to improve KPE's effectiveness?
- How well are KPE's internal policies aligned with the external legal and institutional frameworks? Are there any discrepancies or areas of conflict?

Objective 6: Benchmarking

- Are there any other public or private pharmacies, either locally or internationally, that you admire for their operational efficiency, service quality, or business model? What specific aspects stand out to you?
- What lessons do you think KPE could learn from these "best-in-class" pharmacies?

Objective 7: Business model and market strategy

- How do you perceive KPE's current market position relative to its competitors?
- What opportunities do you see for KPE to differentiate itself and strengthen its market position?
- What kind of new services or products do you think KPE should consider offering to meet evolving customer needs?
- How do you envision KPE adapting its business model to remain competitive and relevant in the long term?

Objective 8: 7 years strategic roadmap

- What do you believe are the most critical strategic priorities for KPE to focus on in the next 3-5 years?
- What resources (e.g., financial, human, technological) do you believe would be essential for KPE to achieve its long-term strategic goals?
- What challenges do you anticipate in implementing a long-term strategic roadmap for KPE, and how can these be addressed?
- What role do you see branch managers playing in the development and execution of KPE's strategic roadmap?

Annex- 3: FGD with Addis Ababa Enterprises

Section 1: Institutional Role and Engagement

1. Could you briefly describe your institution's mandate and role in the regulation of pharmaceutical services in Kenema Pharmacies Enterprises (KPE)?
 2. What has been your interaction or collaboration with KPE so far?
 3. In your view, how effectively does KPE align with national pharmaceutical goals and standards?
-

Section 2: Regulatory Environment

4. What are the key regulatory frameworks governing public pharmaceutical enterprises like KPE?
 5. Are there any regulatory challenges or bottlenecks that KPE faces in complying with your institution's standards?
 6. How well does KPE adhere to licensing, quality assurance, and distribution regulations?
-

Section 3: Policy and Institutional Support

7. Do existing policies support the sustainability and growth of KPE? If not, what gaps exist?
 8. What reforms or policy adjustments would better support a strong and efficient KPE?
 9. What role should your institution play in the development or oversight of KPE's strategic plan?
-

Section 4: Strategic Opportunities and Risks

10. What do you see as the main opportunities for KPE to strengthen its public health contribution?
 11. Are there emerging risks (regulatory, economic, technological, etc.) that KPE should plan for?
 12. What regulatory innovations could enhance the efficiency and transparency of KPE operations?
-

Section 5: Benchmarking and Best Practices

13. Are there local or international examples of public pharmacies or pharmaceutical enterprises that KPE could learn from?
 14. What best practices in regulatory compliance, governance, or service delivery should KPE adopt?
-

Section 6: Recommendations for the Strategic Roadmap

15. How can regulatory bodies like yours contribute to the successful implementation of KPE's roadmap?
16. What three strategic priorities would you recommend for KPE over the next 7 years?

Closing

17. Is there anything else you would like to add to support the strategic direction and transformation of KPE?

Annex- 4: Survey Questionnaire on Kenema Pharmacies Enterprise

(To be filled by employees of KPE)

Dear Respondent,

Addis Ababa University's research team is currently undertaking a comprehensive customer experience survey specifically tailored for Kenema Pharmacies. This survey is designed to gather valuable insights on your satisfaction and overall experience with pharmacies' products and services. Your cooperation in responding to the survey questions is integral to our data collection process, and your feedback plays a pivotal role in ongoing efforts for continuous improvement the pharmacy services. Your participation is voluntary, and we guarantee the strict confidentiality of all information provided. Take a moment to share your valuable insights with us.

Thank you for being a part of this important initiative.

Part I: Demographic Questions

1. Date of interview _____
2. Age: _____
3. Gender: _____
4. Education: _____
5. Total years of work experience in Kenema Pharmacies Enterprise _____
6. Position in Kenema Pharmacies Enterprise _____
7. Location/Branch of Kenema Pharmacies: _____

Part II: Experience with KPE

Instructions for Respondents:

Please rate each statement based on your experience with KPE

- Scale:**
- 1 – Strongly Disagree
 - 2 – Disagree
 - 3 – Neutral
 - 4 – Agree
 - 5 – Strongly Agree

Section 1: Internal Service Quality	1	2	3	4	5
1. I have the tools and resources I need to do my job well in Kenema Pharmacies Enterprise.					
2. In Kenema Pharmacies Enterprise, I receive adequate training to perform my job effectively.					
3. Kenema Pharmacies Enterprise's internal processes and systems support high-quality service.					
4. Communication between teams/departments in Kenema Pharmacies Enterprise is effective.					
5. In Kenema Pharmacies Enterprise, I can rely on other departments to help me do my job.					
Section 2: Employee Satisfaction	1	2	3	4	5
6. I am satisfied with my current role in Kenema Pharmacies Enterprise.					
7. I feel appreciated and recognized for my work in Kenema Pharmacies Enterprise.					
8. I have opportunities for career growth within the Kenema Pharmacies Enterprise.					
9. I feel proud to work for Kenema Pharmacies Enterprise.					
10. I am satisfied with my work-life balance.					
Section 3: Employee Productivity & Retention	1	2	3	4	5
11. I consistently meet or exceed my performance targets in Kenema Pharmacies Enterprise.					
12. I feel motivated to contribute to the success of Kenema Pharmacies Enterprise.					
13. I often take initiative to improve work processes or service quality in Kenema Pharmacies Enterprise.					
14. I am likely to stay with Kenema Pharmacies Enterprise for the next 12 months.					
15. My job performance in Kenema Pharmacies Enterprise has improved over the past year.					
Section 4: Service Value	1	2	3	4	5
16. Kenema Pharmacies Enterprise services provide excellent value to customers.					
17. Kenema Pharmacies Enterprise delivers high-quality services consistently.					
18. Kenema Pharmacies Enterprise pricing reflects the value it provides.					
19. Kenema Pharmacies Enterprise regularly looks for ways to improve customer value.					
20. Customers receive good return on investment from Kenema Pharmacies Enterprise services.					
Section 5: Customer Satisfaction (for employees)	1	2	3	4	5

21. Kenema Pharmacies Enterprise's customers are generally satisfied with Kenema Pharmacies Enterprise services.					
22. Kenema Pharmacies Enterprise frequently receives positive feedback from customers.					
23. Kenema Pharmacies Enterprise responds quickly to customer needs and issues.					
24. Kenema Pharmacies Enterprise exceed customer expectations in service delivery.					
25. Kenema Pharmacies Enterprise handles customer complaints effectively.					
Section 6: Customer Loyalty	1	2	3	4	5
26. Kenema Pharmacies Enterprise has many repeat customers.					
27. Customers are loyal to Kenema Pharmacies Enterprise' brand/service.					
28. Customers often refer others people to Kenema Pharmacies Enterprise shops.					
29. Long-term relationships are a priority in Kenema Pharmacies Enterprise customer strategy.					
30. We understand what drives customer loyalty in Kenema Pharmacies Enterprise business.					
Section 7: Profitability (for management/staff aware of financial)	1	2	3	4	5
31. Kenema Pharmacies Enterprise has shown financial growth in the last year.					
32. Kenema Pharmacies Enterprise is on track to meet its financial goals.					
33. Profitability is linked to customer satisfaction in Kenema Pharmacies Enterprise.					
34. Kenema Pharmacies Enterprise customer base is growing steadily.					
35. Kenema Pharmacies Enterprise is improving financial results through service improvements.					
Section 8: The need of Kenema Pharmacy Enterprise(KPE) Expansion					
36. Increasing demand for pharmacy services & population growth require additional KPE branches.					
37. Expanding branches is financially feasible					
38. Opening additional pharmacy branches can be practical & manageable to KPE					
39. Opening additional branches will help to improve the service delivery to the community					
40. Business expansion & improvement projects can help KPE to be a leading chain pharmacy in Ethiopia					

Section 9: Infrastructure facilities

How do you evaluate the infrastructural facilities in KPE in terms of the following criterion?

Infrastructure type	Availability			Accessibility		Quality		
	Poor	Adequate	Excess	Difficult	Easy	Poor	Average	Excellent
Energy/power								
Storage facilities								
Communication								
ICT								
Consultation rooms								
Waiting areas								
Restroom								
Staff facilities								
Technology equipment								

Section 10: Customers' Visit of KPE

1. For what purposes do your customers visit KPE pharmacies frequently? (Multiple answers possible)

- ☐ OTC
- ☐ Prescription medicine
- ☐ Chronic illness
- ☐ Medical advice
- ☐ Others (specify)_____

Annex- 5: Survey Questionnaire on Kenema Pharmacies Enterprise

(To be filled by Customers)

Dear Respondent,

Addis Ababa University's research team is currently undertaking a comprehensive customer experience survey specifically tailored for Kenema Pharmacies. This survey is designed to gather valuable insights on your satisfaction and overall experience with pharmacies' products and services. Your cooperation in responding to the survey questions is integral to our data collection process, and your feedback plays a pivotal role in ongoing efforts for continuous improvement the pharmacy services. Your participation is voluntary, and we guarantee the strict confidentiality of all information provided. Take a moment to share your valuable insights with us.

Thank you for being a part of this important initiative.

Part I: Demographic Questions

1. Date of interview _____
2. Age: _____
3. Gender: _____
4. Educational Background _____
5. Location/Branch: _____
6. Frequency of Use/visit KPE: ☐ Daily ☐ Weekly ☐ Monthly ☐ Rarely
7. Customer type: ☐ Private insured ☐ Government insured ☐ Non-insured

Part II: Experience with KPE

a **Likert scale-type questionnaire based on the Service-Profit Chain model, prepared specifically for customers.** This version focuses on the customer's perception of service quality, satisfaction, value, and loyalty.

Instructions for Respondents:

Please rate each statement based on your experience with KPE

- Scale:**
- 1 – Strongly Disagree
 - 2 – Disagree
 - 3 – Neutral
 - 4 – Agree
 - 5 – Strongly Agree

Section 1: Service Quality	1	2	3	4	5
1. The service I received from Kenema Pharmacies Enterprise met my expectations.					
2. Employees of Kenema Pharmacies Enterprise were courteous and professional.					
3. I received the service from Kenema Pharmacies Enterprise in a timely manner.					
4. The service process in Kenema Pharmacies Enterprise was smooth and efficient.					
5. The Kenema Pharmacies Enterprise shows genuine concern for my needs.					
6. How do you rate the overall current quality of service					
Section 2: Perceived Value	1	2	3	4	5
6. The Kenema Pharmacies Enterprise service provided good value for the money.					
7. I feel the price I paid was fair for what I received.					
8. Compared to alternatives, Kenema Pharmacies Enterprise provides better value.					
9. I am satisfied with the quality-to-price ratio.					
10. I believe I made the right choice choosing Kenema Pharmacies Enterprise.					
Section 3: Customer Satisfaction	1	2	3	4	5
11. Overall, I am satisfied with the service experience in Kenema Pharmacies Enterprise.					
12. The service in Kenema Pharmacies exceeded my expectations.					
13. Kenema Pharmacies Enterprise handles my concerns or issues (if any) effectively.					
14. I would describe my experience in Kenema Pharmacies Enterprise as positive.					
15. I felt valued as a customer of Kenema Pharmacies Enterprise.					
Section 4: Customer Loyalty	1	2	3	4	5
16. I would use Kenema Pharmacies' services again.					
17. I would recommend Kenema Pharmacies to others.					
18. I trust Kenema Pharmacies to deliver on its promises.					
19. I feel a strong connection or loyalty to Kenema Pharmacies products and brand.					
20. I am likely to choose Kenema Pharmacies over competitors in the future.					

Section 5: Potential new service/product and branch that KPE want to provide you

Rate the level of importance for the following aspects of KPE product/service in terms of the following dimensions?

Potential New Product /Service, Expansion of new Branch	New Product/Service Need				
	Highly unneces sary	Not necessary	Neutral	Necessary	Highly Necessary
21. Medication Therapy Management					
22. Immunization Services					
23. Chronic Disease Management Programs					
24. Wellness and Preventative Health Services					
25. Expansion into Underserved Areas or opening new branch					
26. Partnerships with Healthcare Providers					
27. Mobile Pharmacy Services					
28. Online Pharmacy Service					
29. Specialty Pharmacy Branch					

Section 6: Product/service variety

Rate your level of satisfaction and degree of diversity with the following aspects of KPE product/service in terms of the following dimensions?

Questions	Overall satisfaction					product/service variety				
	Very dissatisfied	Dissatisfied	Neutral	satisfied	Very satisfied	Very limited	Limited	Fair	Diversified	Highly diversified
30. How would you rate the variety of products available?										
31. How do you rate KPE's reliability in terms of stock availability ,relatively to private pharmacies,										

Section 7: Product/service availability, and accessibility of KPE/Service coverage

How do you rate your level of satisfaction and degree accessibility with the following aspects of KPE product/service in terms of the following dimensions?

Questions	Product/service availability					Accessibility of KPE/Service coverage				
	Very dissatisfied	Dissatisfied	Neutral	satisfied	Very satisfied	Not accessible	Inadequate	Fairly accessible	Accessible	Highly accessible
How satisfied are you with KPE product/service availability?										
How satisfied are you with the location/accessibility of KPE?										
How easy is it for you to find the products you are looking for?										
How satisfied with proper labeling of medicines is being practiced at KPE										

Section 8: Price of product/service

How do you rate your level of feeling with the following aspects of KPE product/service in terms of the following dimensions?

Questions	Price of Product/service				
	Very expensive	Expensive	Fair	Cheap	Very cheap

How do you feel about the pricing of KPE products/services?					
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Section 9: Competitive advantage of KPE

1. What could be the main reasons for visiting KPE? Multiple answers possible.

- ☐ Reasonable prices
☐ Convenient Location (pharmacy being close to work, close to home, or clinic)
☐ Presence of wide range of products/services
☐ Quick and quality services given by pharmacist
☐ Good advice given by pharmacist
☐ Other reason (please specify) _____

2. How likely is it that you would recommend Kenema Pharmacy Enterprises to a friend or colleague? Rate 0 to 9

Would Certainly NOT recommend				Neutral					Certainly recommend
1	2	3	4	5	6	7	8	9	10

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What areas do you think need improvement?
