

**RESPONSE STRATEGIES ADOPTED BY HASS PETROLEUM (K) LTD TO
ENVIRONMENTAL CHALLENGES**

BY

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**A Research Project presented to the School of Business in partial fulfillment of the
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the University of Nairobi.**

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DECLARATION

I declare this Research Project is my original work and has not been presented for any academic award in any university.


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This Research Paper has been submitted for examination with my approval as the University Supervisor.

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Thanks to the Almighty God for with Him, everything is possible. To all, May God bless the work of your hands.

DEDICATION

This research paper is dedicated to my mother; Mrs. Zahra Bulhan, my brothers and sisters and to my friends for their encouragement, advice and support that they have accorded me during my studies.

ABSTRACT

The objective of the study was to identify environmental challenges facing Hass Petroleum (K) Ltd and the response strategies adopted by Hass Petroleum (K) Ltd to these challenges. The study considered Hass Petroleum (K) Ltd as a case study. Primary data was collected by use of an interview guide where the Chief Executive Officer of Hass Petroleum (K) Ltd was interviewed on environmental challenges facing the organization and its response strategies to those challenges. This data was further subjected to rigorous data processing and analysis using content analysis. The findings revealed that Hass Petroleum (K) Ltd faced environmental challenges such as political, technological, social, economic, regulatory and industry. Political instability in the region, inadequate infrastructure, lack of sharia compliant banking and insurance products, high interest rates, exchange rates and inflation rates, tax prepayment policy, price controls, open tender system, merchant refinery and stiff competition are the challenges in the oil industry. The organization responded to these challenges through corporate, business and functional strategies. Corporate strategies included diversification by moving to non-regulated product lines and markets, portfolio analysis and parenting strategies. These are basically growth strategies applied by Hass Petroleum (K) Ltd in response to environmental challenges. The organization also responded through business strategies such as differentiation by offering personalized services to its customers. This enabled Hass Petroleum (K) Ltd achieves competitive edge in the industry. Functional strategy was also employed by Hass Petroleum (K) Ltd in a hierarchical way to support business and corporate strategies.

For policy purposes, the study recommend that, organizations should conduct environmental scanning to be aware of different challenges in the environment and that an organization should apply corporate strategies, business strategies and functional strategies in response to environmental challenges. The study suggest that since this study focused on only one organization which was Hass Petroleum (K) Ltd, further studies should be conducted on other organizations in the industry to establish the correlation. The study also suggests that further studies should focus on other industries for example response strategies by organizations in the sugar industry among others.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Every organization operates in an environment. Lawrence and Lorsch (1972) defined the organizational environment as all elements that exist outside the boundary of the organization and have potential to affect all or part of the organization. Hellman et al (1999) argued that as a social institution, business has an intricate and important relationship with the environment with which it interacts. Meyer et al (1990) noted that from time to time, organizational environments undergo catastrophic upheavals which lead to changes that are so sudden and extensive that they alter the trajectories of entire industries, overwhelm the adaptive capacities of resilient organizations, and surpass the comprehension of seasoned managers. Osborn and Hunt (1974) added that while the environment of an organization is composed of an infinite set of elements outside the boundaries of the organization, other organizations, associations of individuals, and broad forces represent important segments of the organization's environment. Therefore, Huber (1984) concluded that, as the pace of changes in external environment accelerates, organizations' survival increasingly depends on devising entrepreneurial responses to unforeseen discontinuities.

Environmental uncertainty represents an important contingency for organization structure and internal behaviors. Organizations facing uncertainty generally encourage cross-functional communication and collaboration to help the company adapt to changes in environment. Due to this uncertainty, the corporate world is in the process of a global transformation. Mergers, acquisitions, outsourcing and downsizing are becoming the common word everywhere. Integration, market penetration, market development, product

development, diversification, retrenchment, divestiture and liquidation are response strategies adopted by organizations to environmental uncertainties.

In industrialized nations, oil touches nearly every aspect of a person's daily life. Yet few people, from price-sensitive consumers to preoccupied politicians, understand the extent to which this is the case (Yeoman, 2004). Africa has considerable oil and gas resources that can help accelerate growth on the continent if used strategically. Although new resources are discovered progressively, they are not equally distributed; indeed, 38 out of 53 African countries are currently net oil importers. High and volatile oil prices are thus a challenge for all of Africa; they represent opportunity to be pursued for exporting countries and an obstacle to be tackled for importing countries (World Bank, 2006). Petroleum finds use as the major energy source in Kenya with the exception of wood fuel and has projected growth in demand of between 3-5% annually. Petroleum is also important to Kenya because it provides approximately 67% of the industrial and commercial energy needs. Due to this prominent position in Kenya's industrial commercial structure, petroleum prices remain the major drivers of inflation (Institute of Economic Affairs, 2000).

1.1.1 External Environment and Organizations

According to Porter (1985) the environment includes organizations and competitive forces faced in conducting the activity: industry, suppliers, customers, potential new entrants, products and or replacement services. The various terms that have been used to describe the environment fall generally into three categories: complexity (the level of complex knowledge that understanding the environment requires), instability or

dynamism (the rate of unpredictable environmental change) and resource availability (the level of resources available to firms from the environment) (Sharfman and Dean, 1991). Thompson (1967) used two dimensions to describe the environment: heterogeneity/homogeneity and stability/dynamism. The former dimension describes whether the elements in the environment are similar to or different from one another. The latter deals with whether the elements are changing unpredictably or are stable. Child (1972) used similar dimensions in his research, labeling them complexity and variability. Child added a third dimension, munificence, which reflects the availability of resources in the environment, and similar to munificence (March and Simon, 1958).

Mintzberg (1979) described three dimensions of the environment similar to those proposed by Child, but added new facets for each. He introduced the term market diversity to reflect what Thompson meant by heterogeneity and Child by complexity, while reserving the term complexity for the degree of sophisticated knowledge necessary to operate in a given environment of a technical or scientific nature. Market diversity and the degree of sophisticated knowledge required appear to be distinct aspects of complexity, representing perhaps the breadth and depth of knowledge needed. Mintzberg's concept of stability included both market and technological stability, recognizing that firms must keep abreast of developments in both areas. Aldrich (1979) proposed that six environmental dimensions subsume all others: geographic concentration and heterogeneity, stability and turbulence and domain consensus capacity. Using factor analysis, Dess and Beard reduced Aldrich's six dimensions to three; complexity, dynamism, and munificence which roughly correspond to Child's three dimensions.

Many organizations are surprised by changes in the external environment. Perhaps the greatest tumult for today's organizations has been created by the rapid technological expansion. Munk (1998) said that firms in every industry, from auto manufacturing to telecommunications, face similar uncertainty. Many factors in the external environment cause turbulence and uncertainty for organizations. The external environment, including global competition, is the source of major threats facing today's organizations. The environment often imposes major constraints on the choices managers make for the organization. Popa (2004) therefore affirms that in the process of formulating policy options, the organization must take account of external environment opportunities and threats, present and future but internal potential, the forces and weaknesses of the organization, and its competitive advantage over competitors.

Lawrence and Lorsch (1967) found out a relationship between the extent to which the states of differentiation and integration in each organization met the requirements of the environment and the relative economic performance of the organizations. They found out that within each organization the degree of differentiation of behavior and orientation between the various subsystems is inversely related to the degree of integration obtained between the various subsystems such as sales, research and production.

1.1.2 Response Strategies to Environmental Challenges

A response strategy is a means of investing selectively in tangible and intangible resources to develop those capabilities that assures a sustainable competitive advantage (Hax and Majluf, 1996). Response strategies are broadly categorized into corporate

strategy, business strategy and functional strategy. Corporate strategies include mergers, acquisitions, takeovers, joint ventures, strategic alliances, turnaround, divestment and liquidation. Business strategies include cost leadership, differentiation and focus. Functional strategy involves developing and nurturing a distinctive competence to provide an organization or business unit with a competitive advantage by maximizing resource productivity.

Lawrence and Lorsch (1969) noted that an organization in a certain environment will be managed and controlled differently from an organization in an uncertain environment with respect to positions and departments, organizational differentiation and integration, control processes, and future planning and forecasting. Organizations need to have the right fit between internal structure and the external environment. (Tung, 1979). The main environmental triggers for change as listed by Dawson (2001) were, government laws and regulations, globalization, of markets, and the internalization of business, major political and social events, technological advancements, customer expectations, supplier requirements, increasing competition, organizational growth and fluctuations in business cycles.

Many organizations today are focusing on becoming more competitive, by launching competitive strategies that give them an edge over others. Porter (1985) proposed product differentiation, cost differentiation, focus product differentiation and focus cost differentiation as strategies to be followed by management of organizations. Ansoff (1957) presented the matrix that focused on the company's present and potential future products or areas of engagement. The matrix shows practitioners to consider ways with

four possible product/market combinations to grow the business via existing and/or new products, in existing and/or new markets. The matrix consist of four strategies which are set out in a four-box matrix that depicts the logical combination of two available positioning variables existing and potential products against existing and potential markets as market penetration, market development, product development and diversification (Harvard Business review, 1957).

1.1.3 The Oil Industry in Kenya

Energy is an important input for economic development and social growth. Otobo (2007) estimated that two thirds of global energy requirements are met with oil and gas supplies. Conventional wisdom holds that energy consumption per capita is strongly correlated with the level of economic and social progress. Dohner (1981) observed that the evolution of world energy markets in the post 1970 period has been dramatic and its impact on the world economy and politics profound. This is illustrated by the worldwide economic ripple effects caused by price volatility and occasional spectacular spikes in the prices of the dominant global energy resources.

Research division of African Development Bank (2007) noted that world oil prices have trended ever higher since 2000, and natural gas prices have tracked along. Some of the reasons for the rise in oil prices include rising demand in emerging economies, especially in China and India, declining spare capacity in major producing countries, peaking of production in several important oil-producing areas and lack of expansion in refinery capacity. Ploeg (2007) observed that global energy consumption is expected to grow by more than 50 percent in the first quarter of this century. He projected that oil and natural

gas are expected to be in particularly high demand by 2025 with global oil demand projected to rise by 57 percent. Otto and Cordes (2004) said that it is very unlikely, even taking into account the massive investments in the energy sector around the world, that the oil and gas industry will be able to produce and deliver sufficient energy to meet global demand. Dudine et al (2007) also projected that the peak oil production has already been reached, or will be reached in a few years. The resulting shortages, coupled with concomitant rising energy prices, will place significant pressure on net oil-importing societies in Africa if not addressed strategically and aggressively.

East Africa suffers from inadequate infrastructure for refining, storage and moving product. Likewise, the oil marketing sector in Kenya has had a lot of challenges such as the introduction of price controls which exposes weaknesses in less diversified players as better performing companies diversify into non-regulated product lines, the discovery of oil and other energy sources in the region is likely to be positive for some product lines but negative for others, high financing costs eroding margins and storage and distribution infrastructure proving inadequate and inefficient (Standard Investment Bank, 2012).

The situation in the Kenyan oil industry and its environment has been worsened by the introduction of stringent tax regimes by the Kenya Revenue Authority (KRA). This requires upfront prepayment of 50% taxes on oil imports. 70% of the fuel sold locally is refined by the Kenya Petroleum Refineries Limited (KPRL) while 30% is imported as fully refined. The government introduced the Open Tender System (OTS), which means that all the crude oil imported is supplied by one supplier to minimize costs and level the retail prices. Oil companies are then invited to bid for the delivery and the company with

the lowest bid automatically wins the tender to import the crude and have it discharged into KPRL tanks. Kenya Pipeline Company (KPC) has a challenge in oil storage across the country because they do not have enough storage capacity to cater for the regional towns. KPC is however putting up mechanisms to deal with the challenge. (Tsavo Securities Ltd, 2007). The main players in the downstream operations in Kenya as of September 2011 are Total Kenya 23.7%, KenolKobil 23.4%, Shell 17.8% and Libya Oil 10% (Petroleum Institute of East Africa, 2011).

There are a total of 51 oil marketers in Kenya categorized as multinational oil companies, local oil companies, and independent oil dealers (PIEA, 2012).

OVERAL MARKET SHARES	
January to June 2012	
Company	% Market Shares
KENOLKOBIL	21.3
Total Kenya	19.7
SHELL	14.4
LIBYAOIL	9.1
National Oil	4.7
GAPCO	4.7
Gulf Energy	3.4
Hass Petroleum	3.3
Others	19.4
Total	100

Source: PIEA 2012

1.1.4 Hass Petroleum (K) Ltd

Hass Petroleum (K) Limited is a regional oil marketing company incorporated in 1997, with a significant presence in the Great Lakes Region. According to (PIEA) Petroleum Institute of East Africa (2012) Hass Petroleum (K) Ltd, has a market share of 3.3% in Kenya. It started as a fuel reseller and is now a recognized oil marketer with fully fledged operations in Kenya, Tanzania, Uganda, Republic of South Sudan, Rwanda, Burundi, Democratic Republic of Congo and Somali Land. The core business of Hass Petroleum is importation, distribution and marketing of petroleum products.

The group invests primarily in petroleum imports and exports, bulk trading, petroleum depots, distribution network and a strong supply chain infrastructure. This enables Hass Petroleum to establish a solid and reputable partnership both on the supply and demand sides. Its products consists of all white oil namely diesel, petrol, and kerosene, Liquefied Petroleum Gas (LPG) and branded lubricants, blended in Kenya. Key stakeholders in the oil industry that the company works with include The Petroleum Institute of East Africa (PIEA), Kenya Pipeline Company (KPC), Kenya Petroleum Refineries Limited (KPRL) and Energy Regulatory Authority (ERC) to ensure it meets all regulatory requirements. Hass petroleum (K) Limited owns and operates eight service stations in Kenya (Hass Petroleum, 2011).

1.2 Research Problem

Over the past decades, there has been an increasing interest in understanding how organizations evolve over time- adapting or failing to adapt, initiating change and responding to change. According to Mohrman and Morhman (1993) organizational

environments have become less benign, more complex, more interconnected, and more dynamic producing conditions that pose the need for change while making it difficult to learn and change by overloading the information-processing capabilities of organizational members. Many challenges have been posed to industries, first by the success of Japanese firms and the Asian economies and then by the disruptive technological innovations of the new economy.

The oil industry in Kenya is characterized by challenges such as the introduction of price controls; a severe depreciation of the shilling and soaring interest rates which has resulted in increased cost of crude oil and escalating cost of sales; an aging refinery which cannot refine the residue of its processing products unlike more complex refineries which are able to extract valuable products from their residue and hence improve their margins; high financing costs eroding margins and storage and distribution infrastructure proving inadequate and inefficient (Standard Investment Bank, 2012).

Several studies have attempted to analyze or appraise the effects of environmental factors on various aspects of business organizations. These include Narver and Slater (2010), investigated the role of the external environment in the market orientation-performance linkage among SMEs in the agro-food sector in Malaysia and found that market-technology turbulence and competitive intensity did not moderate the relationship between market orientation and business performance.

Dr. K'Obonyo et al (2009) examined the challenges facing the implementation of differentiation strategies in sugar industry a case of Mumias Sugar Company Limited and recommended that the company management should utilize differentiation of sugar

products as a competitive framework over other competitors. In another study to investigate cartel like pricing approach by major oil companies in Kenya, the Monopolies Prices Commission (2005) found no explicit coordination among oil companies. However based on anecdotal evidence, the inter-ministerial task force found cartel-like behavior by major oil companies (Government of Kenya, 2005). In their Equity research report on Kenya oil and gas sector overview, Standard Investment Bank (2012) concluded that the overall profitability for the sector will improve despite concerns about introduction of price controls in Kenya. The report further projected that better performing companies would diversify into non-regulated product lines such lubricants and LPG as a response to price regulation in Kenya.

From the above studies, it is clear that there are environmental challenges that affect organization operations and that organizations respond to these challenges. It is also clear that in most organizations, challenges inform response strategies. Companies do not respond identically when faced with similar environmental issues. Thus, given its fast and steady growth from a fuel reseller to the largest indigenous oil marketer in Kenya by market share within a decade, Hass petroleum (K) Limited offers a classic model for this research on the response strategies it adopts to environmental challenges. It sustains the question what are the response strategies adopted by Hass Petroleum (K) Limited to environmental challenges?

1.3 Research Objectives

The objectives of the study are:-

- i. To identify the environmental challenges facing Hass Petroleum (K) Ltd.

- ii. To identify the response strategies adopted by Hass Petroleum to these environmental challenges.

1.4 Value of the study

Oil marketers will find the study useful in responding to various changes in the industry thereby effectively embrace the rapid environmental changes characterized in the oil industry. In addition, policy makers in Government will be able to use the findings of this research to formulate effective policies which are industry sensitive and can adapt to volatility of the industry. For example, the Energy Regulatory Committee (ERC) may find the study useful since it will highlight the dynamism of the oil industry within Kenya. Thus the committee will be made aware of the challenges faced by oil marketers from an industry point of view.

This study will also shed light on the environmental challenges facing Hass Petroleum in the oil industry and the specific response strategies it has adopted to these challenges. Hence, a valuable addition to the existing body of knowledge. Finally, professional associations will be able to use the findings of this research to enlighten their members on the response strategies adopted by oil marketers to environmental challenges in the oil industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In Literature review this research will discuss studies conducted by other scholars on organizational responses to environmental challenges. The chapter will include environment and the organization, challenges of the external environment and response strategies to environmental challenges.

2.2 Environment and the Organization

The environment is infinite and includes everything outside the organization. The environment of an organization can be understood by analyzing its domain within external sectors. The organization's domain is the chosen environmental field of action. It is the territory an organization stakes out for its self with respect to products, services, and markets served. Domain defines the organization's niche and defines those external sectors with which the organization will interact with to accomplish its goals (Lawrence and Lorsch, 1969). The environment comprises several sectors or subdivisions of the external environment that contain similar elements. Ten sectors can be analyzed for each organization; raw materials, human resources, financial resources, market, technology, economic conditions, government, sociocultural, and international (Duncan, 1972).

A debate in the environmental literature centers on whether the environment should be treated as an objective reality or a perceptual phenomenon. At one extreme, Weick (1979) suggests that there is no such thing as an objective environment. Rather, the environment is those parts of the external information flow that the firm enacts through

attention and belief. Other early writers such as Duncan (1972); Lawrence and Lorsch (1967); were not particularly concerned about the objective environment's existence, but argued that managerial perceptions concerning uncertainty shaped managerial choice. Recently, there has been a resurgence of interest in enactment and managerial sense making about the environment (Dutton and Jackson, 1987; Gioia and Ford, in press; Smircich and Stubbart, 1985). Following earlier work, these researchers believe that perceptions shape behavior, and their research focuses on how such perceptions are formed.

Researchers have questioned for some time the relationship between managerial perceptions and more objective environmental indicators. Several writers such as Downey et al (1975) and Tosi et al (1973) criticized earlier work for its failure to compare managerial perceptions to objective criteria. These studies found perceptual and objective measures to be unrelated, suggesting several potential explanations. For example managers' perceptions may be too limited, attending to only those environmental sectors that specifically affect their functional area (Aldrich, 1979). Alternatively, recent environmental events may cause managers to overgeneralize from these events to the overall state of the environment, thus biasing their perceptions.

Mintzberg (1994) stated that the developments in the business environment have implications for organization strategy at three levels. At most general level, volatility and unpredictability of the technological, economic, and political environments have increased the importance of organizations being flexible and responsive. Second, these developments have called for specific strategy responses from organizations (Sanchez

and Mahoney, 1996). Brews (2000) gave an example of rapid industrialization in China and IT development in India has encouraged widespread outsourcing of manufacture to China and business services to India. The convergence of the markets for telecom, entertainment, computers and consumer electronics requires that the firms in these sectors develop strategies for competing within a far broader space. Finally, the new realities of the 21st century have triggered new thinking about the nature of strategy, responsibilities of the organization and the role of management (Lorenzoni and Lipparini, 2005).

2.3 Challenges of the External Environment

The patterns and events occurring across environmental sectors can be described along several dimensions, such as whether the environment is stable or unstable, homogenous or heterogeneous, concentrated or dispersed, simple or complex; the extent of turbulence; and the amount of resources available to support the organization. These dimensions boil down to two essential ways the environment influences organizations; the need for information about the environment and the need for resources from the environment (Aldrich, 1979). The environmental conditions of complexity and change create a greater need to gather information and respond based on that information. The organization also is concerned with scarce material and financial resources and with the need to ensure availability of resources (Kotter, 1979). There are several external environment factors that may impact an organization. Aguilar (1967) grouped them into categories including social, regulatory, technological, political, economic and industry/market.

The industry environment seems to be the most significant factor; it is useful to examine the structure of the industry. Fahey et al (1982) stated that understanding the role of the

competitors in the market and their relationship with each other, their customers, and their suppliers will provide useful information on trends and potential problems for competing organizations. These include environmental aspects such as weather, climate and climate change which may affect industries like tourism, farming and insurance. Growing awareness of the potential impacts of climate change is affecting how organizations operate and the products they offer, both creating new markets and diminishing or destroying existing ones (Ming-Chang and Tzu-Chuan, 2006).

Narver and Slater (1990) explained that economic factors include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how organizations operate and make decisions. They gave an example of interest rates which affect an organization's cost of capital and therefore the extent to which a firm grows and expands. Exchange rates affect the costs of exporting goods and supply and price of imported goods in an economy (Ghani et al, 2010). Local, regional, national and international economies can affect an organization depending on its size, scope and market. Rates of unemployment and inflation can help or hinder growth if the organization is caught off guard (Snyder, 1981).

Political factors entail the extent and process of government direct or indirect intervention and influence on organizations in an economy. Hellman et al (1999) stated that political factors included such areas as tax policy, labour laws, environmental law, trade restrictions, tariffs, incentives, other encouragements and political stability. Political factors may also include goods and services which the government wants to provide or to be provided (merit goods) or those that the government does not want to be provided

(demerit goods or merit bads). Furthermore governments have great influence on health, education and infrastructure of a nation (Bhuiyan, 1997). Local, national and international politics can influence an organization in ways that may be direct or indirect. Certainly, the acts of terror on September 11, 2001, directly affected many national and international business practices. Tariffs can concern organizations by either restricting trade flows or by encouraging them, depending on how they are set (Abels, 2002).

Social factors are the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety nets. Trends in social factors affect the demand for an organization's products and how that organization operates (Rainey, 2008). For example, an aging population may imply a smaller and less willing workforce, thus increasing the cost of labour, government enhanced social insurance scheme may increase the demand for insurance services in a country. Furthermore, organizations may change various management strategies to adapt to these social trends such as recruiting older workers (Wheelen, 2010).

Technological factors include technological aspects such as research and development activity, automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Technological shifts can affect costs, quality, and stimulate further invention, innovation and competition (Han et al, 1998).

Legal factors are discriminatory law, consumer law, antitrust law, employment law and health and safety law. These factors can affect how an organization operates, its costs,

and the demand for its products (Appiah-Adu, 1998). Changes in laws and regulatory guidelines may also have a significant impact on the organization. Communications media ownership laws, for example can have dramatic effects on the numbers of stations one owner may have, thereby potentially affecting the overall market share. Laws regarding minimum wage and business taxes can have direct bearing on hiring practices within an organization (Stoffels, 1994).

2.4 Response Strategies to Environmental Challenges

Baron (1997) observed that contemporary approaches to strategy are hardly monolithic, though much current thinking is anchored by the work of Michael Porter and Henry Mintzberg. Mintzberg and colleagues (1998) discuss ten schools and five definitions of strategy. One of these, 'strategy as a ploy' builds on the game theoretic and military heritage of strategy. It suggests strategy can be about deceptive and unpredictable maneuvers that confuse and outflank competitors. Strategy as 'a position' offers a predominant conceptual framework in the field.

Porter (1980) reinterpreted the microeconomics of industrial organization in a managerial context. Close analysis of porter's work provides considerable fuel for critical theorists concerned with reproduction of hierarchical economic relations, since it highlights the contradictions between idealized myths of perfect competition and more grounded concepts of market power explored by business school strategist (Stoney, 1998). Porter's work uses economic analysis of market failures to suggest how organizations might seek above normal profits in less than competitive market segments.

Some scholars have critiqued the prescriptive, technocratic approach to strategy, represented by the work of Porter (1980; 1985) Andrews, (1971) and Chandler (1962) for its reliance on rational, logical and linear model of analysis and planning. Sun Tzu's classic work on military strategy (1983), though often expressed as a series of maxims, advocates an approach that is non linear, unpredictable and paradoxical, commending the title 'The art of war' rather than science (Luttwak, 1987; Quinn and Cameron, 1988). Mintzberg (1994) and Mintzberg et al., (1998) has been particularly prominent in arguing that the actuality of strategy is better characterized as an emergent rather than planned organizational phenomenon. Mintzberg (1990) emphasizes the recursive processes of learning, negotiation and adaptation by which strategy is actually enacted and suggests that the planning-implementation distinction is unsustainable.

A strategy of an organization forms a comprehensive master plan stating how the organization will achieve its mission and objectives. It maximizes competitive advantage and minimizes competitive disadvantage (Porter, 1985). There are three types of strategy namely; corporate strategy, business strategy and functional strategy.

Ansoff (1965) defines corporate strategy as one describing an organization's overall direction in terms of its general attitude towards growth and management of its various business and product lines. According to Andrews (1998), corporate strategy deals with three key issues facing the organization as a whole. The first being directional strategy which considers the organization's overall orientation towards growth, stability and retrenchment. The two basic growth strategies are concentration and diversification. The growth of an organization could be achieved through mergers, acquisitions, takeovers,

joint ventures and strategic alliances. Turnaround, divestment and liquidation are the various types of retrenchment strategy. Second, Dierickx and Cool (1989) stated that portfolio analysis is where the industries or markets in which the organization competes through its products and business units. In portfolio analysis, top management views its products lines and business units as a series of portfolio investment and constantly keeps analyzing for profitable return (Quinn, 1998).

A good portfolio reflects the strengths of an organization. The tools help to decide which products should receive further investment and which products should be eliminated from our portfolio. Today two different models are present in the scientific society. One model was developed by the Boston Consulting Group (BCG) while the other was developed by McKinsey (Stone, 2001). Third, parenting strategy is the manner in which the management coordinates activities and transfers resources and cultivates capabilities among product lines and business units (Rumelt, 1980).

Peteraf (1993) described business strategy as that which usually occurs at the business unit level and it emphasizes improvement of the competitive position of an organization's products or services in the specific industry or market segment served by that business unit. Competitive strategy according to Porter (1985) is the strategy battle against all competitors for advantage. He developed three competitive strategies called generic strategies which included cost leadership, differentiation and focus. Corporate strategy is to work with one or more competitors to gain advantage against other competitors. It includes collusion and strategic alliance (Pascale, 1984).

The objective of cost strategy is to achieve overall cost leadership in the industry through cost focus on various functional areas. It requires aggressive construction of efficient and scalable facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, sales force and advertising. The low cost position gives the firm a defense against the rivalry since it could still be able to earn above-average returns (Porter, 1985). The objective of differentiation is to achieve uniqueness either in the product or service offered by the company. This differentiation could be achieved in technology, design or brand image, features, customer service and dealer network.

Differentiation provides the organization with increased customer loyalty. This insulates the firm from the other competitors and also from new entrants. Differentiation yields higher margins and it clearly mitigates buyer power, since buyers lack alternative for comparison. The entire focus or niche strategy is built around serving a particular target fully. The firms are thus able to serve narrow targets than its competitors who choose to serve the market widely. As a result the firm is able to achieve low cost position or differentiation or both the advantages in its narrow market (Porter, 1985).

Christensen et al (1969) stated that functional strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide an organization or business unit with a competitive advantage. A hierarchy of strategy is the grouping of strategy types in the organization. This hierarchy of strategy is a nesting of one strategy within another so that they

complement and support one another (Grant, 1991). Functional strategies support business strategies that in turn support corporate strategy.

Lorsch (1970) noted that as the complexity in the external environment increases, so does the number of positions and departments within the organization, which in turn increases internal complexity. This relationship is part of being an open system. The traditional approach to coping with environmental uncertainty was to establish buffer departments. Powell (1992) explained that the buffering role is to absorb uncertainty from the environment. The technical core performs the primary production activity of an organization. Buffer departments surround the technical core and exchange materials, resources, and money between the environment and the organization (Koberg and Gerardo, 1987). Boundary-spanning roles link and coordinate an organization with key elements in the external environment. Schwab et al, (1985) stated that boundary spanning is primarily concerned with the exchange of information to detect and bring into the organization information about changes in the environment and to send information into the environment that presents the organization in a favorable light.

Another response to environmental uncertainty is the amount of differentiation and integration among departments. Lawrence and Lorsch (1969) defined organization differentiation as the differences in cognitive and emotional orientations among managers in different functional departments, and the difference in formal structure among these departments. When the environment is highly uncertain, frequent changes require more information processing to achieve horizontal coordination, so integrators become a necessary addition to the organization structure.

Another response to environmental uncertainty is the amount of formal structure and control imposed on employees. Burns and Stalker (1961) observed twenty industrial firms in England and discovered that external environment was related to internal management structure. When the external environment was stable, the internal organization was characterized by rules, procedures, and a clear hierarchy of authority. Organizations were formalized. They were also centralized, with most decisions made at the top. However, the studies found out that in rapidly changing environments, the internal organization was much looser, free flowing and adaptive. Rules and regulations often were not written down, or if written down were ignored. The hierarchy of authority was not clear. Decision making was decentralized. The final organizational response to uncertainty is to increase planning and environmental forecasting. When the environment is stable, the organization can concentrate on current operational problems and day-to-day efficiency. Long-range planning and forecasting are not needed because environmental demands in the future will be the same as they are today (Ulrich and Barney, 1984).

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The objective of this study was to identify the environmental challenges facing Hass Petroleum (K) Ltd and the response strategies adopted by Hass Petroleum to these environmental challenges. Research design and methodology seeks to describe data collection methods applied in this study. The chapter will point out the research type, research design, study population, data sources, data collection tools and data collection procedures.

3.2 Research Design

The type of research design was a case study since it intended to identify response strategies to environmental challenges. According to Yin (2003) a case study design should be considered when the focus of the study is to answer “how” and “why” questions, when one cannot manipulate the behavior of those involved in the study or when the boundaries are not clear between the phenomenon and context. Primary data was collected during the study.

3.3 Data Collection

Primary data collection method was used. Interviews allow people to convey to others a situation from their own perspective and in their own words. Research interviews are based on the conversations of everyday life. They are conversations with structure and purpose that are defined and controlled by the researcher. Although the research

interview may not lead to objective information, it captures many of the subject's views on something (Kvale, 1996).

The interview guide consisted of three sections. The first section highlighted the interviewee's background information, such as position and work experience. Section two contained questions related to environmental challenges affecting Hass Petroleum (K) Limited. Questions related to response strategies adopted by Hass Petroleum (K) Limited were slated in section three.

The interviewee is the Chief Executive Officer of Hass Petroleum (K) Limited with eight years work experience in top management at Hass Petroleum. Having spearheaded the growth and expansion of the organization from a fuel reseller into the largest indigenous oil marketing company in the great lakes region, he was found to be best suited to answer the research question of response strategies adopted by Hass Petroleum (K) Limited to environmental challenges.

3.4 Data Analysis

Data was analyzed through content analysis. Pattorn (2002) defined content analysis as any qualitative data reduction and sense making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings. Gray (2004) identified two main approaches for analyzing qualitative data: content analysis and grounded theory. The former method attempts to identify specific categories and criteria of selection before the analysis process starts, while in the second method (grounded theory), no criteria are prepared in advance.

All the measures and themes come out during the process of data collection and analysis. Hence, it can be recognized that grounded theory is an inductive approach and content analysis is more deductive. Strauss and Corbin (1998) defined grounded theory as a theory that is discovered, developed and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter comprises of analysis, presentation and interpretation of the findings of the study whose objective was to identify the environmental challenges facing Hass Petroleum (K) Ltd and response strategies adopted by Hass Petroleum (K) Ltd to those challenges. The Chief Executive Officer of Hass Petroleum (K) Ltd was interviewed and this chapter details the presentation of the findings. The chapter is divided into three sections namely data analysis, findings of the study and discussion.

4.2 Data Analysis

The interview questions were divided into three sections namely; background of the respondent, environmental challenges and response strategies. Under background of the respondent, the respondent was required to provide his full name, position, level of education and work experience.

4.2.1 Response Outcome

All the questions were adequately answered by the respondent to inform a response rate of 100% to the interview questions. This indicated that the respondent valued the study and that the organization was faced with similar environmental challenges and had response strategies adopted.

4.2.2 Level of Education

The respondent had a post graduate degree which indicates that the interviewee possessed necessary skills required to execute his duties as a chief executive officer. Training is

critical since it enables managers to possess necessary knowledge required, to identify environmental challenges to an organization and respond accordingly to those challenges.

4.2.3 Work Experience of the Respondent

The interviewee had fifteen years work experience in top management position at Hass Petroleum (K) Limited. Within those fifteen years, he spearheaded the growth and expansion of the organization from a fuel reseller into one of the leading oil marketing companies in the region with established businesses in over eight countries in the Eastern and Central African Region.

4.3 Findings of the Study

The following are the findings of the study which comprise of a brief background of Hass Petroleum (K) Ltd and in-depth outlook on the environmental challenges facing it.

4.3.1 Background of Hass Petroleum (K) Ltd

Hass Petroleum was founded in 1997 by two brothers, the late Abdirizak Ali Hassan and Abdinasir Ali Hassan. The Hass Petroleum Group is a regional oil marketing company with significant presence in East Africa and the Great Lakes region. From humble beginnings as a fuel reseller, the company is now one of the most renowned oil marketers, with fully fledged operating business units in Kenya, Tanzania, Uganda, Southern Sudan, Rwanda, Burundi and the Democratic of Congo (DRC). With its corporate headquarters in Nairobi, Kenya, the company's core business is the importation, distribution and marketing of petroleum products in countries where it has registered business units.

4.3.2 Political Challenges

The respondent admitted that there had been problems in the authoritarian single party regimes of the 80s and 90s when there was rampant corruption, and serious public sector mismanagement of the resources. However, most of these countries had made much progress since then, notably Kenya, where a new constitution had been put in place via a referendum, and subsequent enactment of the peoples' wishes. The respondent noted that the new constitution had checks and balances between the three arms of government- the executive, judiciary, and legislature. The regions improved socio economic and political stature is evidenced by the sizeable foreign direct investment inflows in many sectors of the economy. China and India are notable for their enhanced FDI in East Africa and the Great Lakes region.

4.3.3 Technological Challenges

The respondent agreed that the organization was facing technological challenges related to research and development and inefficient oil refinery. The refinery is a processing plant which turns crude oil into finished products such as gasoline, kerosene, LPG, fuel oil, bitumen and other products. The refinery in Kenya is a simple refinery. This means that it cannot refine the residue of its processing products unlike more complex refineries which are able to extract valuable products from their residue and hence improve their margins. Due to the age of the refinery, the products produced from the refining process are more of the less desirable fuel oil than the more profitable white oils (Petrol, Diesel and Kerosene). Oil Marketers are required by legal notice to process a minimum of 1.6 million tons of crude oil per year. This is called base load volume. This is a condition set by the Govt. for any marketer in Kenya to be licensed. This Protectionism of the Refinery

by the Govt. forces the Oil Marketers to continue processing crude oil in the inefficient and outdated KPRL where the locally refined products are more expensive than imported ones, a baffling concept. This had led to increased finance costs and non-competitive product prices.

4.3.4 Social Challenges

It was noted that Hass Petroleum (K) Ltd operated under strict Islamic sharia laws. Service providers in Kenya offer inadequate sharia compliant products, thereby limiting the organizations' options to acquire best services for its workforce and operations. Banking services such as loans and insurance services such as medical insurance covers were provided as examples. Another challenge is capacity building among its workforce as most institutions of higher learning do not offer industry specific courses. These had led to increase in costs of doing business since the organization had to find tailor made services through the use of brokerage firms.

4.3.5 Economic Challenges

The respondent reported that during the Euro zone crisis in 2011, bank interest rates, exchange rates and general inflation went up. High interest rates led to increase in finance costs causing an upsurge in oil retail prices. The deterioration of the Kenyan Shilling led to realized exchange losses causing a reduction in the organization's returns. Given the high interest rates, poor exchange rates and high pump prices, the consumers were also affected as prices of basic commodities went up leading to high inflation rates.

4.3.6 Regulatory Challenges

The respondent observed that the energy Act (2006) unified all laws relating to energy and created the Energy Regulatory Commission (ERC) as the sector's regulatory agency with responsibility for technical and economic regulation of electric power, renewable energy and petroleum sector. The introduction of stringent tax regimes by Kenya Revenue Authority which requires upfront prepayment of 50% of oil imports led to increase in finance costs. The government also introduced open tender system which meant that all crude oil imported was supplied by one supplier to minimize costs and level of retail prices. From 1st July 2012, the Kenya Petroleum Refinery Limited was converted into a merchant which meant that it could import and refine its own crude oil. Before, it was required by the energy act (2006) that 70% of the fuel sold locally was refined by the KPRL while only 30% was imported as fully refined. ERC also introduced pump price controls which required that all oil marketers sell their oil products not higher than recommended pump prices. The pump price is calculated by the ERC upon applying a formula and incorporating all factors as per industry demands.

4.3.7 Industry Challenges

The respondent agreed that the oil industry in Kenya suffered from inadequate infrastructure for refining, storage and moving product. He stated that Hass Petroleum (K) Ltd did not start its business in an under-served sector, but on the contrary faced competition in a crowded field by traditional multi-national oil giants. The oil sector was also liberalized in the East African countries, which enabled new local entrants venture into oil marketing business. Prior to this, the industry was fully controlled by the oil marketing majors- Shell, BP, Mobil, Caltex, Agip among others. These multinationals

sourced products from their refineries in the Arabian Gulf, controlled the available tanker vessels for moving products across oceans, and had the distribution infrastructure in the local market countries in the form of oil terminals, and branded petrol stations run by their appointed dealers selling to consumers on prices set by the parent majors.

4.4 Response Strategies to Environmental Challenges

The following were the response strategies adopted by Hass Petroleum (K) Ltd to environmental challenges:

4.4.1 Response to Political Challenges

The respondent stated that Hass petroleum (K) Limited responded to political challenges by carrying out thorough study, comprehension and discussion by senior management and finally the board on political challenges in the region before taking risk to invest. He noted that risk was a relative concept that is related to the returns on investment. Basically, the organization took well calculated investments despite political challenges.

4.4.2 Response to Technological Challenges

The respondent explained that given the fact that organizational environments in different countries present different challenges, Hass Petroleum (K) Ltd conducted thorough research before investing in various environments. To reduce losses incurred due to inefficient refinery, the organization invested in 60 retail stations spread across the region. This is because petroleum is a low margin business and therefore thrives on high volumes. In normal circumstances, the downstream retail sector provides better margins than wholesale. The organization also invested in state of the art ERP system that interlinked support departments in one seamless network together with the retail stations.

4.4.3 Response to Social Challenges

The respondent said that these challenges were responded to by anchoring the organization with prudent Sharia compliant financing facilities and the engagement of highly qualified and experienced managers to run the business. The organization had also partnered with both Strathmore Business School and the Kenya institute of Management to provide specially tailored marketing and management courses targeting all levels of the workforce. Furthermore, Hass Petroleum (K) Ltd had continued to tap into the enormous industry specific knowledge base available with the Petroleum Institute of East Africa. This strategy had enabled the organization to upgrade the skills and competence of its workforce so that the organization was well packaged and positioned to take advantage of opportunities offered by the industry.

4.4.4 Response to Economic Challenges

The respondent reported that Hass Petroleum (K) Ltd responded by incorporating another organization in Dubai called HAPCO FZE which deals with the sourcing of both crude and refined oil from the middle East. This enables Hass petroleum (K) Ltd to acquire cheaper products by eliminating the middlemen who most often increase products costs. The organization was therefore able to sell competitive products against other multinationals. During the economic turmoil in 2008 -2009, the organization increased its sales in cash and reduced credit sales. This was done to avoid reliance on bank loans due to high interest rates. Cash sales also enabled Hass Petroleum (K) Ltd to reduce exchange losses since foreign exchange rates were unstable especially the US dollar. Hass petroleum (K) Ltd adopted a staff rationalization programme which involved retrenchment of employees and various departments were combined or eliminated. The

organization therefore became lean and efficient thereby enabling it to cope with the harsh economic environment.

4.4.5 Response to Regulatory Challenges

Due to the effect of price controls by the government, the respondent explained that Hass Petroleum Kenya Ltd diversified into non-regulated products such as lubricants and liquefied petroleum gas which has better margins. The organization also improved its marketing activities to increase the number of consumer customers of the white oils since these customers offered better product margins. This has enabled Hass Petroleum (K) Ltd to better its financial performance despite price controls. The organization responded to increased finance costs by getting a sharia compliant finance facility with a bank which had enabled Hass Petroleum (K) Ltd import its own products and distribute through its retail network across the region thereby getting better profit margin. The organization had also diversified into less regulated markets such as Somali Land and South Sudan.

4.4.6 Response to Industry Challenges

Hass Petroleum (K) Ltd responded to industry challenges by investing in a huge 34 million litres terminal in Dar es Salaam and inland terminals in Mwanza, Musoma, Lubumbashi, and South Sudan to support the markets there. Kenya had a common user facility, the Kenya pipeline that receives, holds and pumps stocks for all member oil marketing companies. The respondent added that Hass Petroleum (K) Ltd owns a transport unit, Fleet Logistics Company, as an in-house transport solution provider with a fleet of 70 tankers supplemented by 170 leased tanker trucks. Main objective of Fleet logistics is to haul the product volumes from leading terminals to the various markets in

the region. The respondent said that the organization succeeded in managing the stiff competition despite the presence of giant multi-national oil marketers. These multinationals had high overheads that disadvantaged them in pricing downstream. However, Hass Petroleum (K) Ltd could provide very personalized service to its customers at the highest level in the organization, as opposed to the bureaucracy of the oil giants that dealt with the customers as a 'statistic'. The organization also responded by incorporating another organization in called HAPCO FZE which deals with the sourcing of both crude and refined oil from the middle East. This enables Hass petroleum (K) Ltd to acquire cheaper products by eliminating the middlemen who most often increase products costs. The organization is therefore able to sell competitive products against other multinationals.

4.5 Discussion

4.5.1 Environmental Challenges

As suggested by Aldrich (1979) the findings from this study revealed that Hass Petroleum (K) Ltd operated in a complex environment since the environment influenced the organization and that there was need for resources from the environment. The findings also revealed that Hass Petroleum (K) Ltd faced social, regulatory, technological, political, economic and industry challenges as grouped by Aguilar (1967).

Hellman et al (1999) stated that political factors included such areas as tax policy, labour laws, environmental law, trade restrictions, tariffs, incentives, other encouragements and political stability. The findings revealed that Hass Petroleum (K) Ltd faced the same

political challenges such as political instability across the regions which it operated. Han et al (1998) warned that technological shifts could affect costs, quality, and stimulate further invention, innovation and competition. The research findings revealed that Hass Petroleum (K) Ltd incurred losses and increased costs due to inefficient refinery, leading to lack of competitive edge for the products.

Social factors are the cultural aspects which include health consciousness, population growth rate, age distribution, and emphasis on safety nets. The research found out that Hass Petroleum (K) Ltd experienced challenges to acquire sharia compliant services from banks and insurance since it operated under strict Islamic culture. Narver and Slater (1990) explained that economic factors included economic growth, interest rates, exchange rates and inflation rate. The study found out that the organization experienced high interest rates, exchange rates and inflation rates during the Euro zone crisis leading to increased finance costs and realized exchange losses. These economic challenges led to the organization incurring financial losses.

Changes in laws and regulatory guidelines may also have a significant impact on the organization (Stoffels, 1994). The research findings revealed that Hass Petroleum experienced similar regulatory challenges related to price controls, open tender system, prepaid taxation and merchant oil refinery. Fahey et al (1982) stated that understanding the role of the competitors and their relationship with each other, their customers, and suppliers will provide useful information on trends and potential problems for competing organizations. Hass Petroleum experienced stiff competition from oil multinationals and there was inadequate infrastructure in terms of storage and transportation.

4.5.2 Response Strategies

Ansoff (1965) defined corporate strategy as one describing an organization' overall direction in terms of its general attitude towards growth and management of its various business and product lines. In this regard, the study found out that Hass petroleum (K) Ltd had a vision statement which is to be the most efficient, credible and profitable oil marketing company in the region. This showed the overall direction in terms of growth and management of its various business and product lines. According to Andrews (1998), corporate strategy deals with three key issues facing the organization as a whole; directional strategy, portfolio analysis and parenting strategy.

Directional strategy considers the organization's overall orientation towards growth, stability and retrenchment. Two basic growth strategies are concentration and diversification. The study found out that Hass Petroleum (K) Ltd had employed diversification strategy by moving to non-regulated products such as lubricants and liquefied petroleum gas since their prices were not controlled. The organization also diversified into less regulated markets such as South Sudan and Somali Land.

In portfolio analysis, top management views its products lines and business units as a series of portfolio investment and constantly keeps analyzing for profitable returns (Quinn, 1998). The study revealed that the management of Hass Petroleum (K) Ltd constantly reviewed all its major investment plans. This enabled the organization to analyze its business portfolio thereby making a decision on performing and non-performing product lines. Parenting strategy is the manner in which the management coordinates activities and transfers resources and cultivates capabilities among product

lines and business units (Rumelt, 1980). The research study found out that Hass Petroleum (K) Ltd also employed parenting strategy in its corporate strategy since it was able to lease and own 60 retail stations, business units in various countries in the region and several terminals for storage purposes.

Peteraf (1993) described Business Strategy as that which usually occurs at the business unit level and it emphasizes improvement of the competitive position of an organization's product or services in the specific industry or market segment served by that business unit. Porter (1985) developed three competitive strategies called generic strategies which included cost leadership, differentiation and focus. The study found out that Hass Petroleum (K) Ltd employed differentiation strategy in achieving uniqueness in the product through personalized customer service. This enabled the organization to acquire loyal customer base thereby achieving competitive edge against competitors.

Christensen et al (1969) stated that functional strategy is the approach taken by functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide an organization or business unit with a competitive advantage. This study revealed that Hass Petroleum (K) Ltd employed functional strategy to support business strategies which in turn support corporate strategies. Grant explained that functional strategy is a hierarchy of strategy which is the grouping of strategy types in the organization. This hierarchy of strategy is nesting of one strategy within another so that they complement and support one another. Functional strategies support business strategies that in turn support corporate strategy.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the study discussed summary of the findings, conclusions, limitations of the study and recommendations.

5.2 Summary

The objective of this research was to identify environmental challenges facing Hass Petroleum (K) Ltd and the response strategies adopted by Hass Petroleum (K) Ltd to these challenges. The research found out that Hass Petroleum (K) Ltd faced environmental challenges such as political, technological, social, economic, regulatory and industry. Political instability in the region, inadequate infrastructure, lack of sharia compliant banking and insurance products, high interest rates, exchange rates and inflation rates, tax prepayment policy, price controls, open tender system, merchant refinery and stiff competition are the challenges in the oil industry.

The organization responded to these challenges through corporate, business and functional strategies. Corporate strategies included diversification by moving to non-regulated product lines and markets, portfolio analysis and parenting strategies. These are basically growth strategies applied by Hass Petroleum (K) Ltd in response to environmental challenges. The organization also responded through business strategies such as differentiation by offering personalized services to its customers. This enabled Hass Petroleum (K) Ltd achieve competitive edge in the industry. Functional strategy

was also employed by Hass Petroleum (K) Ltd in a hierarchical way to support business and corporate strategies.

5.3 Conclusion

The research sought to answer the question of response strategies adopted by Hass Petroleum (K) Ltd to environmental challenges. The study examined environmental challenges affecting Hass Petroleum (K) Ltd and how Hass Petroleum responded to those challenges. It was revealed that Hass Petroleum (K) Ltd responded to environmental challenges by employing corporate strategies, business strategies and functional strategies as a response. This enabled the organization survive and grow in this volatile oil industry. This could be witnessed by the growth of the organization from an oil reseller in 1997 to one of the largest oil marketing companies in the region within fifteen years.

5.4 Limitations of the Study

Perhaps because a case study focuses on a single unit, a single instance, in this case Hass Petroleum (K) Ltd, the issue of generalizability and lack of representativeness looms larger than with other types of qualitative research. However, much can be learned from a particular case. Readers can learn vicariously from an encounter with the case through the researcher's description (Stake, 2005). Given that this was a face to face interview with the chief executive officer of Hass Petroleum (K) Ltd, it was also difficult to locate the respondent for call backs.

5.5 Recommendations for Policy and Practice

After considering the results of this study, recommendations are suggested that

organizations should conduct environmental scanning to be aware of different challenges in the environment, which would give them foresight on how best to respond to these challenges. Organizations should also apply corporate strategies, business strategies and functional strategies in response to environmental challenges.

6 Recommendations for Further Research

The results of the study point to a number of opportunities for further research into response strategies to environmental challenges. A critical review showed that different organizations responded differently to environmental challenges, this study focused on only one organization which was Hass Petroleum (K) Ltd; therefore further studies should be conducted on other organizations in the industry to establish the correlation. This study focused on the oil industry, further studies should focus on other industries such as response strategies by organizations in the sugar industry among others.

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APPENDIX: INTERVIEW GUIDE

RESPONSE STRATEGIES ADOPTED BY HASS PETROLEUM (K) LTD TO ENVIRONMENTAL CHALLENGES

SECTION I: Background of the Respondent

Name:

Position:

Work Experience:

1. Could you give a brief background about Hass Petroleum (K) Limited?
2. With the current economic turmoil where there is greater need for companies to foster community involvement and support, has HASS Petroleum undertaken any social responsibility that supports communities, such as building schools and helping hospitals and creating employment?

SECTION II: Environmental challenges

1. What are the challenges that face Hass petroleum (K) Limited? In terms of;
 - a. Political
 - b. Technological
 - c. Social
 - d. Economic

e. Regulatory

f. Industry

2. It is often reported that investing business in Africa in general and East Africa in particular is risky, primarily due to political vulnerability, government interference, a maze of bureaucracy and corruption. What are your experiences on these concerns?
3. HASS nature of business involves storage and transportation of hazardous commodities in bulk, and requires costly infrastructure that includes robust storage facilities, and reliable inland delivery mechanisms. Can you explain how HASS copes with the aforementioned logistical challenges?
4. East African money markets, like their counterparts in the West, have been battered by rising local inflation, the turbulence in the world financial markets, and the volatility in the global oil sector. Can you tell us how HASS balances itself on the fine tight-rope that is squeezed from the bottom by local inflation, and the effects of unpredictability of oil prices in the world market?

SECTION III: Response Strategies

1. How is Hass Petroleum responding to the challenges mentioned above?
2. HASS expanded its business in Tanzania, the Great Lakes region, Southern Sudan and now Somali Land. Could you elaborate on the factors behind HASS

Petroleum's growth from a simple petroleum reseller to a regional importer and exporter of fuel and lubricants within a short time?

3. HASS owns gas stations in the East African and Great Lakes countries. Can you comment on how much the retail sector represents on the overall business and how profitable it is?
4. HASS did not start its business in an under-served sector, but on the contrary in a crowded field dominated by the traditional multi-national oil giants. Can you shed some light on how HASS navigates through this stiff competition from the well-established industry giants with global reach?
5. Ethiopia is considered as one of Africa's most expanding nations in terms of growth with a population of over 80 million. Is this country likely to be in your expansion plans?

Thank you.