RESPONSE STRATEGIES BY OIL MARKETING COMPANIES IN KENYA TO FLUCTUATING OIL PRICES

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DECLARATION

I hereby certify that this research project is my original work and has not been presented for examination in any other university.

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D61/73093/2014

This research project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

This study is dedicated to my parents for their love, endless support, prayers and encouragement. Without their love and support this project would not have been made possible.

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ABBREVIATIONS AND ACRONYMS

ERC	Energy Regulatory Commission
KPRL	Kenya Petroleum Refineries Limited
SPSS	Statistical Package for Social Sciences

ABSTRACT

All organisations irrespective of industry inclination exist in an environment in which they operate in. The changes occurring in these environments do affect the businesses in one way or the other and in order to remain competitive, firms have to formulate response strategies. Therefore, response strategies are the set of actions and decisions taken by organisations that ensure an organisation remains fit to changing environment. The oil industry in Kenya is a major economic drive being the main source of energy with over 75% dependency. In the recent past price the world oil prices have been fluctuating and Kenya being a net importer has bore the spikes of those fluctuations. Therefore the objective of this study was to determine the response strategies adopted by oil marketing companies in Kenya to fluctuating oil price. The study adopted a descriptive research design and questionnaires as the data collection tool. The population of the study was all the 31 oil marketing firms in Kenya and the target respondents were operation managers. The data was collected and analysed using Microsoft excel tools. The findings indicated that A majority 50% to a great extent and 31.81% to a very great extent. Outstanding customer care as a response strategy 54.55% to a great extent and 36.63% to a very great extent. A significant majority, 72.73% of the companies focused building on ethical practices in times of fluctuating oil prices. Investing in research and technology was also relatively favoured with 63.64% indicating that it was employed to a very great extent. The researcher concluded that in the face of fluctuating oil price, oil companies should focus on value adding strategies such as those of product differentiation, customer care, cost cutting and technological advancements.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

All organisations, irrespective of the size, industry inclination exist in order to accomplish specific objectives including those of external stakeholder, market segment and community (Aldrich, 1979). The attainment of these objectives is normally a daunting task and more so in the 21st century where the business environment is characterised by rapid changes which calls for greater flexibility from the organisations. In order to remain competitive, organisations are forced to make carefully pre-calculated moves known as strategies (Porter, 1985).A Strategy is the means by which organisations achieve their set objectives in a rapidly changing environment (Johnson Scholes & Whittington, 2008). George Steine (2003) defines strategy as those actions taken by an organisation aimed at countering competitors' actual or predicted moves. Therefore, in this regard, organisations strategies are wide and ought to change with the rapid environmental changes of the 21st century. Response strategies thus refer to the actions taken in response to a particular change in the environment which are aimed to ensure that the organisation remains competitive.

The concept of the study is anchored on the environment dependency theory (Ansoff and Sullivan, 1993). This theory basically describes the relationship between the environment and the organisation. It is based on the rationale that organisations are not closed systems but rather open which are influenced and in turn influence the environment in which they operate in (Pearce and Robinson, 2011).Organisations take in inputs from the environment and subsequently release outputs to the same environment thus creating an interdependence relationship. The Environment Dependency Theory is studied under three different theories which are closely related:

open systems theory, Contingency theory and the institutional theory (Ansoff and Sullivan, 1993). The open system which unlike the traditional theories, recognises that organisations are unique and more so because of the environments they operate in. Therefore they need to be structured in such a manner that they are able to accommodate unique opportunities and problems alike (Aldrich, 1979). Fielder (1976) advanced the contingency theory of leadership that asserts that there is no one best way to run the operations of an organisation. Thus leadership is situational based and contingent leaders apply the best leadership judgment based on situation at hand. Based on this theory, the effectiveness of a leader is determined by how best they can diagnose where subordinates are on maturity continuum and adopting leadership style accordingly. The institutional environment theory describes how the market structures exert influence on the overall decision making of an organisation with both formal and informal constraints. The informal constraints are, among others, taboos, customs, codes of conduct, sanctions, while the formal rules may refer to laws, property rights. Therefore, the institutional environment defines the transaction costs, productions costs and ultimately the financial performance of organisations (North, 1991).

Petroleum is the major source of energy in Kenya, with a projected annual increase in demand of 3-5% mainly due to population growth. Currently, Kenya is a net importer ofoil and has always bore the blunt spikes in oil prices that have been blamed for sustained high prices of basic commodities and weak local currency. The world oil prices have been on a downward trend with the most recent significant drop being experienced in 2014. In 2014, the prices began to tumble and prices fell from highs of $100 per barrel to $50 per barrel. This was occasioned by a significant reduction in demand for oil in China and Europe's coupled by a steady supply by Oil and Petroleum Exporting Companies. Therefore the seasons of oil price changes will be always be experienced and Kenya being a net importer has no control over the same. Each season of price fluctuations will differ from the other and mostly because of the factors underlying the fluctuations and the intensity of such changes. The oil industry being a very competitive sector in Kenya is characterized by price controls, common non-differentiable products and strict taxation structure within a liberalized economy. This thus calls for adoption of other strategies besides price and its related derivatives as competitive strategies. Thus the oil marketing firms may have to respond differently to different price fluctuation seasons, owing to the unique characteristics of each.

1.1.1 Response Strategies

According to Robinson (2010), response strategies are the set of actions and decisions taken by organisations that ensure an organisation remains fit to changing environment. Response strategies vary depending on the present situation. They may among others include: response which are beneficial for reasons other than environmental change and justifiable in their own right; economically efficient and cost effective, in particular those that use market-based mechanisms; able to serve multiple social, economic, and environmental proposes; flexible and phased, so that they can be easily modified to respond to increased understanding of business, technological, and economic aspects of businesses. Response Strategic require organizations to change their strategy to match the environment and to redesign their internal capability to match this strategy (Grant, 2011). If an organization’s strategy is not matched to its environment, then a strategy gap arises. The viability of responses will differ significantly depending on the country or region.

As organisations are open systems, anystrategies adopted must be favourably aligned to the environment. The rapid changes in the environment ultimately alter the way organisations conduct their day to day businesses and the long-term strategic plans as well (Mintzberg, 1979). They force organisations to go back to the drawing board and re-strategize if they are to remain in business. While some changes demand immediate responses others can adopt delayed responses allowing sufficient time to plan accordingly. Therefore continuous and effective environmental scanning is key to effective response strategies for organisations (Thompson and Strickland, 2003). Organisations have to approach management with the inverted pyramid which, places employees who are closest to clients at the top and managers at the bottom. Therefore, the employee is empowered with greater decision making and authority while the manager becomes a facilitator spearheading team effort.

1.1.2 Price Fluctuations

Price fluctuation refers to the changes occurring in the cost of an asset or security from period to period. The changes can either be anticipated or otherwise asa direct result of changes in a number of factors. A price fluctuation can either be downward or upward, and depending on the movement, organisations ought to respond differently in order to remain competitive. The magnitude of changes can be drastic or mild. In the world economies the following three factors have been attributed to most price changes; exchange rates, monetary policies and fiscal policies.

In the recent past, the magnitude of price increases, its duration and breadth are unparalled compared to the last 25 years (Mattila, & O'Neill, 2003). Notably, the prices of specific commodities and crude oil have increased by more than fivefold. Higher cost price spells doom for organisations as this ultimately reduces demand and thus reducing profit margins and vice versa. Further this implies that organisations will have to pursue other strategies other than price based and its derivatives in order to stay ahead of competition. Fluctuations in the prices of one commodity normally have spill over effects to other commodities depending on the existent relationship amongst the commodities. Price changes in one country may also affect the prices of similar commodities in other countries. The effects that price fluctuations have on any given economy are significant and thus cannot be ignored.

1.1.3 Oil and Petroleum Industry in Kenya

Petroleum is the major source of commercial energy in the country and accounts for over 75% of all energy requirements. Currently the industry is about oil refinery and importation. The Kenya Petroleum refineries limited is a monopoly that runs the only Skimming refinery in the country that is 50% state owned and 50% by Essar Energy Overseal Limited (Government of Kenya, 2005). Tullow, a British firm first discovered oil in Kenya in 2012, however the commercial prospects of this project are still under review. The oil and petroleum industry in Kenya is oligopolistic structure and is dominated by 3 major oil companies. The three players control over half of the market share with 56.9% of the total market share as at December 2012 Total Kenya controlling 20.5%, KenolKobil 20.1% and Shell 16.3%). These control approximately 85% of the market share with the remaining share being shared amongst new entrants and private owners. Petroleum products in Kenya are supplied through importation of crude oil by KPRL and direct importation of refined products. These processes are coordinated by the ministry of energy through an Open Tender System.

The once lucrative industry has experienced rampant changes and with time some oil companies have been forced to close shop. The sector was liberated in 1994 thus allowing more firms to engage in petroleum trading such as importation, export, wholesale and retail. Another major development in the sector is the Restrictive Trade

Practices and Price control which came into force on 01 February 1989. This move was aimed to get the Kenyan Government move away from reliance on price control instruments which had been in existence for 33 years and instead on competitive elements within the economy. The competition Act of 2010 aimed at tightening up of the policies governing the sector to curb malpractices such as fuel adulteration.

1.1.4 The Oil Marketing Firms in Kenya

There are 27 Major oil marketing countries in the country. These are divided in to two; the majors, Total Kenya Limited, Vivo Energy Kenya, Libya oil and KenolKobil and the minors such as Hass Petroleum, Gulf energy, Gapco. The Kenyan market is very price sensitive and thus fluctuating crude oil prices. The ERC forced most of the multinationals out of the local market due to diminishing returns. some of the multinationals who existed are American owned multinational, ExxonMobil Kenya Limited exited in 2016 after acquisition by Libya oil Kenya followed by Chevron which was acquired by Total Kenya in 2008 (SIB, 2014).

The relatively high pump prices despite falling crude oil prices are a clear indication of the heavy taxation that the product undergoes. More than 10% of the total governments' revenue comes from taxation of petroleum products. A large percentage of the fuel products are used in transportation thus, the transport sectors also suffer the high tax structure. The competition has been so stiff and more so since the liberalisation of the sector in 1994 inviting small players. In order to keep up with competition amidst high taxes, the small players have resulted in to unethical practices. Kerosene being the cheaper of the fuels, firms has resulted into buying minimal quantities of petro fuels and mixing them with kerosene. These way small dealers have been able to undercut big dealers by offering discounts.

1.2 The Research Problem

Competition in the present world is immense and the environment in which organisations is becoming more complex with rapid environmental changes. The pressure is intense and organisations are going to extreme lengths including unethical practices just to remain in business. The long-term survival of firms largely depends on how firms keep a breast with environmental changes through appropriate response strategies in a timely manner (Johnson & Scholes, 2002). Schendel and Hofer (1979) argue that organisations generally respond to environmental turbulences through formulation of new strategies which provide directional cues and align properly with operating environment. According to Eisenhardt and Sull (2001) strategy in turbulent environments should be disciplined thus requires a set of strategic rules so that companies can cope with rapid opportunities and threats.

The oil industry in Kenya has been for a long tome one of the lucrative sectors in the economy with the demand for petroleum products soaring and even projections indicating a further upward trend in their demand. The crude oil prices have also taken a downward dive with the price having halved since 2014. However, the pump prices have remained relatively high, a situation that has been attributed to heavy taxation, and majorly excise duty and value added tax. However there have been periods of rising crude oil prices. Some of the factors expected to cause a further tumble of oil prices are, the increased campaign for green energy, the oil exploration at tullow. Each season of price fluctuation is unique, based on its major causes, the breadth of fluctuation and the movement, upward or downward. All these thus require the oil companies to adopt different response strategies.

The concept of response strategies has been of interest to a number of researchers both locally and internationally. Mwanthi (2003) did a case study on the response strategies adopted by British American Tobacco in response to environmental changes. Studies by Thiga (2000) on response strategies by airline companies and Kamau (2014) on the response strategies adopted by SME's with regard to changes in the external environment, agree that companies will respond differently to different environmental changes. The study concludes organisations are adopting combined strategies such as low cost, expansion and diversification strategies. Mutali (2011) researched on response strategies adopted by co-operative bank of Kenya to changes in the external environment. Okumu researched on general competitive strategies for these firms.

The studies in this field have widely focused on general changes in the external environment and not price fluctuations in particular. In addition, most of these studies have been conducted in different organisations other than the oil industry. Each period of price fluctuation is different and thus the responses ought to be unique. Thus, specific studies in this particular area of price fluctuation and specifically in the oil industry have not been conducted and thus presenting a research gap. This study will therefore fill the existing gap in this area of study. What are the response strategies adopted by oil marketing companies in Kenya to fluctuating oil prices?

1.3 Research Objectives

i.) To determine the response strategies adopted by oil marketing companies to fluctuating oil prices in Kenya.

ii.) To determine factors affecting choice of response strategies for oil marketing companies in Kenya iii.) To establish the managements reaction to fluctuating oil prices by oil marketing companies in Kenya.

1.4 The Value of the Study

This study will bring to light the major response strategies adopted by oil companies in the wake of fluctuating oil prices. Thus it will reveal those strategies that have worked and those that have failed as well and thus management fraternity will be able to work around proven strategies and improve on them when faced with price fluctuations.

This study will be useful to the government who are the policy makers as it makes economic plans. The oil industry being a major contributor to the government revenue through taxation as well as being the main source of energy is a major determinant of the economic performance of the country. By observing response strategies adapted to fluctuating oil prices the government and the regulator will able to project economic growth with more accuracy. This will therefore enable the government plan with more accuracy.

The findings of this research study will also be a useful point of reference for academicians who wish to further in the field of response strategies with a focus on the oil companies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will review literature related to this research study. It will focus on a review of the theories underlying response strategies, and documented studies on the same. Mainly, the theories under review are; the open systems theory, contingency theory and the theory of industrial organisation economics. Both local studies and international studies on response strategies will also be reviewed to prove an in-depth understanding of the topic.

2.2 Theoretical Review

The theory underpinning this study is the Environment Dependency Theory which majorly describes the interaction of the organisation and the environment. This theory comprises of three sub theories; open systems, contingency theory and industrial organization economic theory. This theory was developed after the World War II in response to traditional theories which viewed the organisation as a self-contained entity which either prescribed organisational behaviour or organisational structure. The environment is composed of a number of forces such as political, legal, technological, economic and social forces.

The open systems approach is anchored on the concept that organisations are strongly influenced by their environment (Ludwig von Bertalanffy (1968).The theory is based on four principles; parts that make the system are interrelated, overall health of the system is dependent on subsystem functioning, system has permeable boundaries, import and export of materials to and from environment. This approach recognises organisations asunique entities particularly because of the environment they operate in.

In this view therefore the traditional organisations cannot survive in environments undergoing rapid changes. Environmental factors impacting an organisation are broadly classified into two; specific and general. Specific factors relate to those which the organisation directly interacts with such as suppliers, customers, government agencies and distributors. The general factors refer to those which emanate from the geographic area in which the organisation operates. These include; legal factors, community cultures and literacy levels. Broadly, organisations can exert some level of control on the specific factors while the general factors are far stretched and thus cannot control the developments among those factors.

Fielder (1976) advanced the contingency theory of leadership that asserts that there is no one best way to run the operations of an organisation. Thus leadership is situational based and contingent leaders apply the best leadership judgment based on situation at hand. There are two models on contingency leadership models; Tannenbaum and Schmidt's Leadership Continuum Model and Hersey and Blanchard's Situational Leadership Theory. Tannenbaum and Schmidt (1975) assert that any leadership style is influenced by three factors; factors within the manager, subordinates and the situation. Blanchard (1977) derived four leadership styles; directing, coaching, supporting and delegating by dichotomising the traditional types of leader behaviour. Based on this theory, the effectiveness of a leader is determined by how best they can diagnose where subordinates are on maturity continuum and adopting leadership style accordingly.

The Contingency theory holds that there is no one best way to manage and structure organisations and any way of organising is not equally effective. Thus the management and structure of organisations is contingent upon the unique environments in which they operate in. Two sub-theories have been advanced under the contingent theory;

Management Innovation by Burns and Stalker (1968) and Lawrence and Lorsch (1969). According to Burner and Stalker(1968), organisations structure should be modelled based on the level of environmental stability. Emanating from this view is; Mechanistic systems that are suitable for stable environmental and organic systems suitable for changing environmental conditions.

According to Lawrence and Lorsch (1969),the success of an organisation is dependent on how well it can differentiate to a level that meets environmental requirements, and at the same time integrate the different departments to collective action. According to this theory, the key determinants of organisational structure and management are; environmental uncertainty and information flow. Thus in the face of complex environments organisations develop separate departments to confront the different environmental changes. However, a high number of segments can create coordination problems arising from mutual tasks, obstacles, conflicting performance criteria's, communication and goal ambiguity. Ultimately, the success of an organisation is dependent on how well it's able to differentiate to the level required by the environment and at the same time integrate the different departments to collective action.

Institutional Theory was advanced by Meyer and Rowan, Di Maggio and Powell (1996). This theory asserts that organisations institutional environment plays a key role in development of formal structures and that the survival of organisations is contingent upon environmental legitimacy. Early adopting organisations adopt innovative structures that improve technical efficiency which are eventually legitimized in the environment. Thus, in the end institutional environment leads to homogeneity of organisational structures. According to institutional theorists, in order for organisations to maintain or improve legitimacy in the institutional environment, they have to ceremoniously adapt to institutional myths such as specific roles, positions, routines.

Institutional environment is composed of both formal constraints and informal constraints both of which have an influence. The informal constraints are, among others, taboos, customs, codes of conduct, sanctions, while the formal rules may refer to laws, property rights. Therefore, the institutional environment defines the transaction costs, productions costs and ultimately the financial performance of organisations (North, 1991). However, the formal structures arising out of environmental legitimacy can lead to inefficiencies in the technical environment and organisation ought to find ways to deal with this. There are three types of institutional pressures that face organisations in an institutional environment; coercive pressures, mimetic pressures and normative pressures. Coercive pressures emanate from legal obligations and influences from related organisations, while mimetic pressures result from periods characterised with high levels of uncertainty. In these periods organisations are forced to copy tried and proven organisational structures. Normative pressures are a direct result of hiring process adopted by organisation where attitudes and approaches from people of a similar profession groups are prominently displayed in the organisation.

The Industrial organisation theory describes how the structure of a market can affect the strategic decision making of an organisation (Ramsey, 2001). The focus here is not the organisation itself but rather the market in which the organisation operates in.According to Ramsey (2001), there exists a causal link between the structures of a market in which organisation operate in, the organisations conduct and financial performance.

2.3 Fluctuation of Oil Prices

According to (Fattouh, 2007) the behaviour of oil prices can be studied under three main approaches; According to The supply and demand framework, economics of exhaustible resource and the informal approach. The demand and supply framework is dependent upon GDP Growth, oil prices and reserves (Dees et al., 2007). The economic exhaustible resources approach holds that oil prices must exhibit an upward trend (Krautkraemer, 1998). The informal approach asserts that oil prices move within specific episodes of oil market industry as a result of geo-political, economic and incidental factors affecting demand and supply.

Oil is the major source of energy for most of world's economies. Therefore, taxes on oil and oil products make up a sizeable fraction of the governments revenue. Even so, revenue collection on these products is relatively easy as there is generally a robust relationship between income levels and fuel consumption levels. In most economies, the prices paid by final consumers for petroleum products significantly differ from ex-refinery oil prices mainly because of Value added taxes and excise duty.

The US dollar is the currency used to invoice for the world crude oil prices, thus fluctuations in the same will ultimately affect oil prices. Exchange rate movements do have effects on homogeneous products which are internationally traded. Bloomberg and Harris (2005) assert that according to the law of one price, international oil buyers will be willing to pay more dollars for oil as the US dollar weakens against other worlds currencies. The oil marketing companies and dealer profit margins also play a significant role in determining oil prices. In a study carried out by Juvenal and Petrella (2012) concluded that the oil prices have been historically attributed to global demand for oil. However the findings reveal that between the years 2004-2008 speculations have been the major cause of rising oil prices in the same period. They concluded that speculative shocks in oil prices had a relation to other commodity oil prices.

2.4 Response Strategies

A response strategy is a move made by an organisation to counter environmental changes (Hoskinson et al, 1997). All actions taken by organisations are in response to environmental changes are collectively referred to as response strategies. Therefore, response strategies comprise decisions that result in formulation and implementation of action plans geared towards achievement of the overall organisation objective. Response strategies are a necessary ingredient to ensuring the long-term survival of an organisation in a rapidly changing environment.

According to Ansoff and MacDonnel (1990), response strategies, involve changes in firms behaviour. Changes occurring in the environment present opportunities and problems alike thus organisations react with strategies aimed at exploiting opportunities and those aimed at countering problems. Depending on the nature and speed of changes, firms will adopt varied strategies. For instance, in the event of drastic environmental changes, organisations will not have ample time to formulate and implement structured strategies. In addition, organisations will react differently dependent on their internal strengths and weaknesses.

Some of the insulating strategies that organisation adopt in turbulent times are; conglomerate diversification, concentric diversification and coalition (Stoffels , 1994). Both horizontal and vertical integration are turbulence reducing strategies. According to Starbuck, Greve and Herdberg (1978), experimenting with portfolio, avoiding excesses and managing ideologies are the best ways to deal with crises resulting from environmental changes. Portfolio experimenting in the context refers to investing in new markets, products, technologies and people while ideology managing is focusing on staff ideological phenomena such as morale and enthusiasm.

A study on Corporate Responses to crises resulting from external changes by Smart and Vertinsky (2006) concludes that the management's propensity to adopting particular strategic posture is dependent on perceptions of how well the firm can control the environmental and associated costs of introducing the change. However Thompson (1978) asserts that the influence of environmental alterations may be delayed or constrained by top level manager using institutionalised powers. These could be motivated by the desire of top managers to hold on to their positions. Therefore, these delays could leave the organisation at a worse off state in the end.

2.5 Empirical Review

Kamau (2014) established that when organisations are faced with environmental changes, most adopted combined strategies. The widely used strategies were; low cost pricing, expansion, good customer care services, focus strategies, offering quality goods and focus strategies. Despite the immense importance attached to differentiation, research and development strategies, these were found to be the least adopted by SME's. The study concluded that, the environment is a major factor affecting organisations and without proper response strategies organisations would miss out on opportunities and face immense challenges.

Nyaga (2007) Product development is an intensive strategy that organisations can use in response to environmental turbulences. In the face of environmental changes, a firm with an existing product can embark on a journey of developing new products for the same market in order to remain competitive. The rationale is that, when a firm develops new products for its existing market it's more likely that it will gain more customers thus gaining a competitive edge. On the other flip organisations can venture into developing new markets for existing products. This is through targeting new customer segments such that the firm generates more revenue and remain fairly stable in the environment.

Kaya and Seyrek(2005) the ability to adapt to radical changes in the external environment is a key determinant of competitive advantage. The response strategies adopted by organisations to adapt to environmental changes include; tech- based orientations, market-basedorientations and entrepreneurial orientations. In less dynamic markets, there exists a positive link between a firm's performance and technological orientation while in highly dynamic environments; a positive link exists between firm's performance and entrepreneurial orientations.

Most organisations are now investing in Information technology strategy as a winning strategy. Information technology is about speed of service delivery, convenience, safety. Consumers will favour those organisations which provide the most in terms of information technology (Mutali, 2001). The use of cards, cashless transactions and online transactions are among those developments which have been favoured the most by consumers. Majorly, the convenience and security associated with technological advancements creates customer loyalty. In most cases, the early adopters benefit much relative to late adopters.

Price-based strategies are key as they help organisations deal with different consumers. Most consumers relate price to quality of products and thus making consumers really price sensitive. However some consumers cannot afford quality pricey products hence opt for low quality goods. Therefore, organisations choose low cost strategies relative to competitors for similar products (Johnson et al, 2008)

Some organisations opt for one of the most traditional Differentiation strategy. This strategy aims at providing products that are highly valued by customers but differ from those provided by competitors. Under this strategy, organisations can choose to provide unique and superior value in terms of quality, after sale services and special features. In the end differentiation achieves customer loyalty which lowers their price sensitivity (Johnson et al 2008).

Strategic alliances have gained a lot of prominence in the recent past. A strategic alliance is a partnership of two or more organisations aimed at achieving significant objectives that are mutually beneficial. Some of the common strategic alliances include; value chain partnerships, joint ventures and licensing agreements. While many alliances result to increased value of the firm and profitability alike, this process may be lengthy and complex enough thus forming and managing strategic alliance is a capacity that is learned over time (Wheelen, 2008)

2.6 Summary of Knowledge Gaps

A number of researchers have conducted different studies on the subject of environmental changes. Mutali (2011) researched on response strategies adopted by co-operative bank of Kenya to changes in the external environment and observed that customers favoured technology based strategies. Studies by Thiga (2002) on response strategies by airline companies and Kamau (2014) on the response strategies adopted by SME's with regard to changes in the external environment, agree that companies will respond differently to different environmental changes. A case study done by Mwanthi (2003) on the response strategies adopted by British American Tobacco in response to environmental changes concluded that, organisations adopt combined strategies such as low cost, expansion and diversification strategies.

Many of these studies have largely focused on the general environmental changes in relation to the competitiveness of an organisation.For instance, Kamau (2014) researched on response strategies by SME’s to environmental changes while Mutali conducted a study on strategies adopted by Co-operative bank. Some of the common strategies that have dominated most studies relate to innovation based, strategic alliances, differentiation and combined strategies adopted by firms in order to remain competitive. However, there has not been a specific focus on particular changes such as the fluctuation in oil prices as well as studies being done in a specific industry. Therefore the contexts and concepts in which the reviewed studies were carried out differ with this study thus presenting research gaps.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design and methodology that was employed in the study. Specifically, it identifies the research design, population of the study, data collection methods and data analysis procedures.

3.2 Research Design

The study adopted a descriptive cross-sectional research design in order to determine the response strategies adopted by oil marketing firms in Kenya. A descriptive study describes the who what, when and how of a phenomenon (Boyd, West fall and Starch, 2004).According to Ngechu, (2004), a cross-sectional study design is a research design that allows information from any given sample of the population to be collected at once.

A descriptive cross-sectional research design was suitable for this study because it allowed for generalisation of findings within a particular parameter. Cross-sectional studies aim to provide data from the entire population under study in this case being all the oil marketing companies. Additionally this design would allow for generalisation of response strategies adopted by oil marketing companies to fluctuations in oil prices and prove/disprove assumptions on the topic as well.

3.3 The population of the Study

The population of the study consisted of all active oil marketing companies in Kenya. According to Kenya Petroleum Refinery Limited there are 32 active oil marketing companies in Kenya as at 31.12.2015. A census was done because of the small number of members of the population and the unique characteristics of each the firms resulting from size, ownership and management styles. This also resulted in greater accuracy and reliability of results as data is collected from each company separately and eliminate some of the limitation associated with samples, whereby in the event of a number of questionnaires being returned, reduces the reliability of the study results

3.4 Data Collection

Primary data was collected for this by means of semi structured questionnaire which were divided in to two: part 1 consisted of open ended questions aimed at obtaining general information about the organisation. Part 2 comprised of likert type questions that were semi structured in order to ease data analysis. The key respondents for the study were the operations managers for each of the firms since they play major part in structuring any response strategies adopted. In the absence of operations managers, marketing managers or business development managers responded to the questionnaires . The questionnaires were delivered to the respondents and picked after 1 week. Phone calls were used for follow-up’s and clarity purposes.

Questionnaires are a relatively efficient way if collecting data thus preferred for this study. Large amounts of data can be collected in a short duration of time through questionnaires as compared to other data collection methods. Additionally the information collected can be easily quantified for analysis purposes. The Likert type questionnaires are used to allow more comparability of responses and eliminate statement variability.

3.5 Data Analysis

Data analysis is reducing collected data to manageable sizes, developing patterns and developing summaries (Mugenda & Mugenda, 2003). The data collected from this study was coded and analysed by use of Microsoft excel tools and descriptive statistics as well. The researcher analysed responses and presented the same on tables and graphs for ease of understanding and interpretation.

Descriptive statistics allowed conclusions to be easily drawn on the commonalities of response strategies adapted to fluctuating oil prices and the SPSS software enabled effective management of collected data and thus resulted into more accuracy in interpretation of results.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter serves the purpose of presenting the findings of the study whose main objective was to determine response strategies adopted by oil marketing firm in Kenya to fluctuating oil prices. Therefore, it presents data analysis results and discussion of the same. The first part of this analysis was generally establishing the characteristics of the companies in order to help in the interpretation of the collected data.

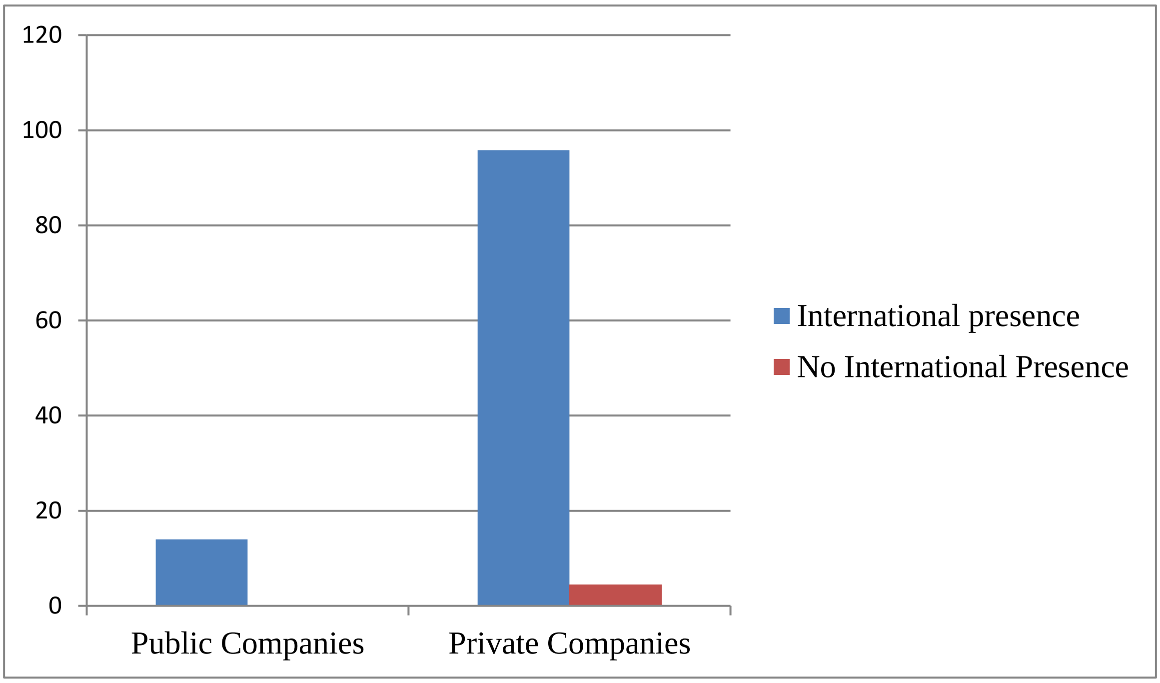
4.2 Background Information

The main objectives of this study was to establish response strategies adopted by oil marketing firms in Kenya to fluctuating oil prices, managements reaction towards the same and also establish factors that determine strategic responses adopted by these companies. Questionnaires being the data collection instrument used by the researcher were distributed to operations managers, marketing managers or business development managers in all the oil companies in Kenya. Out of the 31 questionnaires that were distributed, 22 came back, representing a 70.96% response rate. The response rate was considered sufficient for this research as Mugenda (2010) recommends a 70% threshold. The study sought to establish the following background information for the companies in order to aid in interpretation of data, the type of organisation, the size of organisation, and the age of organisation. In addition, the study also sought to establish the length of service for the respondents.

4.2.1 Type of Organisation and International Presence

The researcher sought to first establish the type of organisation, whether private or public and whether the companies were operating outside Kenyan borders. As per the graph below, 86.3% of the companies were privately owned companies while only 3 representing 14% were publicly owned. The researcher notes that a further 95.8% of the companies had international presence while only 4.2% did not have international presence.

Figure 4.1 Type of Ownership and International Presencet



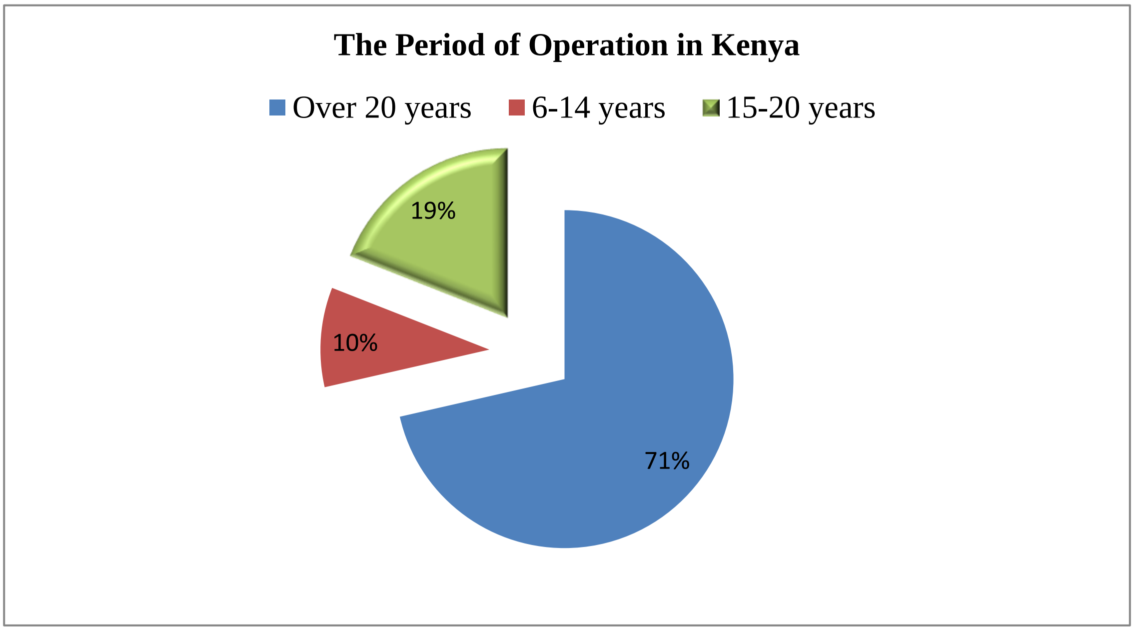
Source: Researcher's data (2017)

The researcher noted that all public companies had international presence while 4.5% of the private companies only operated locally.

4.2.2 The Period of Operation in Kenya

The researcher needed to establish the age of the companies in the Kenyan market. According to the results of the study, a majority of the companies which participated in the study had operations in Kenya for a long time as 17 of them had been here for over 20 years. None of the companies had operated less than five years in the country. This was good for the study as these companies were old enough to have experienced the fluctuations in the oil prices over the years.

Figure 4.2 The Period of Operation in Kenya



Source: Researcher's data (2017)

4.2.3 Number of retail Outlets in Kenya

The researcher was also interested in establishing the number of retail outlets currently operating in the country in order to ascertain the scale of operations. Most of these companies were already operating aver 20 outlets a good indicator that the scale of operations was high enough to be affected by price fluctuations. 18 of the respondents had over 20 outlets representing 81.8% of the total population.

Table 4.1 Number of Retail Outlets

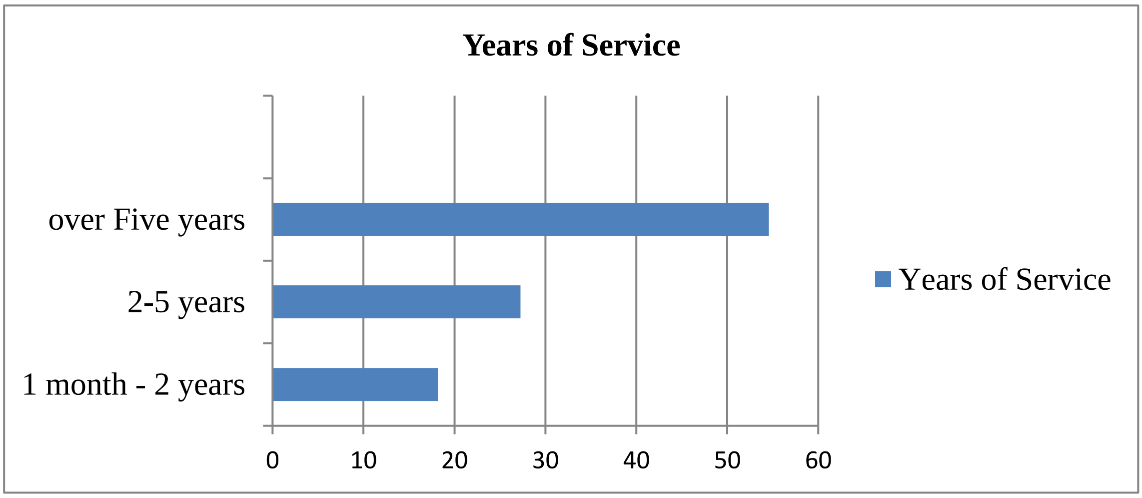
Number of Retail Outlets	0–5 Outlets	6 - 10 Outlets	14-20 Outlets	Over-20 Outlets	Total
Frequency		2	2	18	24
Percentage		9.1%	9.1%	81.8%	100%

Source: Researcher's data (2017)

4.2.4 The years of Service of the respondents

The respondents were asked to fill in the period in which they have served the respective organisations. Below are the findings in figure 4.3

Figure 4.3 Years of Service



Source: Researcher's data (2017)

The results indicated that most of the respondents had served over five years in their respective organisations, represented by 54%, while only 18% of the respondents had served between 1 month and two years. This was good for the study as a majority of the respondents had served enough to understand the nature of strategic choices adopted.

The researcher sought to establish the different strategies adopted in the event of fluctuating oil prices by asking the respondents to indicate the level to which the following strategies were employed. The findings were presented in the table below.

4.3 Response Strategies Adopted to Fluctuating Oil Prices

The study sought to establish the extent to which the following response strategies adopted in times of fluctuating prices using a five point scale where 1- not at all, 2- little extent, 3- moderate extent, 4-great extent and 5-very great extent. The mean responses for each strategy and standard deviation were derived and results presented in table 4.2.

Table 4.2 Response Strategies Adopted in Fluctuating Oil Prices

	Response Strategy	MEAN	STD. DEVIATION
1	Building a reputation	**3.59**	**0.72**
2	Offering a differentiated product package	**4.04**	**0.81**
3	Outstanding customer care	**4.18**	**0.84**
4	Building on ethical practices	**4.54**	**0.91**
5	Invest in latest technology	**4.27**	**0.85**
6	With recognised multinationals to enhance image	**3.18**	**0.64**
7	With Local community to enhance their welfare	**2.23**	**0.45**
8	With competitors to share facilities	**2.86**	**0.57**
9	Invest in research and development	**3.32**	**0.66**
10	Departmental cost cutting	**3.36**	**0.67**
11	Outsourcing of non-core activities	**3.36**	**0.67**
12	Engage in franchising	**3.09**	**0.62**

13	Avoid some costs	**2.95**	**0.59**
14	Re-Branding	**2.91**	**0.58**
15	Focus on particular customer base	**3.64**	**0.73**
16	Focus on particular markets	**4.18**	**0.84**
17	Focus on particular product packages	**3.91**	**0.78**
18	Diversify in related business	**2.59**	**0.52**
19	Diversify in unrelated business	**2.48**	**0.50**
20	Cost Leadership Strategies	**3.63**	**0.73**
21	Downsizing operations	**1.59**	**0.32**
	GRAND MEAN	**3.33**	

Source: Researcher's data (2017)

The results of the study had a grand mean of 3.33 an implication that, the response strategies covered in this study do affect oil marketing companies.

The results of the study indicated that employing differentiated product packages to a great extend in order to counter fluctuating oil price with a mean of 4.04. Product differentiation is one of the oldest competitive strategies that were advanced by Porter who insisted that for a firm to remain competitive, it has to develop products with unique attributes that are appealing to customers. Again a majority of the companies, a mean of 4.18 embraced outstanding customers care in the face of fluctuating oil prices in order to outwit their competitors. Technological advancements is a strategy which as indicated by the results was used to a very great with a mean of 4.27. This encompasses product and process development, payment systems and the general level of innovation. Product differentiation and technological advancements are closely tied as technological advancements leads to differentiation.

A majority of the company's highly adopt ethical practices in order to beat competition and win customers loyalty in the face of changing oil prices, a mean of 4.54. This helps build on a company's reputation and especially now in the wake of fuel adulteration. Ethics goes a long way in building a strong customer base leading to loyalty which is a key asset in dealing with price fluctuations. Cost leadership strategies seem to have worked for a majority of the companies as the results indicated a mean of 3.63. Cost cutting is a strategy that companies, even those not in the oil industry will always use as it saves on the profit margins.

The results of the study indicated that oil companies moderately concentrated on building a reputation in the face of fluctuating oil prices, a mean of 3.59. Partnering, or associating with big multinationals as indicated by the results was not a widely applied strategy, a mean of 3.18. This could be attributed to the fact a good number of the respondents, going by the level of international presence and number of retail outlets, were already recognised and thus partnering was not a very viable strategy. Departmental cost cutting is a strategy that was favoured by a majority of the companies. A mean of 3.36 indicated cost cutting would be a strategy in order to also save on the margins. Outsourcing of non- core activities such as human resource systems, accounting systems so that the company could generally focus all the energy on the core activity was a moderately applied strategy with a mean of 3.36 as well an indication that it was adopted moderately to a great extent. This which is closely related to franchising got almost similar response.

Further to the findings, corporate social responsibility strategy through engaging with the locals was not a viable strategy for the companies since a mean of 2.23 is an indication that a majority of the companies only used it to a little extend. Perhaps this has a lot to do with the target market. In most cases the local community do not form a large pool of the customer base so these companies do not see benefits of investing in this strategy owing to the industry nature and consumption patterns. Re-branding again was not a very popular strategy among the companies with a mean of 2.91 implying that it was only employed from a little extend to a moderate extent. Re-branding is more of a public relations strategy and would generally sink in more costs and without a change to the product and service quality. Therefore, unless this strategy was incorporated alongside other strategies, the returns are minimal.

With the focus strategy, focusing on particular product packages was highly favoured as compared to focusing on particular markets or customer base. Perhaps this goes back to the structure of the oil industry, the consumer market is not highly segmented and thus forming these segments and focusing on them may not be viable. While on the other end product packages which would generally include other oil products apart from petroleum was their main focus as this would take competition to another level. Every company is selling petroleum and generally without much of unethical practices, the petroleum quality is more or less the same. What would give the companies a competitive edge would the complimentary products. Diversification whether in related or unrelated business did not also feature as a way forward for companies in the face of fluctuating oil prices and so was downsizing with the lowest mean 1.59 an indication that it either not an option at all and a few to a little extent.

In summary oil companies in Kenya seem to be leaning towards value adding strategies in order to cope with fluctuating oil prices as opposed to public relations strategies. This is agreement with Grant (2011) who states that strategic responses have to be efficient and cost effective. Porters generic strategies of product differentiation and cost leadership have taken centre stage among these companies and they seem to have worked going by the fact that a good number of the respondents had over 5 years of experience and at the same time these two have been widely used as per the study results, indicating over the years these have been tested and proven to work. Research and development, new technology and exceptional customer care are the other strategies which oil companies do adopt in the wake of fluctuating oil prices. Thus building on customer loyalty, through ethical practices and excellent customer care is key for the oil companies. Significantly, cost cutting strategies and product differentiation have also been widely adopted.

4.4 Managements Reaction towards Fluctuating Oil Prices

The researcher sought to understand the level to which management was concerned with fluctuating oil prices and similarly their response to the same. The respondents' results were presented in table 4.3

Table 4.3 Managements reaction towards fluctuating oil prices

	Managements Reaction	**MEAN**	**STD. DEVIATION**

1	Top management provides leadership and direction in formulation of response strategies	**3.91**	**0.78**
2	The management aims to ensure that there is a strategic fit to the environment	**4.41**	**0.88**
3	Main stream strategic plans are continuously altered to incorporate fluctuating oil prices	**3.14**	**0.63**
4	Management sources for new staff to cope with changes	**1.50**	**0.30**
5	Management more on training to staff to improve efficiency in adapting to change	**2.36**	**0.47**
6	More physical presence	**2.86**	**0.57**
7	Adopt new marketing and advertising strategies	**2.86**	**0.57**
8	Focus of employee empowerment to improve speed of response	**3.00**	**0.60**
9	Restructuring the companies	**1.82**	**0.36**
	GRAND MEAN	**2.87**	

Source: Researcher's data (2017)

A majority of the companies acknowledged that management was highly involved in formulation of response strategies through providing leadership. A mean of 3.91 is a clear indication that management would rise up to the occasion and engage stakeholders in order to formulate response strategic responses. In line with this, the formulated strategies had to have a strategic fit with the environment as indicated by a mean of 4.41. Companies normally have main stream strategic plans, however a majority of the companies a mean of 3.34 indicated that, management would alter these plans in order to incorporate fluctuating oil prices if need be.

The companies indicated that the human resources were not a major component in dealing with price fluctuations as the results indicated that mean of 1.50, to imply that a majority the companies would not hire new staff and thus management had confidence with their current staff to handle changes. Another 2.36 also indicated, training of the existing staff was not a major move considered by management, an indication that management had confidence with current staffs skills. Further, expanding was not something management deemed as viable in dealing with price fluctuations as it had a mean of 2.84 indicating that this strategy was only employed to a little extend. Surprising, to the researcher, advertising was neither embraced as such with a mean of only 2.86 an indication that its adoption to a very little extend. Restructuring was not favoured by a majority of the companies, a mean of 1.82.

4.5 Factors influencing choice of response strategies

The researcher also sought to know the path taken by companies in determining what strategies to adopt and which ones to leave in the face of fluctuating oil prices. This was achieved by asking the respondents to indicate the factors which influenced choice of response strategies. The results and analysis were as follows:

Table 4.4 Factors influencing choice of response strategies

	Determinants of response strategies	**MEAN**	**STD. DEVIATION**
1	The existing regulatory bodies, I.e.) the government, KPRL	**4.73**	**0.95**
2	The nature of competition existing in the market	**4.23**	**0.85**
3	Issues relating to Corporate Culture	**3.59**	**0.72**
4	The laws	**4.73**	**0.95**
5	Managements attitude towards risk and change	**3.18**	**0.64**
6	The managements experience	**3.82**	**0.76**
7	Threats from new market entrants	**2.50**	**0.50**
8	Threats from product substitutes such as green energy – solar energy	**1.68**	**0.34**
9	The Bargaining power of customers	**2.82**	**0.56**
10	The Bargaining power of supplies-The OPEC Countries	**2.91**	**0.58**
11	The mission and vision of the organisation	**2.86**	**0.57**
12	The human resources in the company	**2.41**	**0.48**
13	The shareholders take	**3.64**	**0.73**
	GRAND MEAN	**3.31**	**0.66**

The regulatory body KPRL seemed to play the biggest role in determining what strategy to adopt and which ones not to. All the companies indicated that this influenced to a great and to a very great extent, a mean of 4.73. Touching on the same were the laws of the land which again all the companies agreed was a major determinant, with a mean of 4.73 as well an indication that the influence was to a very great extent on average. This implies that the oil companies in the country are cognisant of the existing industry regulations and laws of the land in general which they operate in and thus formulate response strategies that are within the confines of the law. Managements experience also plays a major role in determining the choice of strategy as indicated by a mean of 3.82. This implied that managers who have served longer in the industry would make decisions based on their past experiences on what worked and what did not work. While the counterparts who do not have too much experience would make decision based on other factors other than experience hence these two sets of people may adopt varied strategies.

Existing competition and matters to do with corporate culture were also ranked to have a high level of importance in making strategic choice with means of 3.59 and 4.23 respectively. In formulation and choice of response strategies, the following factors were ranked to have least influence: threat of new market entrants with a mean of 2.50 indicating that the influence was only to a little extend. Alternative energy sources, green energy and solar energy did not also feature as a major determinant of strategic choices made, a mean of 1.68. This was also the case with bargaining power of customers, a response which would be attributed to the fact that most of the big companies had already build customer loyalty and hence not an important factor anymore. It is only the small companies which would be concerned about the customer bargaining power

The influence that stakeholders had here was moderate as indicated by a mean of 3.64. This clearly signals the level of independence of the management that is separation of management from ownership of these companies. It would be expected that the influence was only high in upcoming companies. The bargaining power of suppliers, mainly the OPEC countries had a moderate influence generally as indicated by a mean of 2.91. This again would be tied to the period of existence of the companies, with those which have existed for longer, having less to worry about as compared to their counterparts. The mission and vision of the respective organisations was also not a key player in strategic choices, this could be supported by the fact that a majority of the companies indicated that the aim of strategic choices was to fit the environment and that management was flexible.

4.6 Discussions

The results of the study reveal that oil marketing companies in Kenya favour cost leadership, differentiation and customer care strategies. Despite the immense investment that organisations put in public relations, the oil marketing firms seem to disagree with that and instead embraced tangible value adding strategies which are the cost leadership and excellent customer care. These results are in agreement with those of Muema (2014) who concluded that cost leadership, differentiation and market expansion strategies were widely adopted strategies in the oil industry for firms to remain competitive. In his study, the researcher argues that, these companies ought to strike a balance between managing their costs and the same time provide quality and innovative products in order to achieve customer loyalty. In another previous study by

Kamau (2014) he argues that organisations generally adopt a combination of strategies when faced with environmental turbulences. In his study, he concludes that organisations will generally adopt; low cost pricing, expansion, good customer care services, focus strategies, offering quality goods and focus strategies. Therefore the findings of this study are not isolated but rather closely related to previous studies done in other industries. Players in this market will ride on customers' loyalty which is an asset that has to be developed over a very long time. Public relations activities such as social responsibility and rebranding which involves further sinking cost do not feature as response strategies. This would be because of the fact that players in this kind of market largely rely on customer loyalty and thus the customer base is not build around geographic localities.

The results of this study indicate that, the management of oil companies in Kenya is highly concerned with fluctuating oil prices, and thus provides leadership in formulation of the responses and is not rigid and thus ensures that adopted have a strategic fit with the environment. These results agree with Schendel and Hofer (1979) who argue that organisations generally respond to environmental turbulences through formulation of new strategies which provide directional cues and align properly with operating environment. Accordingly, strategic fit is considered one of the best measures to survive environmental turbulences according to management practice. However, management does not relate response strategies to the human resources of a company and as such major change in the human resources of a company would not be expected in those times.

Managements experience took centre stage as a very significant determinant of strategic response adopted. Thus, management would generally base their strategic choices on past experiences and hence would expect they would adopt what has worked. The industry regulations put in place by the regulatory body have played a major role in ensuring the companies remain ethical in their practices and strategies adopted as well. Therefore this serves to ensure that the market players compete on a level ground hence eliminating unfair competition

In this line also, the management styles of those companies is revealed as that whereby the ownership of the business is separate from the management. This was evidenced by the fact that in majority of the companies, the stakeholders who would also include the owners had little or no influence at all. In addition, owing to the nature of an oligopolistic market structure, threat of new market entrants is not an important determinant since the market is already being controlled by few players. This could be explained by the nature of the oil industry, which is characterised by heavy initial capital investment and going by history the new entrants take time to stabilise and thus would not pose a major threat. The existing market players however pose the biggest threat.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion and recommendation of this study based on the findings and analysis presented in chapter four. Further it highlights the limitations and areas of further researcher are also presented here so as to provide a good platform for future researches and expand the knowledge in this subject.

5.2 Summary

The objective of the study was to determine response strategies adopted by oil marketing firms to fluctuating oil prices. The study adopted a descriptive cross sectional research design and questionnaires as the data collection tool. Questionnaires were distributed to all the 31 oil marketing companies in Kenya with the target respondents being either the operations managers, marketing managers or business development managers. Data was analysis was done by use of Microsoft excel tools and results of the same presented in tables and graphs.

From the analysis done, product differentiation strategy had a significant mean value 4.04. Outstanding customer care as a response strategy had a mean value of 4.18. A significant majority, a mean of 4.54 focused building on ethical practices in times of fluctuating oil prices. Investing in research and technology was also relatively favoured with a mean value of 3.32 indicating that it was employed to a great extent. A majority of the companies also adopted cost leadership strategies and departmental cost cutting strategies as response strategies with a mean of 3.36 to a great extent for cost leadership. Therefore these are the response strategies that are majorly adopted by oil marketing companies in Kenya to fluctuating oil prices. Downsizing of operations, and corporate social responsibility were the least employed response strategies to fluctuating oil prices with mean values of 1.59 and 2.23 respectively.

Management was highly involved in providing leadership and direction when formulating response strategies as indicated by a mean value of 3.91, to a great extent. A significant majority also indicated that the aim for management in developing these responses was to ensure a strategic fit to the environment, a mean valueof 4.41. Another significant majority also pointed that main stream plans are continuously altered to incorporate changing oil prices with a mean value of 3.14. On the other end majority of the companies indicated that management did not employ new staff to cope with changes, mean value 1.50 and related to that, mean of 2.36 also indicated management did not train existing staff in order to improve efficiency in coping with changes. A majority did not feel that expansion through more physical presence was a viable strategy, a mean value of 2.84. A significant other, mean value 1.82 also purported that management did not see the need to restructure in those times.

On the factors influencing choice of strategic response a majority, mean value 4.73, of the companies consider the KPRL as a major player. A significant other, mean value 4.23 also consider the nature of competition existing in the market as a key determinant. A significant 4.73 mean value considered the existing Kenyan laws to be key in choosing response strategies. Managements experience is also a major factor as indicated by mean 3.82, to a great extent. Stake holders take played a moderate role at a mean value of 3.64. Other factors, threats from new market entrants, bargaining power of customers and suppliers, the mission and vision of the respective organisation had a limited role to play in the choice of response strategies.

5.3 Conclusion

The main response strategies for companies to adopt are building on ethical practices and investing in technology in order to gain customer loyalty such that even with price fluctuations, the loyalty pays out. Investing in technology based strategies results into new products and processes that are superior to competitors. Customer loyalty is one of the greatest assets that any organisation can possess, Even in the event of changing prices, customers will not be swayed to competitors and thus organisations will always be assured of a particular clientele. On the other hand, downsizing is not a strategy to adopt alongside diversification in unrelated business. Once a firm downsizes in operations, it not only cuts costs but also cuts profit margins as well. In addition, the environment is turbulent and if a firm continuously downsizes, it, may eventually close shop. In the long-run customers also tend to avoid companies that appear to be in cash flow problems as they are prone to engaging in malpractices. Therefore, in the face of change, organisations should strive to maintain their operations if not expand at all.

The researcher also concludes that, the top management is highly involved in formulating strategic responses that closely fit the prevailing environmental conditions. The management styles in the oil companies are contingent and thus main stream strategies are continuously flexed in an effort to find a strategic fit. This indicates that fluctuating oil prices is a big concern for the industry and thus the high involvement level by the management. This is so owing to the effect that this environmental change can have on an organisation to even a point of closing business. The management styles in these organisations are dynamic and thus will adjust accordingly when faced with an environmental change by finding the most suitable strategic response that befits the change.

The oil companies will have to find a balance between cost cutting strategies and quality related strategies in order to remain in business. On the other hand, recruiting of new staff is not a way of dealing with environmental changes. In any case the current human resources are more likely to react better compared to new ones owing to their knowledge of the company's operations.

The researcher further concludes that the key determinants of strategic choices are the existing competition, managements experience, the regulatory environment and general Kenyan laws. The oil industry market is Kenya is Oligopolistic in nature with five main players. The major players in this kind of market, have somewhat settled in and are assured of the profit margins. This thus implies that threat from new entrants is not a major factor in determining the type of strategies adopted.

5.4 Recommendations

The researcher presents the recommendations for this study in three categories; recommendations for managerial policy, management practice and academicians

5.4.1 Managerial Policy

The government should intervene and protect the sector from sharp spikes of oil fluctuations through the existing monetary rates and currency exchange rates. This is more with the fact that Kenya is a net importer of oil and the economy is to a large extent accounting for 75% of all energy requirements. The Kenyan government should review the taxation structure of the oil industry as a whole in order for consumers to benefit whenever there is a drop in the world oil prices through the pump price.

The market structure of the oil industry in Kenya is oligopolistic in nature and thus dominated by a few players who do not recognise the threat of new market entrants.

Therefore, the citizenry of the country should be enlightened on alternative sources of energy such as solar energy. This will go a long way in ensuring that the industry becomes more competitive and thus compliant to ethical practices.

5.4.2 Management Practice

The management of oil marketing companies should also adopt cost leadership strategies, in order to remain competitive. This is more with the new market entrants who should adopt strategies that have generally worked for the existing market players. This would ensure that their profit margins stabilise in the face of fluctuating oil prices.

In light of the findings of this research it is recommended that oil marketing companies in Kenya should generally find a balance between offering quality and innovative products and doing so at reduced costs in order to survive the environmental turbulences.

5.4.3 Academicians

The study highly recommends that continuous researched are conducted in regard to the different environmental changes and even in different industries. All organisations are open systems and therefore change in the internal and external environment are inevitable. This is more so with today's business environment with is faced with accelerating rates of changes. The strategic choices cannot be static for every change and thus further and continuous studies are necessary to understand how

Academicians should use the findings of this study to advance findings in other areas of strategic change management.

5.5 Limitations of the study

The process of data collection was quite involving all the way from distributing the questionnaires to the 32 companies. Some of the targeted respondents were not available and in some cases some positions were non-existent forcing the researcher to allow other closely related staff to fill in the questionnaire. In addition some of the questionnaires were not fully completed hence a challenge in data analysis. The process of keying in all the data for the 22 companies who responded for analysis purposes was also quite time consuming.

Time was also a limiting factor for the researcher. The researcher had to collect all the data within a very short duration and perform the analysis within a short duration as well. This was occasioned by the political situation that was prevailing in the country at the time.

5.6 Suggestion for Further Research

This study was on the oil companies in Kenya. The inflation rates in the recent times have risen to significant levels and thus commodity prices in the different industries have been constantly on the rise. Therefore further research should be conducted in the other sectors which have different structures and ascertain what strategies those companies have adopted in order to keep afloat.

The research further recommends that studies should also be conducted on the general performance of the oil industry in these times and ascertain what significant changes occurs in the organisations performances in the face of price fluctuations.

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APPENDICES

Appendix I Questionnaire

Kindly respond to all items as honestly as possible by using a tick [√] on the correct option(s) or by writing in the blank spaces provided. All information you give will be treated confidentially and will be used for the purpose of this research only.

PART A: BACKGROUND INFORMATION

1. Type of organisation: (a) Private [ ] (b) Public[ ]

2. Does your organisation have international presence (a) Yes [ ] (b) No [ ]

3. Number of years of operation in the Kenyan Market (a) 0 -5[ ](b) 6 -10[ ](c) 10 – 20 [ ]Over 20 Years[ ]

4. Number of retail outlets in the Kenya Market (a) 0 - 5[ ](b) 6 - 14[ ](c) 15 – 20[] Over 20 Outlets [ ]

5. Position held by the respondent

   ………………………………………………………………

6. How long have you held this position? (a) 1 month to 2 years [ ] (b) 2 to 5 years [ ] (c) Over 5 years [ ]

PART B: RESPONSE STRATEGIES

7. To what extent does your company adopt each of the following strategies to rising oil prices? Please rate using the five point scale given below:

   (a) Not at all (b) To a little extent (c) To a moderate extent (c) To a great extent (e) To a very great extent

	a	b	c	d	e
Building a reputation					
Offering a differentiated product package					
Outstanding customer care					
Building on ethical practices					
Invest in latest technology					
With recognised multinationals to enhance image					
With Local community to enhance their welfare					
With competitors to share facilities					
Invest in research and development					
Departmental cost cutting					
Outsourcing of non-core activities					
Engage in franchising					
Avoid some costs					
Re-Branding					
Focus on particular customer base					
Focus on particular markets					
Focus on particular product packages					
Diversify in related business					
Diversify in unrelated business					
Cost Leadership Strategies					
Downsizing operations					

SECTION C: MANAGEMENT REACTION TO FLUCTUATING OIL PRICES

8. To what extent does your company's management react to fluctuating oil prices? Please rate using the five point scale given below:

(a) Not at all (b) To a little extent (c) To a moderate extent (d) To a great extent (e) To a very great extent

	a	**b**	**c**	**d**	**e**
Top management provides leadership and direction in formulation of response strategies					
The management aims to ensure that there is a strategic fit to the environment					
Main stream strategic plans are continuously altered to incorporate fluctuating oil prices					
Management sources for new staff to cope with changes					
Management more on training to staff to improve efficiency in adapting to change					
More physical presence					
Adopt new marketing and advertising strategies					
Focus of employee empowerment to improve speed of response					
Restructuring the companies					

9. To what extent does the following factors influence the choice of response strategies in your company? Please rate using the five point scale given below:

(b) Not at all (b) To a little extent (c) To a moderate extent (d) To a great extent (e) To a very great extent

	a	b	c	d	e
The existing regulatory bodies, I.e.) the government, KPRL					
The nature of competition existing in the market					
Issues relating to Corporate Culture					
The laws					
Managements attitude towards risk and change					
The managements experience					
Threats from new market entrants					
Threats from product substitutes such as green energy – solar energy					
The Bargaining power of customers					
The Bargaining power of supplies-The OPEC Countries					
The mission and vision of the organisation					
The human resources in the company					
The shareholders take					

THANK YOU FOR YOUR CO-OPERATION

Appendix II: Oil Marketing Firms in Kenya

1. Total
2. Vivo
3. Kobil
4. Libya oil
5. Hashi
6. Nock
7. Gapco
8. Engen
9. Gulf
10. Petro
11. Galana
12. Bakri
13. Hass
14. Fossil
15. Regnol
16. Essar

17. One Petroleum

18. Global

19. Rivapet

20. Devani

21. Mgs Towba

22. Royal

23. Eagol

24. Trojan

25. Banoda

26. Tradiverse

27. Ranway

28. Olympic

29. Oryx Energies

30. Tosha

31. Afri- Oil