STRATEGIC CHANGE MANAGEMENT IN THE DOWNSTREAM PETROLEUM INDUSTRY IN KENYA

BY:

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DECLARATION

This research project is my original work and has not been submitted for the award of a degree or diploma in this or any other university.

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D61/75470/2009

This research project has been submitted for examination with my approval as the university supervisor.

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I greatly appreciate the encouragement and support that I received from my family, fellow students in the MBA program and my colleagues at work. Thank you may not fully express my utmost gratitude to all of you, but is the least I can say, may God reward you in his own special ways.

DEDICATION

To my late dad, James Odida, you did not labor in vain. To my wife Josephine and sons "Dr" Nigel and "Prof' Lesley, you are the pillar that I always lean on. To my mother, Phelgoner, your teachings and ceaseless support is always cherished. To my sisters Jane and Maureen, brothers Frank, Kevin and Brian you always enrich my life.

ABSTRACT

The research was designed to investigate the management of strategic change in the downstream petroleum industry in Kenya. The study sought to achieve three objectives. The first objective was to identify key areas that are of strategic concern to firms and other stakeholders in the downstream petroleum industry in Kenya. The second one was to identify the challenges in the strategic change management process in the downstream petroleum industry in Kenya, while the final objective was to identify the change management approach that can be adopted to create a new synthesis of people, resources, ideas, opportunities and demands. The study adopted a survey approach. This approach allowed for information to be obtained from some members of the industry for purposes of generalization. A questionnaire targeting senior management staff was designed and used for primary data collection. Secondary data was also collected through company magazines, newsletters and newspapers. Content analysis was used in the analysis of data.

The findings of the study showed that despite the uncertainty that characterizes the petroleum industry and high probability of sudden changes, the downstream petroleum industry in Kenya prefers prefer planned changes. This is the case even though the industry anticipates strategic changes in their planning. Planned changes are preferred to un-planned changes for effective management and higher probability of success at implementing planned change. While the strategic change management was most necessary in products and services, acquisition and technology in the last five years, it was deemed to be least necessary in mergers. Strategic change management was largely initiated by company boards of directors and senior managers. In most cases, the initiator of the strategic changes is the same one who led the process while ensuring that employees are well informed about the changes.

The study found that there is resistance to strategic change in the downstream petroleum industry despite the fact that its effective management is useful and relevant. Involvement, education and counseling were most used in overcoming resistance while rescheduling and dispatch were the least used. Success at strategic change management in the downstream petroleum industry was largely influenced by management, industry standards, the employee training, corporate mission and vision as well as employee participation. It was found that

Strategic changes in the downstream petroleum industry were relevant and of great impact on organizational efficiency, customer satisfaction and turn around/turn over.

The study findings led to the conclusion that strategic change management in the downstream petroleum industry in Kenya is best done if planned for in advance. The industry understands the value of the changes and as search requires that the drivers of the changes fully understand the dynamics and fundamentals in the oil industry so as to win directors, management and employees buy in so as to optimize the benefits that accrue from well managed change.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

As global economies continue to integrate, many organizations have had to adapt to the changing business environment, with a focus of ensuring that internal processes offer the best opportunities aimed at overcoming the unique challenges facing businesses today. The business landscape has been changing at a very fast pace and petroleum sector has not been spared either. With the rapid changes in the business environment, change has become the single most important factor that is broadly affecting business operations and their strategic choices. Appropriate management of change is the only sure way by which a firm can ensure that it stays ahead of its rivals, enjoys the power of tail winds by setting trends which ensure financial and operational efficiency, effectiveness and success. The trends may not only be reflected through continuous product innovations and service excellence, but also on the general management practices of the firm in an industry.

1.1.1 Strategic Change Management.

Change can simply be defined as a transition from one state to another with the focus on being different. Dawson (2003) notes that change involves a movement to some future state that comprises a context and time that remain unknown. Some changes are minor, barely noticeable and merely seek to improve or correct aspects of operational activities, some relate to the organizational business tactics while strategic change is transformational affecting the entire span of the firm, leading to new business strategies, new business models, new operational and tactical requirements as well. As Singh (2009) notes, change can be planned or unplanned calling for different responses and implying varied organizational or industry preparedness.

Change management has been defined as being the use of systematic methods to ensure that an organization change can be guided in the planned direction, conducted in a cost effective manner and completed within the targeted time frame and with the desired results, (Davis & Holland, 2002). This definition focuses on the process itself. A definition by Todd (1999) focusing more on the people aspects of change, considers change management to be a structured and systematic approach to achieving a sustained change in human behavior within an organization. According to Cameron & Green (2004), the main elements of change which affect organizations and industries are more often than not related to technological changes, variations in product or services delivered, people changes in behavior, expectations and attitudes as well as administrative changes.

Industries and firms face various challenges in the course of business. The nature and type of changes that an industry or firm face define the strategies and approaches that it adopts to ensure success and excellence. This argument is advanced by Dawson (2003) as well as Cameron & Green (2004). They further state that most firms' goals broadly range from happy and satisfied customers to good corporate citizenship and financial success as envisioned by their stakeholders. According to Cameron & Green (2004), well managed change enables crafting of new business strategies, deployment of new technologies or systems, implementation of new business processes, mergers and acquisitions, organizational restructuring, or changes in compensation or benefit programs.

Many researchers and authors on this concept, such as Paton & McCalman (2008), Kotter & Cohen (2002) as well as Sharma (2007) maintain that organizational change management involves various activities like communications, training, education programs, measurement systems and compensation programs that are used to manage change at an organizational level. In contrast to individual change management tools designed for one-on-one interactions, organizational change management tools are one-to-many and are much the same for an industry-wide change management process. It is implemented as a deliberately structured process that begins with understanding the change and the organization or groups of organizations in that industry that will be affected, (Cook, Macaulay & Coldicott, 2004).

There is a wide array of processes for managing change that have been advanced by various researchers and authors. These include Kotter's eight steps that start with pushing urgency up then putting together a guiding team, creating the vision and strategies, effectively communicating the vision and strategies, removing barriers to action, accomplishing short term wins, pushing for wave after wave of change until the work is done and finally creating a new culture to make the new behavior stick. Others include Lewin's three step model that start with unfreezing previous behavior, changing and refreezing the new pattern and Kanter's ten commandments for executing change among other models as documented by

Kanter, Stein, & Jick (2003), Dawson (2003) as well as Kotter & Cohen (2002). While many of these strategic change management guidelines seek to build competitive and relevant firms and industries, many of them were founded on strong academic rigor that can at times be detached from actual industry practices.

The underlying message in all the various ways, means and methods of achieving success at strategic change management is that people, organizations and entire industries change because of inner conviction that it is the best thing to do, (Kotter & Cohen, 2002). This is particularly true for large organizations that often need to undergo cultural transformation, adopt new technologies and undertake restructuring. The mantra for success in strategic change management, according to Cook, Macaulay & Coldicott (2004), is the ability to overcome elements that are resistant to anything new and manage change in four phases starting with set up, kick off, delivery and review. Industries that excel are therefore those in which individual firms know how to seize an opportunity when they sense it, avoid hazards and associate winning big with big leaps that come from embracing change in all its forms, (Kotter & Cohen, 2002).

1.1.2 Downstream Petroleum Industry in Kenya

Available literature on Kenya's industries shows that by the time of the country's independence in 1963, the oil industry was well established. Indeed findings by Isaboke (2001) as well as Musindi (2008) reveal that by 1930, there were at least two multinational oil companies serving the budding economy at the time. Most of the petroleum industry activities in Kenya focus on the downstream segment only as upstream operations in the country are still limited to prospective activities with no discovery of confirmed oil deposits as at 31st October 2011. While many Kenyans and the prospecting companies are optimistic that substantial oil finds and natural gas are likely to exist in the country, there has been no documented commercial discovery. Nevertheless, the main source of this great motivation is the fact that commercial quantities of oil and gas have been found in Uganda, Tanzania and South Sudan, all of which are Kenya's neighbors sbavmg, similax "jecsl-agvi'sA fe^Vaxe.'s,. Tk downstream petroleum industry activities focus on refining, marketing and supply of petroleum products.

As noted by Musindi (2008), for many years after independence, the downstream petroleum industry was controlled by only six International Oil Companies. These companies were Shell/Bp, Esso, Caltex, Mobil, Total and Agip. The industry was vertically integrated with these same oil companies controlling the supplies and distribution of petroleum products from the oil wells, shipping, inland distribution and retailing at their own branded network of stations, (Isaboke, 2001). When these imported crude oil, it was refined at the Kenya Petroleum Refinery Limited (KPRL), the only oil refinery in the country. This product would then be transported by road from Mombasa. However, upon the formation and commencement of operations in 1977, the Kenya Pipeline Company Limited, started playing a key role in refined product delivery from Mombasa oil storage facilities to the hinterland. The pipeline runs from Mombasa to Eldoret through Nairobi, Nakuru and Kisumu.

1.2 Research Problem

Virtually every business and industry is under severe technological and competitive threat today. According to Dawson (2003), the speed of organization restructuring has increased tremendously to accommodate the opening of trade across national borders and the development of the global market. Indeed as Cameron & Green (2004) found out, the rate of change and discoveries in the world far outpaces individual and organizational ability to keep up with it. With the numerous changes in the business scene, new challenges, limitations, threats and opportunities are quickly emerging. The pressure on the industries and firms to embrace strategic change to survive and excel or fail to do it and sink is immense.

The downstream petroleum industry in Kenya, just as it is in other parts of the global market, has been thought of to be chaotic and subjected to immense pressures making change management not only risky but unduly feared (Simmons, 2005). The use of chaos theory to explain the operations of the petroleum industry just illustrates how much practitioners are made to believe that strategic change management may not only be tumulus but a near recipe for failure by firms. The Kenyan downstream Petroleum industry has a record of failed firms as a result of either un-successful attempts at strategic change management or inertia at embracing it. This often makes existing firms and would be entrants develop fear of the unknown in as far as strategic change management is concerned.

The Kenyan downstream petroleum industry continues to undergo market transformation, with operators consolidating, even as more multinationals exit the market. As a result, many local players are getting more opportunities to invest in the industry. However, the exit of the multinationals, known for their high operating, safety and service standards borrowed from the West, continue to raise a crucial challenge to the industry. New marketers and retailers continue to establish shop in all forms, both sophisticated and crude. With the industry apparently thrown into disarray, even the government has often been caught off guard. Inefficient regulatory framework and poor management systems saw a lot of duty exempt and transit petroleum products being dumped in the market. Cases of product adulteration were also on the rise.

Inadequacy in terms of preparedness to deal with various changes in the petroleum industry by all players presented a rather severe economic risk. Emerging opportunities for investors and other stakeholders continue to be missed. Many objective players have had to go back to the drawing board so as to come up with new strategies that would help them sail through the turbulence. Some firms such us Mobil sold out in the 1980's only to return after a few years, having realized that they should have done it differently for the good of all. Increasingly, the industry appears "over managed and under led" as Kotter & Cohen (2002) puts it.

Many changes in the petroleum industry can best be addressed in a good legislative environment with the government taking the lead to address them, (Ngige, 2007). However, the government often blames the private sector for its rigidity and focus on profits only. Nevertheless, an indecisive government policy on state engagement in business, poor or weak regulatory authorities, weak public utilities performance, industry players pulling apart and general paralysis by analysis and indecision by key stakeholders is the ideal recipe for business failure and industry collapse.

With market dynamics changing fast, price leverage has becoming increasingly difficult to count on as everyone strives to put in place processes that would allow for almost immediate responses to changes 'm price. The marketplace has becoming fiercely competitive and technological and product innovations are too *ephemeral to have a competitive edge over* competitors. Safety and environmental issues have become a mantra for all, with new procedures for offloading product, wet stock management, double-walled tanks, and automation of processes becoming necessities for operations. In the midst of this apparent chaos, there has to emerge coherence and "inspired organizations and enlightened communities" as Holman. Devene & Cady (2007) refers to them.

There have been several MBA projects undertaken touching on various aspects of the Petroleum Industry in Kenya. Ngige (2006) in his study "Strategic Responses of Petroleum Importing & Marketing Companies to Changes in Government Legislation" focuses only on one environmental factor, the government, and ignores all other forces of change. Apungu (2003) in his MBA research on "A Survey of factors that influence customers' choice of petrol stations in Nairobi" pays attention to strategies needed to match changing customer demand. The only study that offers an insight into possible strategies of change management in the industry is that by Isaboke (2001) titled "An investigation of the strategic responses by major oil companies in Kenya to the threat of new entrants". However, it focused largely on the marketing and distribution side as managed by the marketing companies only. There has been no research on Strategic Change Management in Kenya's Downstream Petroleum Industry in totality.

This study seeks to fill knowledge gap by seeking to answer three key questions. What are the main strategic issues affecting stakeholders in the petroleum industry? What are the major challenges faced when managing strategic change in the downstream petroleum industry in Kenya? Which is the best strategic change management approach for the petroleum industry in Kenya?

1.3 Research Objectives

The study sought to achieve the following objectives;

i) Identify key areas that are of strategic concern to firms and other stakeholders in the downstream petroleum industry in Kenya.

ii) Identify the challenges in the strategic change management process in the downstream petroleum industry in Kenya.

iii) Identify the change management approach that can be adopted to create a new synthesis of people, resources, ideas, opportunities and demands.

1.4 Value of the Study

This study is of practical relevance to all stakeholders in the petroleum industry in Kenya. It will provide industry players with useful insights of how best to effectively manage strategic change. It will seek to empower managers and other practitioners in the downstream petroleum industry with knowledge on the various roles that successful change management practice seeks of them. It will strive to come up with findings that will ensure that strategic change management is embraced and accepted for its inevitableness and relevance to continued success so as to encourage firms in the industry to be responsive and receptive to change. It will also seek to come up with findings that will assist policy makers" gain vital understanding of how strategic change management promotes growth of an industry critical for the nation's economic growth and stability.

In theory, the study also seeks to contribute to the body of knowledge, while at the same time, identifying further research gaps that other researchers may need to undertake in future. The field of strategic change management is vast and as such, an attempt to study it in relation to the downstream petroleum industry is likely to be a stimulant to other academicians to improve an understanding of the various management issues affecting this industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews various concepts of change management as documented by varied scholars. It gives a brief analysis of Kenya's downstream Petroleum Industry with a particular focus on the changes that have taken place in the industry over the last couple of years. The section also seeks to collate various findings on what needs to be done by firms and individuals in order to be successful at strategic change management.

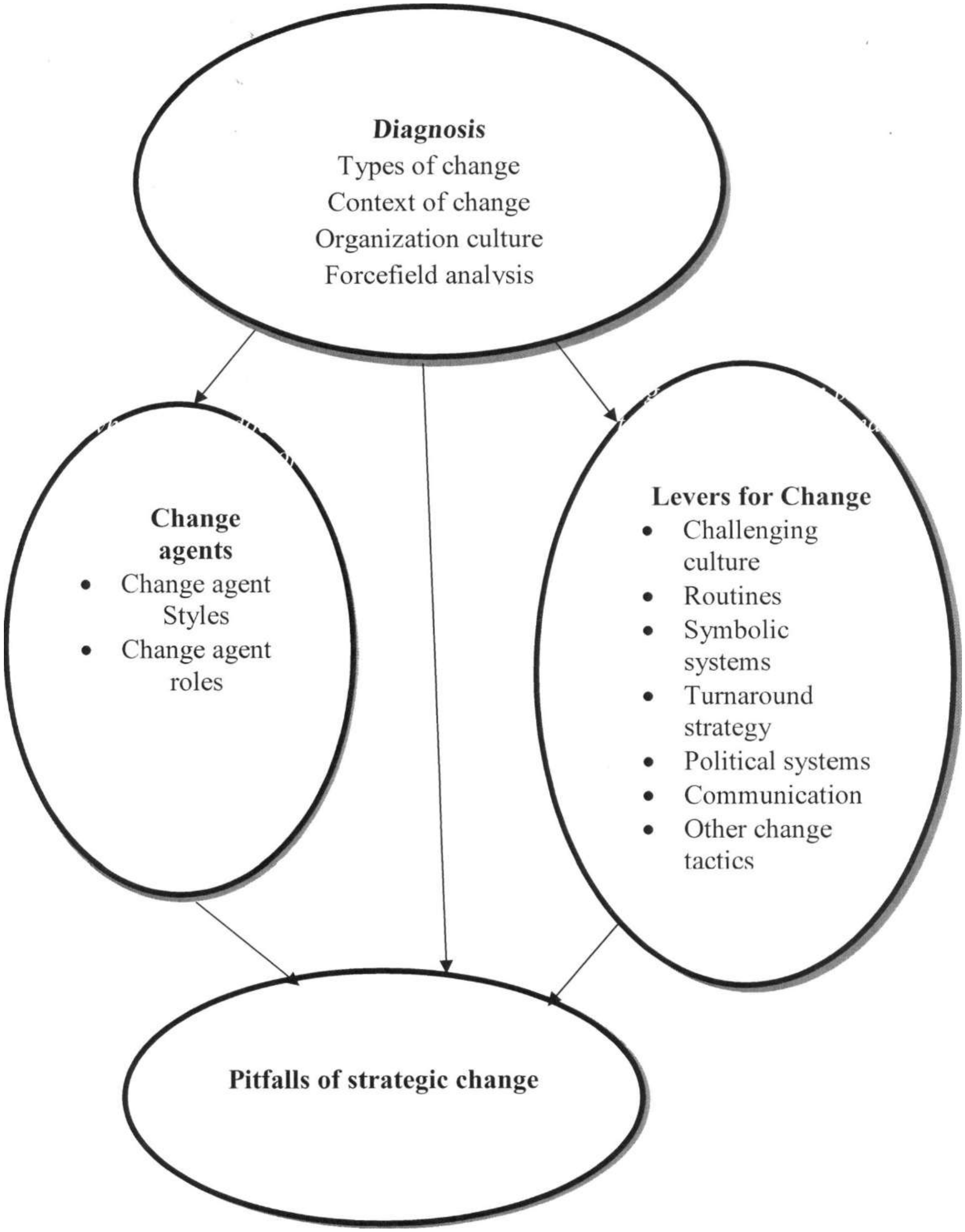
2.2 Main Forces of Change

Sharp transformations in the business environment continue to push many firms into changing their business strategies and models. As Thomson Jr, Strickland & Gamble (2007) state, it is important for firms to track where an industry is in the life cycle. However, most important is the ability of the firm to analytically identify other factors that may be even stronger drivers of industry and competitive change. Many factors that alter an industry's landscape and redefine competitive conditions may originate from outside the company's macro-environment as well as the internal industry environment. Shanna (2006) lists the main forces of change as being free movement of capital and labor powered by globalization of economies, increased competition, rapid transport capabilities, continued irrelevance of geopolitical boundaries, liberalization and deregulation of economies, privatization of state corporations, increased mergers and acquisitions, internet and web technology advances. Others include a changing human resource, varying regulatory framework and changing customer demands.

2.3 Elements in Managing Strategic Change

The analysis of strategic change management requires an understanding of the inter-relationship between the various elements that drive the process. The elements are diagnosis, change agents, levers of change and pitfalls of change as noted by Johnson, Scholes & Whittington (2009). Diagnosis calls for the identification of the type of change, the context of change, the organization culture as well as the forcefield analysis. The change managers and drivers require an understanding of the change agent styles as well as the various roles to be played by the change agents. The levers of change call for challenging of existing culture, routines and symbolic systems, a turnaround strategy, political systems, communication as well as other change tactics. Their relationship to pitfalls of strategic change management can be best captured as shown in figure 2.1 below.

Figure 2.1: Elements in Managing Strategic Change.



Source: Adopted from Johnson, Scholes & Whittington (2009)

2.4 Strategic Change Management Approaches

The strategic change management approaches are closely related to identification of the various management processes designed to make individuals and organizations to be more successful at it (Sharrna, 2007). All the varied approaches are largely internally focused even as they seek to offer ways and means by which management and individuals can obtain commitment to change and enhance productivity at low or no resistance. Indeed as Paton & McCalman (2008) argue, strategic change management approaches help make results tangible, control the processes, guide decision making and offer security around uncertainties. As many change management authors such as Kotter & Cohen (2002) and Paton, & McCalman (2008) acknowledge, there are two distinct change management approaches. These are the traditional planned approach and the emergent approach. The appropriateness of the approach adopted has critical implications on the way people experience change and their perceptions of the change outcome.

2.4.1 Planned Change Approach

The planned approach is founded upon the need to have well organized, cyclical processes of sequential planning that is driven by top management. It motivates planned action and forces decision-making. As advanced by Berr & Nohria (2000), the proponents of the planned and programmatic change approach believe that a well-planned transformation effort builds confidence with all stakeholders of an organization. The planned approach focuses on the discipline created through performance standards and are clearly linked to reward and sanction systems sustained by linear planning. Thus in this approach, the change is usually anticipated in advance and is embarked on consciously as pre-planned.

While the step-by-step, rational, uni-directional approach to strategic planning and change management offers the planned approach the advantage of simplicity and pre-planning, it limits flexibility in the course of the change management process. Additionally, this approach is unsuitable when sudden changes occur in the environment requiring the organization to respond promptly. As Graetz (2002) observes, the turbulent, highly complex environment that organizations find themselves today, a top-down, highly hierarchical, predetermined and rational process simply can't work for effective change management.

2.4.2 The Emergent Change Approach

The emergent approaches to change management are largely as a result of the reality of postmodern organizations working in a highly volatile environment where the only certainty is change itself. These approaches largely recognize that change cannot be solidified as a series of linear series of events within a given period of time, but rather as a continuous process (Paton & McCalman, 2008). This approach has seen various models come up. These include the organizational development model (OD) with its various variants being; the integrated strategic approach (ISC) where participation is encouraged such that all employees are involved in not only the analysis and planning, but also in the change implementation process (Berr & Nohria, 2000).

The trans-organizational development (TD) has also emerged mainly due to the realization of the interdependent nature within and without the organization. It acknowledges that organizations are part of a bigger system calling for sharing of knowledge, resources, risks or merging and acquiring others. The emergent approaches, as advanced by Dawson (2003), bring freedom of less rigidity, less controls, encourage creativity and responsiveness as well as openness and interactivity in strategic change management. The emergent approaches are therefore characterized as being purposive in developing long-term organizational capabilities and enhance participative leadership style that values dialogue as advanced by Sharma (2007). They also focus change on culture, ensure that change efforts are non-programmatic and emergent, lay less emphasis on financial incentives as the driver for change and even advocate call for small process-oriented consulting firms (Mills, 2003).

Two central messages are consistent through all change management approaches; these are the need for improvement in the coordination of change management process due to the integrated nature of the subsystems and the need to create shared ownership and commitment to the *change process. These helps to build an organization that not onIy adapts and aligns to* the turbulent environment but also out-performs competitors and excels continuously, (Holman, Devane & Cady 2007). An appropriate change approach enables a step-by step guide required to understand, change and strike the right balance between the critical variables. These variables are given by Srinkas (2005) as being Variety, Velocity, Visibility and Variability; and how making focused changes to these variables will result in superior value to yourself or organization. It also makes it all actionable by describing in detail an approach that maximizes benefits that accrue from strategic change management while minimizing risk: facilitating diagnose & baseline review, enabling division and prioritization, designing and aligning as well as delivery and learning.

2.5 Tasks towards Successful Strategic Change Management

In order to succeed at strategic change management, many important issues need to be managed and addressed well (Dawson, 2003). Five such key tasks are; creation of awareness and understanding of the changes, provision of change leadership, overcoming opposition, solidifying the change process and integrating the new processes as discussed below.

2.5.1 Creating Awareness and Understanding

This is a critical stage at the beginning of the change process that requires careful consideration of objectives, explaining implications, alternatives and discretion (Tobin, 1999). It often calls for a series of meetings within departments or sections within the firm, with each departmental or section head playing the role of a team leader to collate ideas from within the organization on the best way to improve performance. It is the first step in mobilizing commitment that latter differentiates between success and a good idea that failed (Palmer, 2004). Through this, the entire organization is made to appreciate the need for change as informed by the unfolding events in the market. This include the real dangers posed by changing competitors, fear of closure of the organization and make the need to embrace change for survival and excellence to be clear to all. Through such forums, some best practices, described by Vallabhaneni (2008) as being processes, practices, and systems that are identified in top-performing institutions capable of improving the performance and efficiency in specific areas, can be identified.

At the onset of the change process, regular communication must be adopted by the firm's senior management as playing a pivotal role in effective strategic change management. Effective communication requires what Fleming (2006) term as components that help build a shared meaning. These components are given as; the individual sending the message needs to present the message clearly and in detail, and radiate integrity and authenticity so as to avoid any doubt. Similarly, the persons receiving the message must decide to listen, ask questions for clarity, and trust the sender of the message. Another key component is that the delivery method chosen must suit the circumstances and the needs of both the sender and the receiver. Most importantly, the content of the message has to resonate and connect, on some level, with the already-held beliefs of the receiver.

In order to continue creating awareness and understanding of the changes that a firm is trying to implement, the company's senior management must communicate consistently, frequently, and through multiple channels as advanced by Tobbin (1999) and Palmer (2004). These channels include speaking in various staff forums, writing memos, emails and notice board postages. Others include, running television infomercials, bulletin boards and intranet information releases. Regular updates on all matters known about the change or planned changes must be disseminated once the information becomes available. There must be an obvious bias towards instant communication to become a source of confidence building among all the stakeholders in the change process.

2.5.2 Change Leadership

As Douglas & Wykowski (2008) assert, good change leadership can evolve and sustain an adaptive culture that develops knowledge through purposeful human interaction. It explores key dynamics of learning, considers the diversity of beliefs present in any group, and demonstrates ways that those leaders can explore and encourage the potential of both the group and individuals within the group. To turn every aspect of the organization to its own advantage, Haeckel (1999) maintains that the leaders of a firm must not only turn their resources into specific deliverables, but that their capabilities must be orchestrated into a coherent system. In such a system, the scope of the business must be clear to all and the contributions of all organizational capabilities must be coordinated to help the business to achieve its purpose. The intervening variables that are listed by Yukl (2010) as task commitment, ability and role clarity, organization of work, ability to build team work, cooperation and mutual trust, ability to mobilize and provide the needed resources and external coordination must be evident in an industry's strategic change management efforts.

The chief executive officers and other senior managers at the firms undertaking strategic changes must not only be on hand to provide answers to questions, but be pivotal in formation of teams as well as allocate resources needed to achieve the changes. Accurate responses must be provided by the leadership whenever questions are raised (Palmer, 2004). This is especially important because more often than not, leaders destroy their credibility when they provide incorrect information or appear to stumble or back-peddle when providing answers or queries raised by other members in times of strategic change process. The change leaders must be available to listen, avoid defensiveness, excuse-making, and answers that are given too quickly.

Effective change management calls for coordination of many actions, often out of thoughtfulness, in a deliberate and well informed effort to build team work and establish the critical support base for sustained change. Indeed, as Drucker (2007) affirms, without effectiveness, there is no performance, no matter how much intelligence and knowledge goes into the work, no matter how many hours it takes or the objectives at hand. Effectiveness in strategic change management is not only required, but an integral part of this process. Barriers created by peoples' positions have to be broken to encourage better communication in the workplaces (Kanter, Stein & Jick 2003). The change team leadership need not be too thin compared to the size of the firms and their geographical spread. Where necessary, support teams may have to be created for the overall change team leadership to be effective.

2.5.3 Overcoming Opposition

While it is true that people often resist change, this resistance is the resu\t of not gaining wide scale consensus at the start of the strategic change process as advanced by Palmer (2004). Many management and change experts agree that the best ways to avoid resistance to change are, also the best ways to assure that people are motivated to support the change effort. Involving people from the beginning, as noted by Kotter & Cohen (2002), Floyd (2008) as well as Blokdijk (2008), clearly explaining the reasons for the change, having a clear strategy, direction, and vision, and respecting the viewpoints of other people are all parts of the process.

People need to be involved in identifying the various problems and their input sought on the possible solutions. Many firms will often get the experts on change or senior management identify what they consider to be the specific solution and trying to rationalize it. As espoused by Yukl (2010), Cummings & Worley (2009), and Heller (1998) many problemsolving techniques can be identified following a refined quality movement process. Often, cross-functional and multi-level teams (to cross both functional and level-of-management boundaries) are used to both solve problems and implement solutions, with minimal involvement by top management. This brings more involvement and dramatically cuts resistance to change, while magically giving top managers more free time to focus on other areas of improvement to achieve excellence.

People often do not like change they cannot control. However, if they lead or have a substantial influence on the change process, they are more likely to embrace it (Blokdijk, 2008). Process consulting can be very helpful in ensuring that the contributors to the change effort are fully involved and committed, and also in avoiding groupthink issues that can turn off other parts of the organization. Often, timing can be a reason for resistance to change (Cameron & Green, 2004). Organizations tend to have many initiatives going on at the same time, which diffuses the importance of any particular program while stretching resources too thin. Most organizations and industries can only deal with one or two major initiatives affecting their strategies at a time. The target, as Shrinivas (2005) notes, should be to ensure that an optimum number of activities are undertaken taking into account the areas that need to be addressed on priority basis and available resources.

It is important to have an exhaustive review of the other possible causes of resistance. The most common causes of opposition, according to Cameron & Green (2004), Sharma (2007) and Shrinivas (2005) are often found to be the fear of the unknown which is brought about by discomfort, fear of loss of something of value to the various stakeholders, false belief in the current status as not warranting change, inertia, the fear of failure, and disagreement with the need for change. Many firms and industries thus generally suffer from inbuilt resistance to change and as such change requires significant effort. In order to overcome opposition to strategic changes, there must be a focus on continuous education and communication to the various stake holders, provided the required facilitation and support to all other affected parties.

Given the understanding that structure follows strategy (Hitt, Ireland & Hoskisson, 2010), effectiveness in implementing strategic change will often result in a change of an organization's management structure. More often than not. the pre-change management structures may not enhance achievement of new goals envisioned by new strategies. In some cases, new flat structures emerge from previously scalar chains for quick decision making and clarity of reporting lines. Multi-level management structures with too many levels could be a source of difficulty in understanding of new objectives and facilitating top-down or down-up communication. This will not only create a new order of things, but demonstrates management's commitment to change philosophy and offer an avenue for encmxj}^x>g whs} Heller (1998) refers to as "directness".

New management structures often requires that the recruitment of new manpower be changed and directed at selecting team leaders with a balanced mixture of technical and social skills. Those with extensive *technical experience, if available and needed*, must *then be* paired with persons, described by Cummings & Worley (2009) as "socially adept" so as to enable sharing of skills and provision of support to each other. For manufacturing firms as well as service firms, strategic changes often sees the shift in business focus from "make and sell" approach to sense-and-respond. Such firms are better placed to deal with the unpredictable environment and emerge as adaptive enterprises.

2.5.4 Solidifying the Process

This involves the actions and activities that ensure that the strategic change process not only stays on course but also enjoys the support of all or nearly all the stakeholders. This process works best if the stage was also envisaged prior to the change by way of the creation of a trusting and trustworthy environment (Palmer, 2004 and Sharna, 2007). The value of all stakeholders, key among them the employees, through their performance as well as their potential contribution is of utmost importance. Change management is solidified through regular, honest communications of the change progress as well as documentation of the new business processes (Shrinivas, 2005). The gradual documentation process should be done focusing on integrating of all best practices identified to enhance the strategic change management process. This enhances what Andersen (1999) refers to as "process ownership in the organization". The new business processes must recognize the centrality of the customer and suppliers and should be geared towards ensuring focus on core purpose and value creation. By focusing on development processes, the change process often enhances the value chain with its primary and support processes operating at a higher level of performance.

Recognition and rewards for positive approaches and accomplishments in the changes and change management must be made publicly. According to Holman, Devane & Cady (2007), this is important in motivating staff and other stakeholders to desire to do more for greater achievement. Areas where difficulties are experienced in the course of the change process must also be discussed publicly with a view to seek opinion on the best way forward. This is best realized through communication. The communication should be deeply rooted in two-way discussions and less emphasis on just presentations. This, according Tobbin (1999) and Paton & McCalman (2008), is a sure winner in a war of team hearts and minds and often reinforces the urgency as well as reasons for the changes in such a way that people understand the context, the purpose, and the need to carry on. Interactive forums must be created where employees not only explore the changes together, but also learn more about the new strategic focus to be realized. Specialists in change management, business process re-engineering, industry experts and economic analysts may be called in to provide additional training as a form of interactive communication (Kanter, Stein & Jick, 2003, Mills 2003). This, they argue, helps enhance an understanding of the envisiotved toviUi to -sviwess, offcts an opportunity for best practices to become anchored in the work culture and allows for emphasis on constancy of purpose.

2.5.5 Integrating the New Processes

Integration of the new processes requires the alignment of all organizational systems to support the new strategic change that has been adopted. These include the overall performance management system, rewards and recognition, disciplinary approaches, compensation, promotions, and new staff recruitment. The new business model, new processes and culture paradigm shifts must be a part of the new organization and industry undergoing change. Consistency across all the firm's systems will offer the much needed support *in the internalization of the new processes. This should be done taking* into account the fact that change management is not a start-stop event, rather it is an ongoing process of helping individuals understand, internalize and support a change and make it a part of themselves in every way that they act in executing various tasks.

In order to ensure successful integration of the new processes, a firm and industry undertaking strategic change must ensure that most of the old ways of executing tasks that are value-reducing are done away with. For marketing firms in an industry, this may include basic functions such as customer order management; for a sales and marketing firm, customer feedback processes, reward schemes among others. Hiring of new staff for both multinational and domestic-only firms must take a global view. Cultural diversity and global view of issues must then be considered as key competencies. There should be deliberate efforts to build a workforce capable of what Nelson & Quick (2008) call "'ability to think big, think global and think differently".

In evaluating success in performance, the new ways must become the natural parameters in determining firm individual success. The new ways of doing things must deliberately be encouraged as the best way with its acceptable variant being the other better way which is in consonant with the new strategic change or focus being advanced (Sharma, 2007). Employees must be made to see the value of trying new ways of achieving their objectives. Creativity must be encouraged in all aspects of operations as a way of realizing value (Shrinivas, 2005). Some supervisory levels may have to be eliminated and a new culture that encourages independence and greater self-locus of control for all cadres of staff institutionalized. As more and more staff see the value of the changes through various small wins, the changes brought about by the new strategic focus becomes anchored in a manner that will reflect not only a constancy of purpose but also the determination to get it right first time all the time (Holman, Devane & Cady, 2007).

2.6 Establishing a Change Management Program

Successful change management requires a large commitment from executives and senior managers (Kotter, 1996). This undoubtedly means that any change effort cannot be optional for senior staff. They must lead or get out of the way. Key issues of concern to the organization's personnel and all other stakeholders need to be taken into account so as to win their equivocal support and devotion to the new strategic focus. While the new system that results from the change will ultimately have to stand on its own feet, it's important for all those spearheading the change process and the entire organization to understand that every new system needs to be supported and nurtured. It is therefore important to look beneath beliefs and assumptions in the organization to find the roots and persistent influences that preserve desired change. This is important in giving what Douglas & Wykowski (2008) refers to as the ability to continually align collective beliefs with current reality inspired by the changes being implemented.

2.6.1 How to Ensure Success in Strategic Change Process

In order to ensure successful strategic change implementation program, effective communication and high level of support by the staff and other stakeholders are paramount. The success of efforts towards strategic change can be attributed to various actions or approaches that a firm may apply. Key among this is the establishment of a clear vision for the change management process and the desired destination (Srinivas, 2005). Employees and other stakeholders must have had a good picture of where the organization is heading to and anticipate positive outcomes. Making a picture of the fourth coming future that resonates with what the stakeholders wish would occur, is a ticket to successful change management.

The organization's chief executive officers or captains must take ownership of the change management process. Senior managers must be intimately involved to encourage what Floyd (2008) calls "dramatic improvement within the organizations undertaking strategic changes'". Their active role must be seen from their involvement in communication with other stakeholders and the encouragement that they offer to teams that may be struggling to fully internalize what the strategic changes being undertaken demand of them, (Srinivas, 2005). Various managerial actions or behaviors that are required for the changes to take hold must be undertaken. These include; more consultations, changes in reporting lines, and walking the talk so as to keep other people inspired. All these actions seek to develop the shared values and beliefs that serve as the foundation for a dynamic culture (Floyd, 2008).

It is important that maximum attention is paid to the changes occurring, with the key focus being on the progress and barriers to change management. There should be a continuous search for feedback from other members of the organization on their thoughts about the change process and its management. Stakeholders must be requested frequently to give their feedback on the strategic change efforts and the impacts. Corrective actions must be taken after receipt of feedback. Staff members, customers, and other stakeholders must be made to realize the value of their input in the change process.

2.7 Changes in the Downstream Petroleum Industry in Kenya

The petroleum industry in Kenya plays a vital role in economic development. The Government's sector-development priorities include measures to shift the pattern of energy consumption towards modem forms of energy which are electricity, gas, solar and petroleum. This is done in order to protect the environment and avoid or minimize the use of wood fuel. The number of players in the industry has increased sharply since 1930 to date, (Ngige, 2006). The sector, as noted by Otieno (2006), Ngige (2006) and Musindi (2008), was partly deregulated in late 1994. The main aspect of this, they reckon, was the deregulation of retail prices of petroleum products and of the importation of crude oil and refined products. This was as a result of the Kenya economy major structural reforms that commenced in the early 1990s with a view to improving the overall macro-economic efficiency, increase incomes, create employment opportunities and improve the performance and productivity of public investments. These reforms, according to Marami (2006) allowed the market forces of demand and supply to determine prices and resource allocation, liberalization of foreign exchange and interest rate regimes, privatization and divesture of government interests in activities of a commercial nature.

Despite the moves to divest from business, the government of Kenya still maintains a 50 % stake in the Kenya Petroleum Refinery Limited (KPRL) for liquefied petroleum gas (LPG) production and processing of other products from the crude oil imported predominantly from the Middle East due to its relative proximity to the East African coast (Musindi, 2008). The government established the Kenya Pipeline Company (KPC) in 1977 and has been unwilling to sell her stake in it as well as the refinery due to what it considers to be strategic and energy security concerns (Isaboke, 2001). This is so despite the fact that the government of Kenya neither imports crude oil nor bulk white oil for the domestic market. This is perhaps due to the inherent risks involved in engaging huge amounts of public funds in commercial activities as espoused by Shiller (2003).

Procurement of petroleum products that used to be done by the marketers privately is now a function performed by both Oil marketing companies as well as registered international traders through the Open Tender System (OTS). Under the (OTS), which is supervised by the Ministry of Energy, the lowest bidder per product in the month is nominated to import that product; be it crude oil or refined products and supplies to other oil companies. As Ngige (2006) states, the Kenyan government requires oil companies to import and process crude oil through the refinery to keep the facility in operation. To ensure this, companies importing petroleum products for the Kenyan market are, by law, required to participate in processing of base load crude oil at the Kenya Petroleum Refinery Ltd (KPRL). This is enforceable vide various legal notices and legislations.

There are legal requirements for oil-marketing companies to ensure that they get 70% of their inland market share product needs through the refinery and only import 30% of their refined products needs for the local market (Ngige, 2006). This has been enforced despite attempted resistance from the leading oil marketers in the country citing high costs of product refined locally. This has been aggravated by the plant's inability to produce environmentally friendly products such as unleaded premium/petrol and low sulfur diesel. Stakeholders are divided on whether to shut down the plant in favor of processed imports or invest in a more modem and efficient new plant. The frequent promises to modernize the refinery or turn it to a merchant refinery remain just plans for ever a decade (Ngige, 2006).

Liberalization in the petroleum industry saw the entrance of a large number of new players as noted by Marami (2006). Independent outlets emerged from many locations. Any private individual who was able to put up a retail outlet was quickly signed on by the established brands. With rising investment costs, the retail sales targets assigned to territory managers and their line managers were also raised. Consumer tastes and preferences continued to be *fickle and liable to change. With market* dynamics changing fast, price leverage has become increasingly difficult to count on creating an environment where fierce competition rules. The recent introduction of retail price caps since December 2010, where the maximum petroleum pump prices are set and determined by the Energy Regulatory Commission (ERC) added a twist to the challenges and dynamism of the industry. The price caps coming with rising crude prices, a highly volatile Kenya shilling, falling consumer demands due to low levels of economic growth and dwindling profits has pushed many petroleum firms to re-think their business strategies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This is the framework or plan of study used as a guide in collecting and analyzing data. It is the blue print in completing a research study (Creswell, 2009). A survey design was used in this study. This design was found to be convenient because the population targeted was large and data collected from some members of the population was to be useful in determining the current status of that population in respect to strategic change management. Therefore, firms from various interest groups in the industry were selected from the population and studied for the purpose of making generalization. Where only one firm exists as is the case of Kenya Pipeline Company, the refinery and regulatory authorities, an attempt was made to ensure that appropriate data is obtained from each such firm. The survey took the form of a cross-sectional study with all the needed data being collected at one time due to time limitations. This type of research design has been successfully used by Borona (2008) and Musindi (2008), in undertaking studies very similar or related to this one.

3.2 Population

The target population will be all the 17 petroleum marketing firms listed in the P1EA (2011) 2nd quarter April-June 2011 issue as having overall market shares above 0.5%. These firms, by virtue of their market shares, play a dominant role in the downstream industry operations in the local and export market. Similarly, all firms that play a key role and are a monopoly such as Kenya Petroleum Company, Kenya Ports Authority, Kenya Oil Storage Facility (KOSF) and KPRL, the Energy Regulatory Commission (ERC) and the Ministry of Energy were also targeted. Active bulk petroleum product transporters were also targeted. Additional criteria for selecting the marketing firms for data collection were on the basis of those having valid operating licenses, playing an active role in both local and regional markets and being in active operation at the time of the study.

3.3 Sample Design

Probability sampling techniques was employed. This, according to Saunders, Lewis & ThombAU (2009) gives an equal chance of each case being selected from the population. A simple random sampling was adopted in selecting the bulk petroleum transport companies for its simplicity and ease of execution and fast deployment given the limited time and financial resources that were available for the study.

3.4 Data Collection Method

Several data collection methods were used to ensure data integrity. Primary data was collected from various respondents. This helped to generate original data only for the purpose of this study. A questionnaire was used in the collection of primary data. The questionnaires were deployed to the targeted senior management members in the various firms through a deliberate purposive sampling approach. The target population was selected with the perception that they play a key role in the strategic change management process in their respective firms. The questionnaires had both closed and open ended questions. These were issued to selected firms' senior managers. Closed ended questions were used to obtain background information concerning the population of study and responses on pre-determined options. Open ended questions were used to obtain information on the opinions, attitudes and perception of the target population.

Secondary data collection methods were also employed. The data used in the study was both internal to various firms in the targeted industry as well as external to them from published and unpublished sources. Primary data was verified to ensure completeness, reliability and consistency of responses. Where necessary and possible, some clarifications and */tf/tyTt^/As/Z)' <//7 j res (/ofl<JcTiCs' w eve adne after* receipt and'review of their responses to the questionnaires. This facilitated further explanations and clarifications thereby enhancing the quality of responsiveness. These responses were ranked to scale by use of bar graphs and bar charts.

3.5 Data Analysis

Since survey research design was adopted and that both primary and secondary data was qualitative in nature, content analysis was used to analyze it. This method of analysis, according to Mugenda & Mugenda (2003) as well Dawson (2009), is any technique that allows for making of inferences by systematically and objectively identifying specific characteristics of messages. Tabulated data, bar chart analysis of figures, pie charts and line graphs were incorporate for descriptive statistical analysis.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Introduction

The study was designed to achieve three objectives; to identify key areas that are of strategic concern to firms and other stakeholders in the downstream petroleum industry in Kenya, to identify the challenges in the strategic change management process in the downstream petroleum industry in Kenya and to identify the change management approach that can be adopted to create a new synthesis of people, resources, ideas, opportunities and demands. In order to achieve these objectives, senior level management at various target firms were asked to fill a questionnaire. Where possible, further interrogations to the respondents were made upon receipt of their filled questionnaires. Content analysis was then used to analyze the findings. This chapter presents the data analysis, results and discussions of the research findings. Analysis is presented as per the specific objectives of the study and is presented in both tabular and graphical presentations.

4.2 General Information

This section covers the Part A of the study findings. These were the general information relating to the respondents and their organizations that they represent within the downstream petroleum industry.

4.2.1 Name of the Organization

While the target population was 17 petroleum marketing firms, five bulk petroleum transport companies, Kenya Pipeline Company (KPC), Kenya Revenue Authority (KRA), the Oil Industry Secretariat Pipeline Coordination (Pipecor), Kenya Petroleum Refineries Limited (KPRL), the Ministry of Energy (MoE), the Energy Regulatory Commission (ERC), Kenya Ports Authority (KPA) and the Kipevu Oil Storage Facility (KOSF), not all targeted firms were responsive. However, a responsive rate of 80% was realized. Targeted senior managers in fourteen of the seventeen targeted petroleum marketing firms responded. These firms were KenolKobil Limited, Total Kenya, Shell Kenya Limited, MGS International, Bakri Kenya Limited, Addax Kenya, Hass Petroleum, Hashi Empex, Banoda Oil. Gulf Energy, Engen, National Oil Corporation of Kenya (NOCK), Gapco Petroleum and Trojan Limited. This gave a responsive rate of 82% in this cluster of firms.

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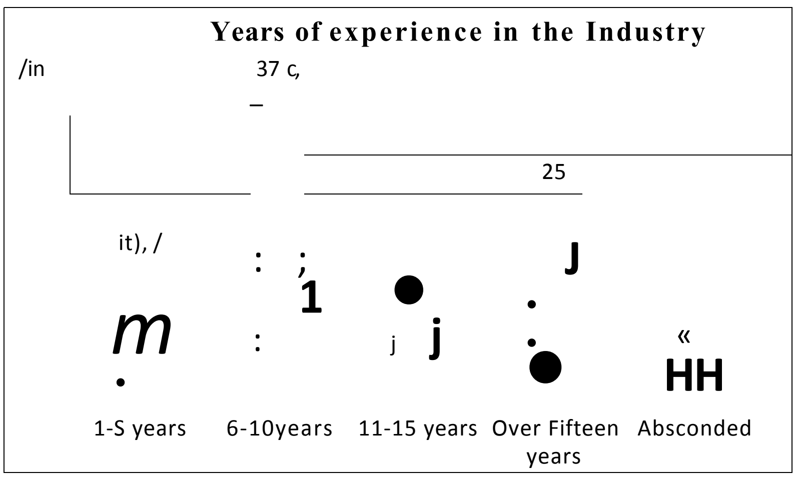
Among the bulk petroleum transporters, five firms responded. These responses were from Lynx Transport Company limited, Siginon Freighters, Roy Trans Motors, Dakawuo Transporters and Kengas Transport Limited. Responses were also received from the Kenya Revenue Authority, Kenya Pipeline Company and Pipecor.

4.2.2 Respondents Years of Experience

Respondents' length of service in an industry or organization is an important factor as it reflects on the amount of experience such a respondent has within that industry or firm. The respondents were found to have had different levels of experience within the industry with majority of them having between 6-10 years as shown in the figure below.

Figure 4.1: Bar chart showing respondent years of experience in the Industry



From the study findings as shown in the figure above, it emerged that 37% of the respondents had 6-10 years of experience in the industry, 25% had over fifteen years of experience in the industry, while an identical 17% had 1-5 years and 11-15 years of experience in the industry respectively. Many of the employees who had over three years' experience were found to be well grounded in strategic change management and provided quality information necessary for this study.

4.2.3: Title of Respondents

The nature of the research and the objectives set out for the study required that senior managers who are believed to be involved in strategy formulation and management of strategic change were to be interviewed. The titles of the respondents are shown in table 4.1.

Table 4.1: Showing the Title of Respondents

	Frequency	Percent
Territory Manager	1	4.2
Retail Manager	2	8.3
Fuel Supply & Marketing Manager	1	4.2
Retail & Consumer Manager	1	4.2
Depot Manager		8.3
Pipeline coordinator	1	4.2
Marketing Manager	1	4.2
Group Export and Regional Support Manager	1	4.2
Finance Manager	1	4.2
Senior Assistant Commissioner	1	4.2
Operations & Marketing Manager		8.3
General Manager	1	4.2
Export Manager	1	4.2
Head of Operation & Project Development	1	4.2
Head of Sales and Marketing	1	4.2
Head of Operations	1	4.2
Supply Manager	1	4.2
Head, Mergers & Acquisition	1	4.2
Marketing & Distribution Manager	1	4.2
Chief Accounts-Products	1	4.2
Commercial and Strategy Director	1	4.2
Total	**24**	**100.0**

From the table above, the titles of the respondents who participated in this study, it is evident that retail managers, depot managers and operations and marketing recorded similar frequency in participation at 8.3% each while all the other title holders recorded a 4.2% frequency each.

4.2.4 Petroleum Industry Cluster

From all the respondents who filled the questionnaires, fourteen of them were marketing firms making 58.3% compared to one as a regulator with government affiliation. The transporters and Ministry of Energy made up 25% and 12.5 respectively. When asked to provide their current fleet size, it emerged that each of the five bulk petroleum transport companies using trucks had a unique number of trucks. The one with the highest number of trucks had a fleet of 300 trucks followed by 180, 160, 107 and 20 trucks in descending order.

4.3 Management of Strategic Change

This section reviews the findings on various practices by the downstream petroleum industry in Kenya in as far as management of strategic change is concerned. The elements checked include anticipation of strategic change and understanding of the areas in which strategic change has been most necessary in the last five years.

4.3.1 Anticipation of Strategic Change

When asked if their respective firms had anticipated strategic changes in their planning, from the findings as shown in the figure below, it emerged that 92% of the respondents cited that they had anticipated, while 8% of the respondents had not anticipated any changes in their planning.

Figure 4.2: Pie Chart on Level of Anticipation of Strategic Changes in planning

4.3.2 Areas in Which Strategic Change has been Most Necessary in the Last 5 years

When the respondents were asked to point out the areas in which strategic change has been most necessary in the last five years, it was noted that strategic change was most necessary in acquisition and products/services as cited by an identical 25% of the respondents. It was also necessary in dealing with technological issues as cited by 17%, while for competition and human resource management purposes, it was cited by another identical 12% of the respondents. On mergers, it was considered to be necessary by 8% of the respondents.

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4.3.3 Initiation and Leadership of Strategic Change Process.

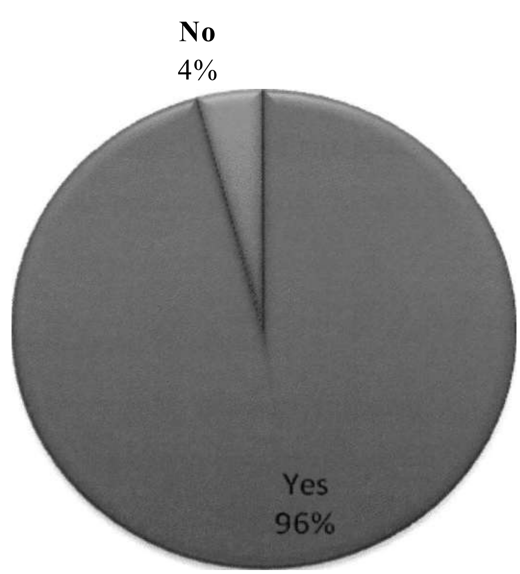
The person who initiates the strategic change management process and who leads the change process may define success or failure of the process. When asked as to who initiated the strategic change management process, 42% of respondents indicated that it was initiated by the board of directors, 37% indicated that senior managers were the main initiators of change while an identical 8% cited externally sourced change experts and the owners as being the change initiators. Some 4% of the respondents seemed unsure of who initiated strategic change and as such absconded.

When the respondents were asked whether the initiator of the strategic change was the same person who led the process, it was found that in 83% of the time, the initiators of the process also led the process and as such were available to see through and inspire others to the new vision. However, in 17% of the cases, the initiator of strategic change was not the leader of the change process.

4.3.4 Change Information Communication to Employees

When asked if the employees were informed about the changes, the study findings as shown in the figure below revealed that 96% of the respondents cited yes as opposed to 4% of the respondents who cited no.

Figure 4.3 Showing Findings on Whether Employees Were Informed About Changes



In trying to ascertain the mode by which the change process was communicated to the employees, the study findings revealed that 50% of the time, it was done through employees meetings, and 46% cited that it was done through middle management memos, while 4% absconded.

4.3.5 Planning and Implementation of Strategic Change

When the respondents were asked to select who were involved in strategic change management, it emerged that the planning for strategic change management in most organizations in the downstream petroleum industry was mainly done by middle management as cited by 50% of the respondents. Top management was cited by 42% of the respondents as playing a pivotal role in and consultants were cited by 4% of the respondents while another 4% absconded. When it came to the implementation of strategic changes, the involvement by the various individuals was found to be as par the table below;

Table 4.2: Showing Involvement in the Implementation of Strategic Change

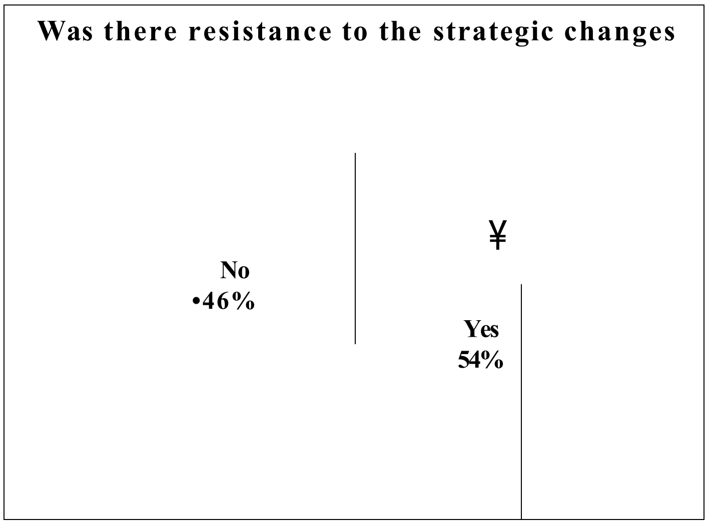
	Frequency	Percent
Top management	5	20.8
Middle management	16	66.7
Consultants	3	12.5
Total	**24**	**100.0**

From the study findings shown in table 4.2 above, it was realized that the implementation of strategic change management in the respective organizations was mainly done by Middle management as cited by 67% of the respondents, Top management as cited by 21% of the respondents while consultants were cited by 12% of the respondents. While interrogating how the change was carried out, 96% of the respondents stated that it was done gradually while 4% indicated that there was no particular order in which the change process was carried out.

4.3.6 Coping with Change and Managing Resistance

When the respondents were asked how employees were empowered to cope with the change, the study found that the employees were empowered to cope with change through training and involvement in identifying solutions as cited by an identical 29% of the respondents. However, 17% of the respondents indicated that directives were given to employees so as to make them cope while 25% cited exclusion as empowering employees to cope with change. However, when the respondents were asked to state if there had been any resistance to the strategic changes, the figure below summarizes the findings.

Figure 4.4: Showing the Existence or Absence of Resistance to Strategic Changes



Thus, in trying to establish if there was resistance to the strategic changes, the study findings in the figure above revealed that 54% of the respondents cited yes, while the remaining 46% stated that there was no resistance. In order to overcome resistance, the respondents were asked to rank six pre-determined methods depending on which one is least or most used. The findings of this inquiry are presented in the following tables;

Table 4.3: The use of Involvement in Overcoming Resistance

	Frequency	**Percent**
Moderately Used	3	12.5
Often Used	1	4.2
Most Used	11	45.8
Absconded	9	37.5
Total	**24**	**100.0**

From the study findings shown in table 4.3 above, it emerged that involvement of employees was most used to overcome resistance as cited by about 46% of the respondents, nearly 13%

cited that it was moderately used, as 4% cited that it was often used, while 37% of the respondents absconded.

Table 4.4: The use of Rescheduling in Overcoming Resistance

	Frequency	Percent
Least Used	1	4.2
Rarely Used	3	12.5
Moderately Used	4	16.7
Often Used	2	8.3
Most Used	1	4.2
Absconded	13	54.2
Total	**24**	**100.0**

From the study findings as shown in table 4.4 above, it emerged that rescheduling of the change process was only moderately used to overcome resistance as cited by 17% of the respondents. A large proportion of the respondents, 54.2% did not consider this method as being relevant in overcoming resistance.

Table 4.5: The use of Dispatch in Overcoming Resistance

	Frequency	Percent
Least Used	1	4.2
Rarely Used	3	12.5
Moderately Used	5	20.8
Most Used	2	8.3
Absconded	13	54.2
Total	24	100.0

From the study findings as shown in the table above, it emerged that dispatch was moderately used to overcome resistance as cited by 21% of the respondents, while 12% of the respondents cited that it was rarely used, and 8% showed that it was most used, as 4% cited that it was least used while 54% absconded.

Table 4.6: The use of Education in Overcoming Resistance

	Frequency	Percent
Rarely Used	1	4.2
Moderately Used	4	16.7
Often Used	5	20.8
Most Used	2	8.3
Absconded	12	50.0
Total	**24**	**100.0**

From the study findings as shown in the table 4.6 above, it emerged that education was often used to overcome resistance as cited by 21% of the respondents, about 17% cited that it was moderately used, and 8% cited that it was most used, as 4% cited that it was rarely used while 50% absconded.

Table 4.7: The use of Counseling in Overcoming Resistance

	Frequency	Percent
Least Used	2	8.3
Rarely Used	4	16.7
Moderately Used	1	4.2
Often Used	1	4.2
Most Used	4	16.7
Absconded	12	50.0
Total	**24**	**100.0**

The study findings shown in the table above reveals that counseling was rarely used to overcome resistance as cited by 17% of the respondents even though an identical 17% of the respondents also indicated that this was one of the most used means in overcoming resistance to change. Out of the 24 respondents who responded to the questionnaire, 8% cited that it was least used, and an identical 4% cited that it was often and most used respectively while 50% absconded. When the respondents were asked if there had been the use of threats or orders in overcoming resistance to strategic changes, the findings shown in table 4.8 on the next page captures the findings from the respondents;

Table 4.8: The use of Threats/Orders in Overcoming Resistance

	Frequency	Percent
Least Used	7	29.2
Rarely Used	6	25.0
Absconded	11	45.8
Total	**24**	**100.0**

From the study findings, it emerged that threats/orders was least used as a means to overcome resistance as cited by 29% of the respondents, as 25% cited that it was rarely used while 45% of the respondents absconded.

4.3.7 Factors that Influence Success in Strategic Change.

Several factors influence the success in strategic change management in various organizations or even industries. While respondents were expected to rank the factors on the basis of the perceived level of influence, the findings on this element of strategic change were as tabulated below;

Table 4.9: How much Vision/Mission Influenced Success in Change Management.

	Frequency	Percent
Rarely Influential	1	4.2
Moderately Influential	1	4.2
Often Influential	6	25.0
Most Influential	13	54.2
Absconded	3	12.5
Total	**24**	**100.0**

The study revealed that vision/mission was most influential in the success of strategic change management as cited by 54%, often influential as cited by 25%, rarely and moderately influential as cited by an identical 4%, while 12% absconded. The relevance of industry standards in the downstream petroleum industry was also evaluated from the various respondents who were interviewed. The findings on this element, in as far as successful change management process is concerned, is given in the table 4.10 in the next page.

Table 4.10: Showing how Influential Industry Standards are to the Success in Strategic Change Management.

	Frequency	Percent
Rarely Influential	3	12.5
Moderately Influential	4	16.7
Often Influential	7	29.2
Most Influential	8	33.3
Absconded	2	8.3
Total	**24**	**100.0**

The study findings captured in the table 4.20 above show that industry standards were most influential in the success of strategic change management as cited by 33%, often influential as cited by 29%, moderately influential as cited by 16%, rarely influential as cited by 12%, while 8% absconded. The relevance of organizational and industry management was also inteiTOgated and the findings below were obtained;

Table 4.11: How Management Influenced Success in Strategic Change Management.

	Frequency	Percent
Least Influential	1	4.2
Moderately Influential	2	8.3
Often Influential	6	25.0
Most Influential	14	58.3
Absconded	1	4.2
Total	**24**	**100.0**

From the study findings as shown in the table 4.11 above, it emerged that the management were most influential in the success of strategic change management as cited by 58%, often influential as cited by 25%, moderately influential as cited by 8%, least influential as cited by 4%, while another 4% absconded. When asked how much consultants influenced strategic change management, it was found that they were often influential in the success of strategic change management as cited by 25%, rarely influential as cited by 21%, moderately and least influential as cited by an identical 17%, most influential as cited by 12%, while 8% absconded.

When the respondents were asked about how much employee participation influenced the success in strategic change management, 42% of them noted that employee participation was most influential in the success of strategic change management while 25% of the respondents felt that it only moderately influenced success in strategic change management. Another 21% of the respondents felt that it least and rarely influenced success in change management while identical 4% of the respondents felt that employee participation was rarely influential and also least influential with a similar 4% absconding.

When it came to how much training of employees influenced the success in strategic management, it emerged that this was most influential in the success of strategic change management as cited by 37% of the respondents. The same factor was also considered to be often influential as cited by 33%, moderately influential as cited by 12%, least influential as cited 8%, rarely influential as cited 4%, while 4% of the respondents absconded. Human resource practices on the other hand were moderately influential in the success of strategic change management as cited by 46%, often and most influential as cited by an identical 12%, rarely influential as cited by 8%, while 20% did not consider it as a factor crucial for success of strategic change.

While testing the significance of benchmarks in influencing the success in strategic change management, it was found that it was considered moderately influential in the success of strategic change management as cited by 29% of the respondents and often influential as cited by 25%. Of the 24 respondents, 3 of them, representing 13% of the total respondents found the factor to be rarely significant and a similar proportion found it to be most influential. None of the respondents considered any other new factor (outside of the provided choices for ranking) as being of any significance to success at strategic change management.

4.3.8 The Influence and Benefits of Strategic Change

When asked to state the extent to which the strategic changes have affected four areas of their businesses/operations, it was found that the strategic changes have affected product/service pricing, 50% of the respondents cited that it has affected it most, 33% felt that it has often affected it. However an identical 4% cited that it had rarely and moderately affected it, while 8% absconded. When it came to ascertaining how the strategic changes have affected customer satisfaction, 54% of the respondents cited that it has affected it the most while 33%

cited that it had often affected it, 8% cited that it has least affected it, as 4% cited that it had moderately affected it. On organizational efficiency, 58% of the respondents cited that it has affected it the most. An identical 17% cited that it had often and moderately affected it, while 8% cited that it has least affected it.

In regard to turn around/turn over, 46% of the respondents cited that it has affected it most, while 21% cited that it had often affected it, 17% cited that it was moderately affected, 8% cited that it had least affected it, 4% cited that it had rarely affected it while 4% did not find any of the four areas as being affected by strategic changes. On the benefits of strategic changes, 96% of the respondents stated that it had benefits while 1 respondent who thought that strategic changes were of no value.

Strategic changes often affect industries and firms within it differently. When the respondents were asked to state the benefits or risks of the changes to the organization and petroleum industry, the results obtained are tabulated below:

Table 4.12 Showing the Benefits or Risks of Changes to Individual Organizations

	Frequency	Percent	Valid Percent	Cumulative Percent
Increased sales & Profitability Performance	11	45.8	45.8	45.8
Enhanced Organization Cohesion	4	16.7	16.7	62.5
Opportunity for company Growth	3	12.5	12.5	75.0
Bulk Purchases from suppliers hence good discount	2	8.3	8.3	83.3
Changes if not favorable are bound to bring the company down	1	4.2	4.2	87.5
Diversifications to the regional players	1	4.2	4.2	91.7
Professionalism in service delivery	1	4.2	4.2	95.8
Developing a more responsive strategy to improve employees	1	4.2	4.2	100.0
Total	**24**	**100.0**	**100.0**	

Table 4.13 Showing the Benefits or Risks of Changes to the Industry

	Frequency	Percent	Valid Percent	Cumulative Percent
Increased customer Satisfaction	3	12.5	12.5	12.5
Absconded	1	4.2	4.2	16.7
Greater Market Competition	5	20.8	20.8	37.5
Enhanced Service	1	4.2	4.2	41.7
Strong voice in championing industry concerns	2	8.3	8.3	50.0
Better Industry Standards	7	29.2	29.2	79.2
Changes are sometimes detrimental to normal operations	1	4.2	4.2	83.3
Better environmental measures	2	8.3	8.3	91.7
Government price controls reducing entry barriers	1	4.2	4.2	95.8
Professionalism in service delivery	1	4.2	4.2	100.0
Total	**24**	**100.0**	**100.0**	

When the respondents were asked to state the extent to which strategic changes has affected profitability, relevance to the industry and product/service quality, the following findings were recorded. On profitability, strategic changes most affected it as reported by 46% of the respondents while 38% of them believed that it was often affected. Four of the respondents stated that strategic change only caused moderate impact on profitability. On the relevance of strategic changes to firms in an industry, table 4.14 summarizes the findings that were made.

Table 4.14 Showing Relevance of Strategic Changes in the Downstream Petroleum Industry

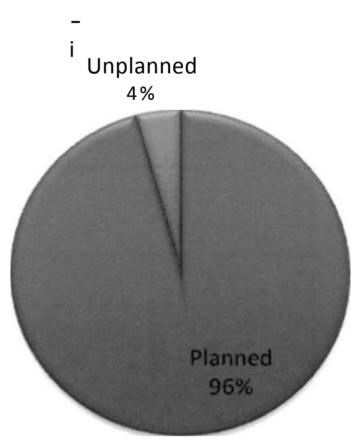
	Frequency	Percent	Valid Percent	Cumulative Percent
Least	2	8.3	8.3	8.3
Rarely	1	4.2	4.2	12.5
Moderately	4	16.7	16.7	29.2
Often	6	25.0	25.0	54.2
Most	10	41.7	41.7	95.8
Absconded	1	4.2	4.2	100.0
Total	**24**	**100.0**	**100.0**	

Regarding product or service quality, 50% of the respondents stated that this was the most affected while 38% of them indicated that it was often affected. The number of respondents who indicated that this aspect of the firm was least and rarely affected were 4% and 8% respectively.

4.3.9 The preferred change approach and guideline for successful change management

The findings on the best change management approach for the downstream petroleum industry in Kenya are shown in the figure below.

Figure 4.5 Showing the Preferred Change Management Approach



From the above findings, it is evident that the downstream petroleum industry in Kenya prefers the planned approach as opposed to the unplanned approach to change management.

Table 4.15 Reasons for the preference of planned change approach

	Frequency	Percent	Valid Percent	Cumulative Percent
Industry is target based	1	4.2	4.2	4.2
Absconded	3	12.5	12.5	16.7
Oil Industry react very fast to change	1	4.2	4.2	20.8
Abrupt Changes don't go well	3	12.5	12.5	33.3
Planning leads to things being done better	12	50.0	50.0	83.3
Price Control	1	4.2	4.2	87.5
To build/upgrade Infrastructure necessary to meet the market demands	1	4.2	4.2	91.7
To enable constant evaluation of objective	2	8.3	8.3	100.0
Total	**24**	**100.0**	**100.0**	

When asked as to what they would offer as the best guideline to follow in ensuring successful strategic change management in the downstream petroleum industry in Kenya, the findings were as shown in the table below.

Table 4.16 Showing the Guidelines for Success in Strategic Change Management in the Downstream Petroleum Industry in Kenya

	Frequency	Percent	Valid Percent	Cumulative Percent
Involvement of staff in initiating strategic change	4	16.7	16.7	16.7
Absconded	3	12.5	12.5	29.2
Consult Widely	8	33.3	33.3	62.5
Study past trends & learn from them	2	8.3	8.3	70.8
Sudden Changes can be implemented depending on market flow	**1**	4.2	4.2	75.0
Remove unnecessary government restrictions	3	12.5	12.5	87.5
Removal of cartels	**1**	4.2	4.2	91.7
Government & Stakeholders regulation of retail petroleum business	1	4.2	4.2	95.8
Changes be implemented by a team that understands oil industry dynamics	**1**	4.2	4.2	100.0
Total	**24**	**100.0**	**100.0**	

From the study findings in the table 4.16 above, the best guidelines proposed by the respondents that would ensure successful stratgeic change management in the downstream petroleum industry in Kenya, included; Consulting widely as cited by 33% of the respondents, involvement of staff in initiating strategic change as cited by 17% of the respodents, removal of unnecessary government restrictions as cited by 12% of the respondents, study of past trends and learning from them as cited by 8% of the respondents, sudden chnages can be implemented depending on market dynamics; removal of cartels and open tender systems; government and stakeholders regulation on station type to be built and changes to be implemented by a team that understands the dynamics of the oil industry all tying at 4%. However, 12% did not give any particular guideline.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This Chapter provides a summary, conclusion and recommendations drawn from the study. The conclusions are drawn from the objectives that the study sought to realize as well as the research findings. The chapter also covers the limitations of the study and makes recommendations on areas that will require more research to enhance greater understanding of the subject area.

5.2 Summary

Well managed strategic change within the industry was found to bring with it a new culture of team work and high internal as well as external connectivity among the management and employees as other stake holders. Empowerment of employees on the other hand was found to be critical in-building trust and support within the existing or new structures, creating action-oriented staff with a greater locus of control thus making industry-wide success possible. Other notable benefits of effective strategic change management were, firms being better placed to achieve their visions and missions even as they continuously invest and enhance relationship with customers and stakeholders.

In implementing strategic changes, the downstream petroleum industry may not have a well written out script pattern to follow, but key issues that are essential for successful change process must be put in place. These include a clear plan complete with the new vision, focus, self-assessment and interpretation of the results, identification of change phases and their implementation timelines as well as how to track changes and stay on track. There should be effective and regular communication, focusing on the need for change, the new direction. There should be updates on progress and regular feedback to all parties involved and affected by the strategic changes. While top management was expected to play a crucial role in change leadership, it was noted that middle management in the downstream petroleum industry were the most dominant change leaders. However, for strategic change management to succeed the active participation of top management is needed. Together, they should not only lead the change, but also believe in it in order to win buy-in by all stakeholders. Where necessary, it should incorporate the knowledge and skills of external change experts for support.

In order for individual firms and the industry to be successful at strategic change management process, they need to have a sustained drive on the need for change. This helps to win wide spread support for the process. These successes are further enhanced if the firms and industries adopt a system view in all aspects of their operational and planning activities in order to entrench holistic change management approaches. The research also revealed various issues in strategic change management that if understood and thought of differently, the firms in the downstream petroleum industry would have been more successful in strategic change management. Some of these areas include involvement of the entire organization in identifying the areas that needed change and the need for belief in larger change teams. It was also noted that while the board of directors played a more active role in initiating strategic change, not much was done to empower employees to cope with the changes. Over 41% of the respondents noted that exclusion and the use of directives were still widely practiced in the industry fuelling resistance to change.

5.3 Conclusion

Effective management of strategic change for the downstream petroleum industry in Kenya requires the leadership ability to create a new synthesis of people, resources, ideas, opportunities and demands. Without this, resources and potential will be under-utilized and growth muzzled. The mission and vision of the industry as well as that for the individual firms is essential just as the industry standards, management commitment and training of employees. Training and human resources of the industry are particularly essential in providing creativity which is paramount to actualize the strategic changes and deal with strategic issues.

Strategic change management by the individual downstream petroleum companies greatly influence organizational efficiency, turn-over as well as turn around. Customer satisfaction and products/service pricing are all affected by strategic changes and remain key strategic issues. Strategic change management in these four areas and the subsequent transformation in the way the firm conducts its business had its success in the industry is strongly linked to the firm's management and leadership.

5.4 Recommendations

Given the fact that the downstream petroleum industry in Kenya is under immense external and internal pressure, it would be important that the firms in the industry prepare for the unplanned changes that characterize the industry. While it is good for majority of the firms and the industry in general to prefer planned changes due the simplicity and ease with which it can be executed or managed, it is vital that the industry builds systemic capability to effectively manage unplanned strategic changes.

The industry's change management seems to depend on board of directors and senior management to identify areas of change and change leadership. This is done with minimal regard to other employees and stakeholders. This inevitably builds a fertile ground for resistance to change or undue delays in strategic change management. This could also lead to delay in realizing intended benefits of the changes or realizing un-intended results. It is important that the entire organization's span play a role in identifying change areas.

In order for harmony of purpose and coherence in the industry, it is important that both the appropriate government ministry, industry regulatory bodies, marketing firms and bulk petroleum transporters adopt a consultative approach in identifying and implementing various strategic changes needed. Where changes are thought to be brought about by one member of the industry's interest groups without regard to the other groups, resistance to the change, however well, intended it can be is bound to rise. The industry requires a well-informed leadership that can inspire action and joint approach in tackling strategic changes.

5.5 Limitations of the study

The study was carried out within a very short time, and some key players in the downstream petroleum industry did not respond to the questionnaires, thereby leading to the exclusion of opinions that would have changed the findings in totality. The study was done with limited financial resources. This made it impossible to reach out to wider respondents' pool and also deploy more tools in data collection.

The study sample population was largely dominated marketing firms. While they may be the most visible in the downstream petroleum industry in Kenya, the findings were therefore largely influenced by their actions and thoughts in as far as strategic change management is concerned. Their views and status in as far as strategic change management is concerned in the industry may have over shadowed other players in the industry in the course of this study. Lastly this study focused on senior management within the organizations that were targeted in the belief that they were not only knowledgeable but contributed actively in strategic change management processes in their respective firms. There could be some low cadre job holders in the organizations who were equally well knowledgeable in the field of study and whose ideas may be the ones informing their seniors thoughts and responses. An important knowledge group could have been inadvertently ignored by virtue of their perceived junior job position thereby limiting the findings of this study to the views of senior managers only.

5.6 Areas of Further Research

This was a survey that focused on a limited number of the firms and players in the downstream petroleum industry, as a result the research findings, when used for generalization about the industry may not give an accurate picture of the status of the industry in as far as strategic change management is concerned. For a more accurate study, all elements and firms that play a role in the industry may have to be interrogated by way of a census study or the sample size used enlarged for higher levels of accuracy to be realized.

Lastly the business environment is dynamic and keeps on changing over time. The marketing firms selected on the basis of their strength in market share may not necessarily hold their market positions in future rendering their dominance in the industry immaterial. With these changes, further studies on management of strategic changes in the downstream petroleum industry at a later time may yield different findings. Perhaps further studies could be carried out with the same population sample to identify how they will be managing strategic changes then.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

Charles O. Odida,
University of Nairobi,
P. O Box 30197, Code 00100,
NAIROBI

16™ September 2011

Dear Respondent,

RE: STUDY QUESTIONNAIRE ON STRATEGIC CHANGE MANAGEMENT

Reference is made to the above subject.

I'm a postgraduate student undertaking a Master of Business Administration (MBA) degree at the school of business, University of Nairobi. In order to fulfill the requirement for the completion of the course, I am currently undertaking a research on **"Management of Strategic Change in the Downstream Petroleum Industry in Kenya."** In order to realize the objectives of the study, your organization has been identified as playing a vital role in the industry and as such your views and responses relating to the subject of the study are sought.

This is to request you to kindly fill the attached questionnaire. The information that you provide shall be used exclusively for the fore-stated academic purposes only. It shall be the duty of my supervisor and I to ensure that the information you give is treated with utmost confidence. Your kind consideration in providing the required information is most appreciated. A copy of these research project findings will be availed to your organization on request. Thank you.

Yours faithfully,

Charles O. Odida

Reg. Number; D61/75470/2009

APPENDIX 2: QUESTIONNAIRE

Part A: General Information

Name of the Organization:

Title of Respondent:. . . . . .Years of experience in the Industry

In which of these clusters of the petroleum industry does your firm belong?

Marketing firm • Regulatory Authority I I

Transporter • Ministry of Energy I I

Others (Please specify)

If a transporter, please give your truck fleet size

Part B: Management of Strategic Change

1. Does your firm anticipate strategic changes in its planning? (Tick the appropriate box)

   Yes • No •

2. In which of the following areas has strategic change been most necessary in the last 5 years. (Tick the appropriate box)

   Products/Services • Technological •

   Acquisition • Mergers •

   Competition HH Human Resources Management O

3. Who initiated the strategic change management process? (Tick the appropriate box/specify)

   The owners IZH Externally sourced Change Experts I I

   The board of director's • Senior Managers •

   Others (Please specify)

4. Was the initiator of the strategic change the same one who led the process?

   Yes • No •

5. Were the employees informed about the change (tick appropriate box)

   Yes • No •

   i) If the answer to question 5 above is yes, how was this communicated? (Please tick the appropriate box)

Employees Meeting • Middle Management Memos

Through Consultants •

6. Who among the following were involved in the planning for strategic change management in your organization? (Tick the appropriate box)

Top Management • Middle Management' |__|

Consultants

7. Who among the following were involved in the implementation of strategic change management in your organization? (Tick the appropriate box)

Top Management • Middle Management |__|

Consultants CD

8. Bow was the change earned oufl (Tick Vne appTOpmteta')

At once Q Gradually

No Particular Order

9. How were employees empowered to cope with the change? (Tick the appropriate box)

Training • Excluded •

Involvement in Identifying Solutions • Directives •

10. Was there resistance to the strategic changes? (Tick the appropriate box)

Yes • No •

11. How was the resistance overcome? (Please tick in the appropriate box where 1 is the least used and 5 is the most used.)

	1	2	3	4	5
Involvement	•	●	•	●	●
Rescheduling	●	●	●	●	●
Dispatch	•	●	•	●	●
Education	●	•	•	●	●
Counseling	●	•	•	•	●
Threats/Orders	●	●	●	●	●

12. Which factors influenced the success in strategic change management the most in your organization? (Where 1 is the least influential and 5 is the most influential.)

	1	2	3	4	5
Vision/Mission	•	•	•	•	•
Industry standards	•	•	•	•	•
Management	•	•	• -	•	•
Consultants	•	•	•	•	•
Employee participation	•	•	•	•	•
Training of employees	•	•	•	•	•
HR practices	•	•	•	•	•
Benchmarks	•	•	•	•	•
Other (specify)	•	•	•	•	•

1. Have the strategic changes in any ways affected the following areas (Where 1 is least and 5 is the most affected.)

	1	2	3	4	5
Product/Services pricing	•	•	•	•	•
Customer satisfaction	•	•	•	•	•
Organizational efficiency	•	•	•	•	•
Turn around/Turn over	•	•	•	•	•

14. Would you consider the strategic changes to be of any benefit?

Yes • No •

Please give the benefits or risks of the changes to the following elements:

To the organization

To the industry

15. How much has the strategic changes affected the following aspects of the firm (Where 1 is the least and 5 is the most.)

	1	2	3	4	5
Profitability	•	•	•	•	•
Relevance in the industry	•	•	•	•	•
Product/Service quality	•	•	•	•	•

16. Which is the best change management approach for the downstream petroleum industry in Kenya?

Planned Q Un planned •

What is the reason for your answer in 16 above:

17. What would you offer as the best guideline to follow in ensuring successful strategic change management in the downstream petroleum industry in Kenya?

Thank you very much for your time.

APPENDIX 3: LIST OF TARGET SAMPLE POPULATION

Petroleum marketing companies based on their overall market shares for the period of January to March 2011.

	Name of company	**% Overall Market share**
1	KenolKobil Limited	21.60
2	Total Kenya Limited	20.90
3	Shell Kenya Limited	15.30
4	Libya Oil	11.40
5	Gapco	5.80
6	National Oil Corporation of Kenya (NOCK)	4.50
7	Hasss Petroleum	3.60
8	Gulf Energy Limited	3.60
9	Fossil Fuels	2.50
10	Bakri International Limited	1.50
11	Hashi Empex	1.50
12	Addax Kenya Limited	1.40
13	Engen	1.40
14	Banoda Oil	0.90
15	Mogus International (MGS)	0.80
16	Trojan	0.80
17	Oilcom	0.60

Source: PIEA (2011)

Other sample targets are any five bulk road petroleum product transport companies, the Ministry of Energy, Kenya Pipeline Company (KPC), Energy Regulatory Commission (ERC), Kenya Petroleum Refinery Limited (KPRL), Kenya Revenue Authority (KRA), the Pipeline oil industry secretariat (Pipecor) as well as the Kenya Ports Authority Limited (KPA).