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Comparative Evaluation of the Cost Focus Strategy in Pharmaceutical Firms between Respondents

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Abstract

According to statistics from the Vietnam Drug Administration, the pharmaceutical industry will continue to grow in double digits in the next 5 years and reach 7.7 billion USD in 2021, expected to reach 16.1 billion USD in 2026, with a compound growth rate of up to 11% in Vietnamese Dong (Minh Hoa, 2023) ^[8]. The pharmaceutical industry and pharmaceutical firms also face challenges such as outdated technology in both production and distribution, unoptimized and fragmented production processes, and limited planning. This study's goal is to compare the evaluation of the cost focus strategy in pharmaceutical firms between respondents. To achieve the objectives of this study, the qualitative and quantitative approaches were

utilized. The population of interest was pharmaceutical firms in Hanoi, Vietnam, which was employed to select the sample for this study. Multiple statistical techniques were employed for data analysis, including SPSS via the independent t-test and ANOVA. The study's results indicate that there is no difference in assessing the cost-focus strategy of pharmaceutical firms in Hanoi between different subjects in terms of gender, academic standards, job position, career seniority, and age. This study offers theoretical and practical implications for improving the business performance of the pharmaceutical firms in Hanoi. Based on this result, the study proposes some recommendations for pharmaceutical firms and employees.

Keywords: Competitive Strategies, Pharmaceutical Firms, Cost Focus Strategy, Differences, Business

JEL codes: D49, M19, M21, J18, J88

1. Introduction

At any time, pharmaceuticals will not lose their role or position. Because health is always the top concern of every country. A country with a developed medical and pharmaceutical industry not only protects its people. But also earn huge economic profits through export trade. On the contrary, a shortage of medicine can bring negative psychology and cause socio-political turmoil in a country.

According to statistics from the Vietnam Drug Administration, the pharmaceutical industry will continue to grow in double digits in the next 5 years and reach 7.7 billion USD in 2021, expected to reach 16.1 billion USD in 2026, with a compound growth rate of up to 11% in Vietnamese Dong (Minh Hoa, 2023) ^[8].

In the near future, the pharmaceutical industry in general and pharmaceutical businesses in particular will have many opportunities, such as a large potential market due to environmental pollution, a rapidly aging population, a more severe climate, and more epidemics. Many; therefore, the demand for drugs and health support products is increasing. The CPTPP and EVFTA agreements will create conditions for businesses to expand export markets and attract investment, thereby contributing to increasing the scale of production and business for pharmaceutical firms. The number of mergers and acquisitions in both production and distribution sectors, including the pharmaceutical industry, has increased. However, the pharmaceutical industry and pharmaceutical firms also face challenges such as outdated technology in both production and distribution, unoptimized and fragmented production processes, and limited planning. Regarding raw materials, we are dependent on imports.

A competitive strategy is a long-term plan for a firm to create a competitive advantage over competitors in the market, thereby achieving its business goals. A competitive strategy includes making decisions related to product strategy, pricing, distribution, advertising, and customer outreach to maintain market share, increase sales, and grow profits.

Ngo (2012) ^[9], Nguyen and Nguyen (2015) ^[10] affirmed that the role and importance of competitive strategy help firms orient

long-term operations and are the basis for implementation. Operational and strategic activities also allow firms to grasp and take advantage of business opportunities while taking proactive measures to adapt to changes and fluctuations in the environment and market. The strategy contributes to improving the efficiency of resource use, thereby allowing firms to strengthen their competitive position as well as sustainable development.

Competitive strategy based on a firm's competitive capabilities is a key issue that helps businesses build and develop a few key, important, and appropriate competitive capabilities to respond effectively to emerging challenges and competitive activities in the market, thereby bringing about competitive efficiency in general and contributing to improving and enhancing business performance in particular.

Choosing a competitive strategy is a business-level decision that has an important impact on competitiveness and has a direct impact on the business performance of the enterprise in the long term. Therefore, choosing a competitive strategy correspondingly is a central issue for firms in their business activities.

Dess and Davis (1984) [2] research on the competitive strategies of manufacturing enterprises showed that among the four types of competitive strategies: cost leadership strategy, differentiation strategy, stranded strategy, and cost focus strategy, the competitive strategy that is focused helps firms achieve the highest revenue growth.

2. Literature Review

The purpose of this study is to examine the potential effects of implementing Porter's generic strategies—low-cost, differentiation, and focus—on the performance of the firm in the production sector, as well as to determine which of these three strategies has the greatest impact on improving firm performance.

According to Thompson and Strickland (2010) [13], competitive strategy includes all the actions a firm is taking to attract buyers, withstand competitive pressure, and improve its competitive position in the market. Lester (2009) [6] believes that competitive strategy allows firms to identify business lines as well as markets to exploit and seek profits in the future. According to Porter (1985) [12], competitive strategy determines the position of a business in an industry, whether its profits are higher or lower than the industry average. Mashruwala and Tripathy (2014) [7] continue to assert that a firm that builds special competitiveness and a competitive strategy that is difficult to imitate will bring in more profits than its competitors.

Porter (1980, page 41) [11] "Competitive strategy is a business's efforts to attract customers and improve its competitive position in the market. Sustainable competitive advantage is born from core competencies; that capacity brings long-term benefits to firms."

Chan and Reene (2005) [1] have formed a new perspective on firms' competitive strategies. With the principle of rebuilding market boundaries to escape competition, a blue ocean strategy was formed.

Porter (1985) [12] also identified that a focused competitive strategy is more commonly applied in saturated industries or industries with high costs and low efficiency.

The cost focus approach entails catering to a particular market, unlike the cost leadership strategy, which is comparable to it. While still attempting to give the lowest

price, this tactic aims to appeal to a distinct market niche with certain wants and needs. A corporation can more readily build brand awareness in a particular geographic market when it employs a cost-focus strategy.

3. Methodology

This research employs a quantitative methodology using a survey instrument that employs a five-point Likert scale, ranging from "strongly disagree" to "strongly agree." The population of this study consists of pharmaceutical firms. The determination of the sample size uses the measurement from Hair *et al.* (2014) [4]. The sample size of this study is 168 respondents (see table 1).

Meanwhile, for the content validity assessment of the questionnaire, the opinions of competent experts were sought. Furthermore, Cronbach's alpha was utilized to evaluate the measurement tool's reliability, with a minimum Cronbach's alpha coefficient of 0.60. Several statistical methods are employed in this investigation. The independent t-test and ANOVA are the methods of data analysis.

Table 1: Respondents by genders, job positions, ages, academic standards and career seniority

	Frequency	Percent	Cumulative Percent
Genders			
Female	64	38,1	38,1
Male	104	61,9	100,0
Job positions			
Business staffs	56	33.3	33.3
Accountants	52	31.0	64.3
Production department	31	18.5	82.7
Other positions	29	17.3	100.0
Ages			
From 23 to 29 years old	47	28.0	28.0
From 30 to 35 years old	44	26.2	54.2
From 36 to 44 years old	41	24.4	78.6
45 years old or older	36	21.4	100.0
Academic standards			
Bachelor	123	73.2	73.2
Postgraduate	45	26.8	100.0
Career seniority			
Less than 5 years	37	22.0	22.0
From 5 to 10 years	84	50.0	72.0
11 years or older	47	28.0	100.0
Total	168	100.0	

Information on the data collected is shown in Table 1. It shows that among the respondents, 38.1% of the participants were female, and 61.9% of the participants were male. Among the respondents, 33.3% were business staff, 31% were accountants, 18.5% were in the production department, and other positions accounted for 17.3%. Of these, 47 participants are from 23 to 29 years old, accounting for 28.0%; 44 participants are from 30 to 35 years old, accounting for 26.2%; 41 participants are from 36 to 44 years old, accounting for 24.4%; and the remaining respondents are 45 years old or older, accounting for 21.4%. There were 123 participants who were bachelors; the remaining were postgraduates or accounted for 26.8%.

4. Results

4.1 Independent T-test: Different Genders

A comparison of the results of the evaluation of the differences in the cost-focus strategy in pharmaceutical

firms with participants of different genders (male and female) can be seen in Table 2. According to the results shown in Table 2, sig Levene's test is 0.431, which is more than 0.05. The variance between males and females is not different. Moreover, the sig value t-test is 0.473, which is

more than 0.05, which means that there is no statistically significant difference in the cost-focus strategy in pharmaceutical firms between these different genders (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) ^[5, 3, 4].

Table 2: Differences in the cost-focus strategy in pharmaceutical firms with participants of different genders - Independent Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper	
CFS	Equal variances assumed	0.624	0.431	-0.720	166	0.473	-0.07612	0.10572	-0.28485	0.13261
	Equal variances not assumed			-0.718	132.205	0.474	-0.07612	0.10603	-0.28586	0.13362

4.2 Independent T-Test: Academic Standards

A comparison of the results of the evaluation of the differences in the cost-focus strategy in pharmaceutical firms with participants of different academic standards (bachelor and postgraduate) can be seen in Table 3. According to the results shown in Table 3, sig Levene's test is 0.170, which is more than 0.05. The variance between

bachelor's and postgraduate degrees is not different. Moreover, the sig value t-test is 0.441, which is more than 0.05, which means that there is no statistically significant difference in the cost-focus strategy in pharmaceutical firms between these different academic standards (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) ^[5, 3, 4].

Table 3: Differences in the cost-focus strategy in pharmaceutical firms with participants in different academic standards- Independent Test

		Levene's Test for Equality of Variances		T-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper	
CFS	Equal variances assumed	1.902	0.170	0.773	166	0.441	0.08961	0.11590	-0.13922	0.31845
	Equal variances not assumed			0.839	92.632	0.404	0.08961	0.10684	-0.12256	0.30178

4.3 ANOVA-Job Positions

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the cost-focus strategy in pharmaceutical firms between the four subjects, including participants who are business staff, participants who are accountants, participants who are in the production department, and participants in other positions. Table 4 shows that the sig Levene statistic is 0.049, which is smaller than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (different job positions) has been violated. Therefore, we use the Welch test results in Table 5. Sig test Welch is equal to 0.972, which is more than 0.05; that is, there is no difference in mean DCS between different job positions. Thus, there is no difference in the cost-focus strategy in pharmaceutical firms among employees of different job positions (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) ^[5, 3, 4].

4.4 ANOVA-Ages

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the cost-focus strategy in pharmaceutical firms between the four subjects, including participants who are from 23 to 29 years old, participants who are from 30 to 35 years old, participants who are from 36 to 44 years old, and participants who are 45 years old or older. Table 6 shows that the sig Levene statistic of 0.587 is greater than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (different ages) has not been violated. Table 7 shows that sig. is 0.143, which is more than 0.05, which indicates that there is no statistically significant difference in the cost-focus strategy in pharmaceutical firms between the mentioned four groups of ages (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) ^[5, 3, 4].

Table 4: Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
CFS				
Based on Mean	2.678	3	164	0.049
Based on Median	2.609	3	164	0.053
Based on Median and with adjusted df	2.609	3	138.567	0.054
Based on trimmed mean	2.618	3	164	0.053

Table 5: Robust Tests of Equality of Means

CFS	Statistic ^a	df1	df2	Sig.
Welch	0.077	3	76.821	0.972

Table 6: Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
CFS				
Based on Mean	0,645	3	164	0.587
Based on Median	0,617	3	164	0.605
Based on Median and with adjusted df	0,617	3	154,437	0.605
Based on trimmed mean	0,605	3	164	0.612

Table 7: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
CFS					
Between Groups	2.397	3	0.799	1.836	0.143
Within Groups	71.339	164	0.435		
Total	73.735	167			

4.5 ANOVA-Career Seniority

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the cost-focus strategy in pharmaceutical firms between the three subjects, including participants who have career seniority less than 5 years, participants who have career seniority from 5 to 10 years, and participants who have career seniority 10 years or older. Table 8 shows that the sig Levene statistic of 0.112 is greater than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (career seniority) has not been violated. Table 9 shows that sig. is 0.095, which is more than 0.05, which indicates that there is no statistically significant difference in the cost-focus strategy in pharmaceutical firms between the mentioned four groups of career seniority (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [5, 3, 4].

Table 8: Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
CFS				
Based on Mean	2.221	2	165	0.112
Based on Median	2.169	2	165	0.118
Based on Median and with adjusted df	2.169	2	143.461	0.118
Based on trimmed mean	2.216	2	165	0.112

Table 9: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
CFS					
Between Groups	2.078	2	1.039	2.392	0.095
Within Groups	71.658	165	0.434		
Total	73.735	167			

4.6 The Relationship between the Internal Social Capital of Plastic and Packaging Firms

4.6.1 Job Positions

Next, the line graph shows the relationship between the cost-focus strategy in pharmaceutical firms and each respondent's job position (Fig 1). Fig 1 shows that this line tends to go down when the respondents' job positions are in the production department. But this line tends to slope up when the respondents' job positions are accountants and other positions.

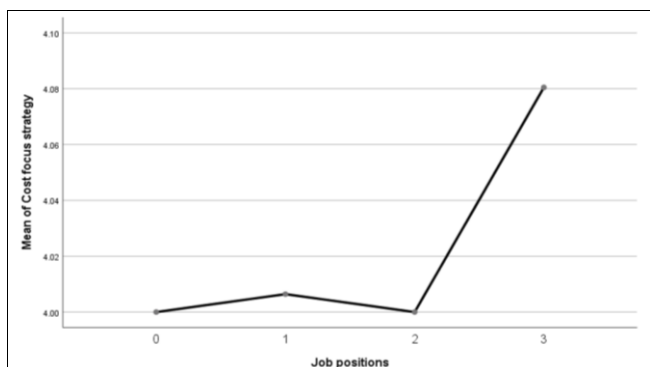


Fig 1: The line graph shows the relationship between the cost-focus strategy in pharmaceutical firms and each respondent's job positions

4.6.2 Ages

Next, the line graph shows the relationship between the cost-focus strategy in pharmaceutical firms and each respondent's age (Fig 2). Fig 2 shows that this line tends to

go down when the respondents' ages range from 30 to 35 years old. But this line tends to slope up when the respondents' ages are 36 to 44 years old and 45 years old or older.

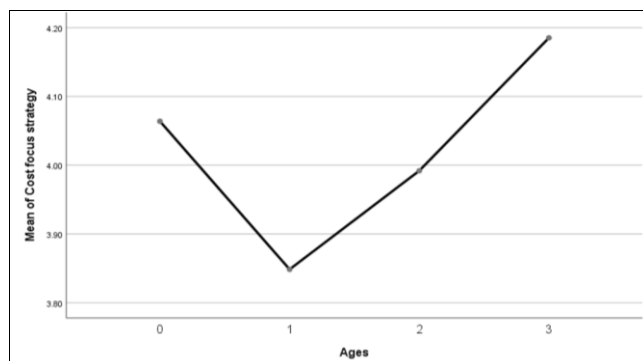


Fig 2: The line graph shows the relationship between the cost-focus strategy in pharmaceutical firms and each respondent's ages

4.6.3 Career Seniority

Next, the line graph shows the relationship between the cost-focus strategy in pharmaceutical firms and each respondent's career seniority (Fig 3). Fig 3 shows that this line tends to go down when the respondents' career seniority is from 5 to 10 years old. But this line tends to slope up when the respondents' career seniority is 10 years or older.

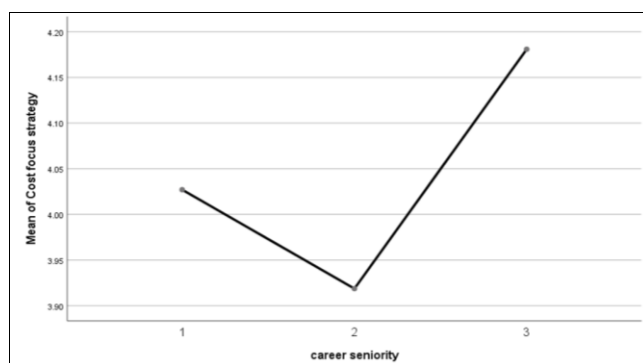


Fig 3: The line graph shows the relationship between the cost-focus strategy in pharmaceutical firms and each respondent's ages

5. Discussion and Implications

According to Ms. Nguyen Dieu Ha, Secretary General, Chief of Office of Vietnam Pharmaceutical Business Association, by 2022, Vietnam will have 51 foreign-invested pharmaceutical enterprises, 228 enterprises meeting WHO standards (good manufacturing practices of the World Health Organization, WTO), and 12 enterprises meeting high GMP standards, such as EU, PICs, Japan, and TCA. This number shows that Vietnam's pharmaceutical industry has actually made quite a lot of progress, because in 2017, there were only 2 enterprises achieving GMP. Enterprises are more willing to invest and achieve good production practice standards. The distribution system is relatively developed, especially the nationwide pharmacy system.

Although a number of pharmaceutical firms have built quite clear, focused competitive strategic directions, in recent years, some pharmaceutical enterprises have not achieved significant results.

In pharmaceutical firms pursuing a focused competitive strategy, the level of improvement in the business performance of enterprises is different because the business

performance of enterprises also depends on a number of factors.

Pharmaceutical firms pursuing a cost focus strategy tend to reach new market segments and diversify their products.

Pharmaceutical firms applying a cost-focus strategy face disadvantages in product diversification capacity, market development capacity, and clear competitive orientation.

Pharmaceutical firms that choose a cost-focus strategy have a number of key competitive capabilities, such as market research capacity, leadership capacity, and product supply capacity in market segments. Niche and effective promotion programs.

Pharmaceutical firms currently mainly deploy a cost-focus strategy on a number of factors, such as improving product quality, ensuring health hygiene and safety, and social responsibility, without paying much attention to other competitive capabilities in the enterprise.

Pharmaceutical firms applying a cost-focus strategy face disadvantages in product diversification capacity, market development capacity, and clear competitive orientation.

For listed pharmaceutical firms, these firms should disclose and make information transparent. When participating in listings, firms will have to accept regulations on financial transparency and information disclosure, helping customers and investors control business activities and avoid negative impacts when there are fluctuations or bad information that causes a psychological impact on the public. Firms also need to be more bold and open in disclosing their financial situation and operations in the media. They should proactively do so because this information is essential to building customer and investor trust in the firm.

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