STRATEGIC RESPONSES OF PETROLEUM IMPORTING AND MARKETING COMPANIES IN KENYA TO CHANGES IN GOVERNMENT LEGISLATION

By:

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A management research project submitted in partial fulfilment of the requirements for the award of the Degree of Master of Business Administration, School of Business, University of Nairobi

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DECLARATION

This research study is my original work and has not been presented for examination to any other university. Neither the project nor part of it should be reproduced without prior authority of the author.

Signature Date Nov 26th, 2006

George Ngige Kahira

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

Signature Date 29/11/2006

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DEDICATION

To my wife, Jennifer Ngige and my children: Kahira, Wanjiru and Wanjiku

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The successful completion of this project would not have been possible without the input and assistance of the following people:

The Academic staff of the University of Nairobi's School of Business especially Mr. Jackson Maalu who guided me through out the project.

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TABLE OF CONTENTS

	Page
Declaration	i
Dedication	ii
Acknowledgement	iii
List of Abbreviations	vi
List of Tables	vii
List of Figures	viii
Abstract	ix

CHAPTER ONE: INTRODUCTION

1.1	Background	1
1.2	Statement of the Research Problem	9
1.3	Objective of the Study	11
1.4	Importance of the Study	11

CHAPTER TWO: LITERATURE REVIEW

2.1	Introduction	13
2.2	Organizations and the Environment	13
2.3	The Ansoff-McDonnell Model	14
2.4	Strategic Responses	25
2.5	Organizations' Response Strategies	26
2.6	Studies on strategic responses in Kenyan firms	33

CHAPTER THREE: RESEARCH METHODOLOGY

3.1	Research Design	43
3.2	Population of Study	43
3.3	Data Collection Methods	43

3.4 Data Analysis Methods 44

CHAPTER FOUR: FINDINGS AND DISCUSIONS

4.1 Introduction 45
4.2 Profile of the respondent organizations 46
4.3 Strategic responses in relation to legislative changes 49
4.4 The factors influence the strategic responses for each company 63

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction 66
5.2 Summary of findings 66
5.3 Limitations of the Study 69
5.4 Recommendations for further research 70

References 71
Appendix One I
Appendix Two II
Appendix Three XI

LIST OF ABBREVIATIONS

PIMCs	-	Petroleum Importing and Marketing Companies
MNCs	-	Multinational corporations
GoK	-	Government of Kenya
KPRL	-	Kenya Petroleum Refinery Limited
LPG	-	Liquefied Petroleum Gas
MoE	-	Ministry of Energy
KPC	-	Kenya Pipeline Company
NOCK	-	National Oil Corporation of Kenya
PIEA	-	Petroleum Institute of East Africa

LIST OF TABLES

Table 4.2.1 Ownership composition of the companies 46

Table 4.2.3 Ownership Structure 47

Table 4.2.4 Listing in the Nairobi Stock Exchange 48

Table 4.2.5 Representation of size in terms of number of staff 48

Table 4.3.1 Means and Std. Dev. of the usage of strategic responses 50

Table 4.3.2 Means and Std. Dev. of the usage of strategic responses 53

Table 4.3.3 Means and Std. Dev. of the usage of strategic responses 54

Table 4.3.4 Means and Std. Dev. of the usage of strategic responses 56

Table 4.3.5 Means and Std. Dev. of the usage of strategic responses 57

Table 4.3.6 Statistical representation of how the various legislative requirements impact on the companies 62

Table 4.4 Extent to which the below factors influence strategic responses 64

LIST OF FIGURES

Figure 2.3	Conceptual model: Relationship between the environment, strategy and company capability	16
Figure 4.3.6(a)	Effects of importation through an open central tendering system	59
Figure 4.3.6(b)	60% of crude be processed at KPRL	59
Figure 4.3.6(c)	Imports be offloaded only at KPRL	60
Figure 4.3.6(d)	PIMCs maintain specific stock levels	60
Figure 4.3.6(e)	PIMCs pay taxes upfront	61

ABSTRACT

The purpose of this study was to investigate the strategic responses of Petroleum Importing and Marketing Companies (PIMCs) to various government legislations. The objectives were twofold: to determine the strategic responses of PIMCs in Kenya to changes in Government legislations on the supply of petroleum products and to establish what factors influence the strategic responses for each company. The legislations in question were five, namely, that oil companies import petroleum products through an open central tendering system, that oil companies meet over 60% of their needs by processing crude at the Kenya Petroleum Refinery Limited, the requirement that petroleum products imported into the country can only be offloaded at the Kenya Pipeline Company terminal in Mombasa, the requirement that PIMCs maintain specific stock levels and that the PIMCs to pay customs taxes on imported products in advance at the point of entry.

The theoretical framework was based on the Ansoff-MacDonnell model that outlines the relationship between the environment, strategy and company capability. E_1 and E_2 are the present and future states of the environment and ΔE is the difference in the levels of turbulence. This information is used to select the strategic response S_2, which will assure future success. ΔS, the strategy transformation, is the difference between the current response pattern S_1, and the adjusted response pattern S_2, occasioned by environmental turbulence. To ensure effective implementation, the firm also

needs to design the *capability* C_2, *which will enable it to initiate and support* the new strategic responses. ΔC, the capability transformation, is represented by the difference of the new capability, C_2 over the current capability C_1, as a consequence of the turbulence.

The study was a census that employed an exploratory survey design. The population of interest were all the PIMCs registered by the Ministry of Energy as at 30th June 2005. The research instrument was a questionnaire that consisted of open-ended and closed-ended questions. The instruments were addressed to the chief executives or their designated backups; the "drop and pick later" method was used. Data analysis was conducted using descriptive statistics, which included the use of measures of central tendency, measures of spread and bar charts.

Chapter four presents the data output and discussions and chapter five presents the conclusions. The critical finding was that varied strategic responses were used in responding to the new legislative requirement. The responses used depended on key factors such as organizational size and financial capability.

CHAPTER ONE: INTRODUCTION

1.1 Background

Government legislation has long had an impact on the operations of the oil industry globally. In the US for instance, gasoline market deregulation in 1981 removed some of the financial mechanisms that kept smaller refineries afloat. Federal rules that were designed to fight air pollution by changing gasoline's chemical formula forced refineries to retool their plants. Those with low profit margins-again, mostly smaller refineries-shut down rather than spend money on new equipment. This led to decreased supply and higher prices in the industry. Environmental regulations also place barriers on industry operations due to requirements to do with pollution control (Baker, 2005).

Lack of a co-ordinated legislative infrastructure in Iraq has resulted in poor performance of the oil sector in the country. Oil is Iraq's largest revenue earner and the country is estimated to have the third largest oil reserves in the world. Major oil firms have in the past declined to invest in the country owing to its lack of a constitutional and legal framework (Beehner, 2005). On the converse, China, in Eastern Asia, is a favoured destination for multinational oil investments owing to its favourable legislative clauses notably, the 1993 regulations that offer good terms in comparison with those offered by other countries (Wolf, 1996).

In Southern Africa, legislative changes aimed at promoting black economic empowerment resulted in the signing of a charter in 2001 by the petroleum industry that assured Government regulators that at least 25% of the marketing and other business in the industry went to black shareholders. Procurement and affirmative employment goals were set making sure that this Black Economic Empowerment initiative ensured a meaningful change in the existing industry profile and ways of doing business (BP Magazine, 2006). Finally, as elaborated elsewhere in this study, the petroleum industry in Kenya has also witnessed legislative amendments such as the recent requirement to pay taxes upfront (GoK, 2005d). Such and other requirements pose significant challenges to the operations of the petroleum industry in the country.

1.1.1 Concept of Strategic Response

Organizations exist in complex and volatile commercial, economic, political, technological, cultural and social environments. The environmental changes occasioned by these factors are more complex to some organizations than for others due to differences in economies of scale. For survival, an organization must maintain a strategic fit with the environment. The environment is indispensable and an organization has to respond to its dynamism, heterogeneity, instability and uncertainty (Thomson, 1967).

Strategic responses are the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's

objectives (Pearce and Robinson, 1997). Firms operate in an open environment, which is characterized by political, economic, social, and technological factors, which may impede the achievement of their objectives. These factors are obdurate and dynamic hence risky and therefore pose several challenges to the firms.

The uncertainties and risks associated with them force firms to undertake strategic responses in reaction to these challenges. Strategic concepts enable firms to cast strategies needed to provide them with competitive advantage over their peers. Such concepts may strengthen a firms' ability to scan and analyse the environment critically and prepare appropriate actions necessary for the business to thrive.

Ansoff and MacDonnell (1990) state that when organizations are faced with unfamiliar changes in the environment, there is need for them to revise their strategies to match the resultant turbulence level. Timely reaction and management of the turbulences is essential for survival of business. Strategic responses can be used by firms in the management of their businesses to enable them remain competitive in the advent of environmental changes.

Strategic responses require that an organization formulate a broader strategic framework within which a strategic response may be applied to enhance its business position. The application of the strategic responses to augment an organization's strategic position requires an organization to possess strategic

capability. Its strategic resource base determines an organization's strategic capability, which is the vehicle through which an organization may respond strategically to a prevailing environmental situation. Firms differ in terms of their resource base and hence their strategic capability. Firms that are able to build a superior strategic resource base have a competitive advantage over their counter parts that cannot. Such firms are able to identify and excel in their critical success factors and outperform competition.

1.1.2 Overview of the Petroleum Industry

The demand for energy all over the world has grown and changed radically since the great industrial revolution. The shift has been from wood fuel to coal to petroleum products and to nuclear power. Governments have a major stake in this industry not only because it affects the life of their peopie but also because the petroleum industry is a major source of governments' revenue.

The reliance on imported crude oil and petroleum products made the developments in the global petroleum market of immense interest and importance to both the local petroleum industry and the Kenya Government.

To sustain the ever growing demand, several researches and explorations for reliable and viable alternative energy source, have and are still taking place globally though have not been fruitful. The lack of a viable alternative energy source has been a constant challenge to all countries that rely on imported

petroleum products. The situation is even graver since the largest petroleum products source is situated in only one region, the Arabian Gulf.

The Arabian Gulf's importance was demonstrated in the 1980's and 1990's when as a result of Iranian revolution, Iran-Iraq war, Iraqi invasion of Kuwait, and the more recent US invasion of Iraq in 2004, the world still had to rely on another gulf based source-Saudi Arabia for its oil products supplies. These conflicts forced petroleum products' prices to skyrocket to all time high levels, which have not stabilized to date.

Kenyan economy relies heavily on petroleum energy that is imported from the Middle East either as crude oil or finished petroleum products. The country's total petroleum import was approximately 2.5 million tonnes in 2004 (GoK, 2005e). The availability and cost of petroleum products is an important element in all sectors of the economy since petroleum is the major reliable and dependable energy source in Kenya second only to wood fuel. This underscores the need for the Government to formulate and enact legislations to regulate and control the activities of the petroleum importing and marketing companies (PIMCs) to ensure the availability of petroleum products in the country. As the Government formulates and enforces such legislations, the operations of the PIMCs are obviously affected. It is therefore evident that, if such businesses are to operate successfully, policies and appropriate strategic responses to manage these changes.

PIMCs meet their oil requirement for the Kenya market through the importation of crude oil and finished products. The PIMCs are obliged by law to import and process 1.6 million tonnes of crude oil per year at Kenya Petroleum Refineries Ltd (KPRL). This works out to approximately 64% of total national demand in 2004 (GoK, 2005e). There has not been any significant investment in KPRL to cater for technological and economical changes since it was built in 1961. This limits KPRL's intake capability only to certain crude types and also makes it incapable of meeting the quality and quantity demanded by the consumers and environmental regulators. The result of this is that PIMCs are rendered incapable of importing cheaper crude oils from different sources and hence unable to respond to the consumer specifications for quality and cost optimization.

1.1.3 Government Regulations

The petroleum industry in independent Kenya has experienced two major deregulations. The first deregulation was from 1963 to 1971 whereas the second one was from 1994 to date (Wamathu, 1999). Between 1963 and 1971, the petroleum industry was partly regulated with the multinational oil firms largely controlling the industry. The era of partial deregulation in the petroleum industry ended with the Government's introduction of price controls on petroleum products in 1971 around which time the Government also purchased 50% of KPRL's shares.

The deregulation in 1994 was aimed at dismantling all government controls that hindered the operation of a free petroleum market system. Under the terms of this deregulation KPRL was given two years of protection after which it would be left to compete freely with other supply sources (Munyu, 2001). The protection included a guaranteed crude oil throughput and additional custom duty on imported petroleum products. This protection is still in force (Wamathu, 1999)

The main law regulating the downstream petroleum sub-sector in Kenya is the Kenya Petroleum Act (Cap 116) of 1948, which was last revised in 1972. Thereafter, different Government departments have been amending the Act through various subsidiary legislations. There are over eight Government institutions that are involved in the regulation of the sector. There are also lobby bodies such as Petroleum Institute of East Africa (PIEA). PIEA is a Non-Governmental Organization (NGO) financed by and derives its membership from PIMCs. It also acts as a lobby group for the member companies. Several actors thus surround the PIMCs.

In the last few years, the Government has made a number of changes in the legislations governing the petroleum industry. In April 2003, legislation exempting PIMCs with less than one percent inland market share from processing crude oil at KPRL was passed vide Kenya Gazette Supplement no. 35 of 17/04/03 (GoK, 2003a), only to be revoked in December the same year through Legal Notice no. 197 of 2/12/03 (GoK, 2003b). Another

legislation requiring PIMCs to maintain specific stock levels was passed in May the same year through Legal Notice no. 60 of 23/05/03 (GoK, 2003c).

Further in November the same year two more legislations were passed vide Legal Notice no. 197 of 02/12/03 (GoK 2003b) The first one introduced the central tender system for purchasing crude oil and the other directing PIMCs to receive all their imported finished petroleum products at Kenya Pipeline Company's (KPC) depot in Mombasa only. The most recent change directing PIMCs to pay customs taxes on imported products in advance at the point of entry was passed in June 2005 vide Legal Notice no. 47 of 6/08/05 (GoK, 2005d).

The changes in legislation coupled with the Government's significant influence in the petroleum industry through its majority shareholding in key industry players such as KPC, KPRL and National Oil Corporation of Kenya (NOCK) poses great challenges to the PIMCs.

This dual role of being both the regulator and a player renders the Government incapable of fairly arbitrating any conflict between itself and PIMCs in an unbiased manner thus further convoluting PIMCs' business environment.

1.2 Statement of the research problem

Petroleum industry in Kenya has been exposed to too many regulations and legislations, which have imposed additional constraints to PIMCs' business activities. The regulations and legislations further complicated the business environment since PIMCs had to abide by the law. A lobby organization, PIEA existed but had no legal mandate and hence could not come to the PIMC's rescue even when the Government legislations were overwhelming. These legislations exerted additional pressure on PIMCs by calling for additional financial resources and limiting choice.

The issue of strategic reserve posed an extra financial burden to PIMCs. The practice in other countries such as Uganda and Rwanda was that the governments, who can then use them to stabilize prices or to assist industry players at the times of crisis, holds such stocks. The use of the open central tendering system was also opposed by some Multinational Corporations (MNCs) as these could supply their subsidiaries directly and more efficiently through utilizing economies of scale. The stiff penalties for delayed payment under the central tendering system were viewed by smaller market players as favouring the MNCs.

The continued protection of KPRL was a major challenge to PIMCs as products processed at KPRL are not only more expensive than imported finished products but they also fail to meet the quality demands of the modern

day customer. The government through MOE is both a player as well as a regulator in the industry.

This made some of the government policies to be viewed as partisan. Use of KPC terminal as the sole offloading point for imported finished products resulted in congestion and therefore delays in offloading vessels. The requirement that PIMCs pay tax upfront before selling their products called for additional working capital.

Previous studies concentrated on marketing strategies. They focused mainly on strategies adopted at retail rather than supply level by the PIMCs to survive in a deregulated and more competitive market. Abeka (1996) studied strategic responses adopted by the industry players with specific focus on consumers and Wamathu (1999) addressed the issue of strategic postures and action evaluation in the Kenyan Oil industry;

Wairachu (2001) addressed the issues of marketing in a liberalized petroleum industry; Isaboke (2001) studied the strategic responses adopted by the major oil companies in Kenya to the threat of new entrants; Chepkwony (2001) examined strategic responses taken by petroleum companies in Kenya to challenges of increased competition and Sang (2005) examined the responses to the liberalization of the economy by the National Oil Corporation of Kenya (NOCK). Clearly there has not been a study that has gone deeper in examining how changes in Government legislations have impacted on the

business strategies of oil companies. This has resulted in an information gap, which this study seeks to fill. Changes in government legislations severely affect strategy implementation.

According to Porter (1996), a major structural change in the industry can be a source of stimulus for strategic change. To achieve a sustainable advantage whenever such change occurs, an organization must find a new position by making trade-offs and establishing a new system of complimentary activities. As such, the purpose of this study is to determine the strategic responses used by PIMCs in Kenya in response to changes in Government regulations

1.3 Objectives of the Study

The objectives of this study were twofold.

a. To determine the strategic responses of PIMCs in Kenya to changes in Government legislations on the supply of petroleum products.
b. The second objective is to establish what factors influence the strategic responses for each company.

1.4 Importance of the Study

This study will be of importance to several different entities in a number ways as its results:

a. The study will be beneficial to the PIMCs in the petroleum sub-sector in ensuring that they understand the implications of changes in Government legislations on their strategies. It might also assist potential investors in making prudent decisions towards investing in the petroleum sector

b. This study may assist customers in understanding the reasons for variations in business strategies of different petroleum sector players, who at times charge different prices for the same product. The Government might also benefit from this study as far as policy and legislative formulation are concerned

c. Finally the study may act as a stimulant and a basis for further academic research. The petroleum industry has received very little attention as far as the academic research is concerned. This study will therefore be of immense value.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the conceptual model of study that looks at the process of organizational adaptation to environmental change. In particular, the Ansoff-MacDonnel model of environmental change and how these relate to organizational capabilities and the strategic responses adopted is reviewed. The generic strategic responses are then reviewed and the chapter ends with a review of strategic responses used by firms in Kenya.

2.2 Organization and the Environment

Organizational adaptation to environmental change has long been an important research concern for management scholars (for instance, Fahey and King, 1977; Aaker, 1984; Jain, 1984). In the absence of an appropriate response, changes in the contextual forces surrounding organizations can cause a firm to lose an important customer segment, a cost advantage in its operating process, and, if left unattended for too long, can even threaten the firm's survival. Of particular interest have been the cases where major-often called "radical" or "discontinuous"-environmental change occurs, as it is under such circumstances that organizations are most challenged to adapt (Suarez and Oliva, 2005).

During the 1980s and 1990s a significant body of literature emerged on organizational adaptation to situations of major environmental change such as deregulation (Haverman, 1992), privatization (Keisler and Sproull, 1982; Johnson et al., 2000), technological change (Christensen, 1992), or change in customer preferences (Kraats and Zajac, 2001). Tushman and Romanelli (1985) refer to this type of organizational change as a "process of reorientation" and provide theoretical insights into the ways in which it is undertaken.

Most of the existing research, however, deals with major changes that are specific to a particular environmental layer (or dimension), while the "broader" institutional context remains unchanged. For example, while deregulation of a particular industry is a significant environmental change, the broader institutional environment surrounding the industry in question (e.g. financial sector practices, labour market restrictions and macroeconomic policies) typically remains quite stable (Suarez and Oliva, 2005). Firms are also affected by changes in the broader, "general" environment (Bourgeois, 1980) that encompasses social, political and macroeconomic dimensions.

2.3 The Ansoff-McDonnell Model of the relationship between the Environment, Strategy and Organizational Capability

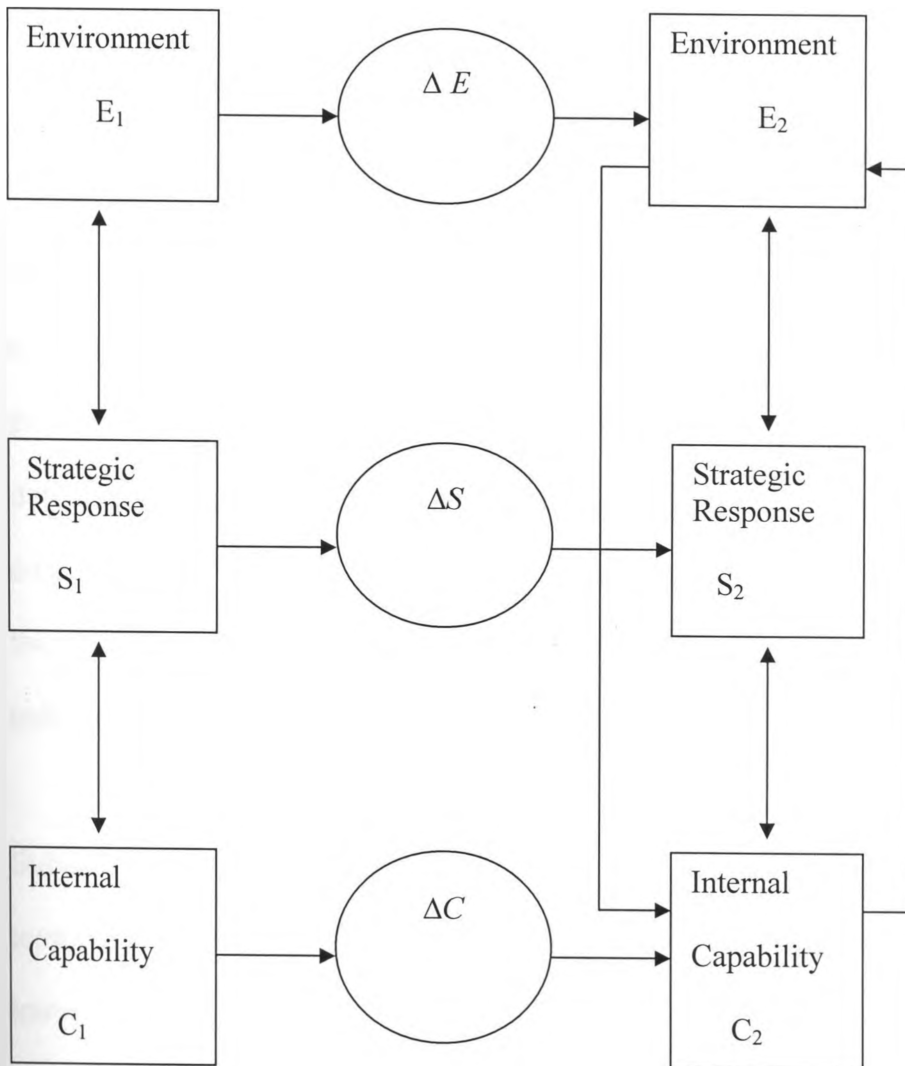
This model forms the conceptual framework of the current study. Ansoff and MacDonnell observe that strategic diagnosis identifies whether a firm needs to

change its strategic behaviour to ensure success in the future environment. If the diagnosis confirms the need, the next step is to select and execute specific actions, which will bring the firms aggressiveness and responsiveness in line with the future environment. E_1 and E_2 are the present and future states of the environment and ΔE is the difference in the levels of turbulence.

This information is used to select the strategic response S_2, which will assure the firms future success. For environments of high turbulence, Ansoff and McDonnell propose two responses. The first they term as the positioning response which uses strategic planning to select the portfolio of business areas in which the firm will participate and to develop the competitive strategies it will pursue in each area. The second type they term the real-time response that uses a technique known as strategic issue management to identify potentially unforeseen strategic threats and opportunities to estimate their impact on the firm and to develop and execute timely responses. ΔS, the strategy transformation, is the difference between the current strategic response pattern S_1, and the adjustment response pattern S_2, occasioned by environmental turbulence.

To ensure effective implementation, the firm also needs to design the capability C_2, which will enable it to initiate and support the new strategic responses. ΔC, the capability transformation, is represented by the difference of the new capability, C_2 over the current capability C_1, as a consequence of

Figure 2.3: Relationship between the environment, strategy and company capability (source: Ansoff and McDonnell, 1990, p 40).



$$\Delta E = E_2 - E_1$$

$$\Delta S = S_2 - S_1$$

$$\Delta C = C_2 - C_1$$

the turbulence. A firm has two different complimentary capabilities: management capability to identify, plan and guide the strategic response and functional capability to execute the response. The planned response S_2, and capability design C_2, must next be put to practice.

2.3.1 The Environment

The concept of the "environment" in management has been approached from a variety of perspectives. Strategy scholars typically divide the environment into dimensions or forces that affect the firm's performance. Andrews (1971) defines the environment of an organization as "the patterns of all the external conditions and influences that affect its life and development" and identified five environmental dimensions: technological, economic, physical, social and political.

Subsequent strategy research concentrates on describing the environment in terms of its potential effects on firms' performance. Porter's (1980, 1990) framework, for example, depicts the environment as being composed of five forces whose net effect determines for firms the attractiveness of a particular context (attractiveness is measured as the ability to obtain rents, other things being equal). Similarly, Khanna and Palepu (1997) describe how the environment in which a firm operates affects the breadth of its activities.

From the perspective of organizational theory, the environment has been classified according to its structural layers or constituent elements. Organization ecologists (Bourgeois, 1980) distinguish two environmental layers: the task environment—the layer closer to the organization that includes sectors such as customers, suppliers and competitors having direct transactions with the organization—and the general environment—comprising sectors such as the social, demographic, and economic that are further removed from the organization and affect it indirectly.

Alternatively, institutional theory defines the environment as an "interorganizational field" that includes actors and their actions (DiMaggio and Powell, 1983), where actors are defined as organizations or agents that interact with a given firm directly through exchange or indirectly through competition (Leblebici et al., 1991).

In order to assess the impact of the environment on a firm's performance, organizational theorists have attempted to characterize the environmental attributes that affect the firm (Sharfman and Dean, 1991). Empirical work by Dess and Beard (1984) reduced these multidimensional approaches to three basic environmental attributes: munificence, dynamism, and complexity. They defined munificence as the extent to which an environment can support sustained growth; dynamism as the unpredictability or instability (volatility) of an environment and complexity as the range of skills, knowledge and information-processing capabilities managers need to be successful.

2.3.2 Environmental Change

It is, however, environmental change that is a core interest of management scholars. Environmental variation is a key element in several management theories dealing with a range of issues and processes, including firm survival, competitiveness, innovation and executive turnover (Christensen, 1992). Despite this fact and in sharp contrast with the attention paid to understanding and classifying organizational change, relatively little effort has been put into the understanding and classification of environmental change. Terms such as "radical" or "profound" to characterize environmental change (Ginsberg and Buchholtz, 1990) and "turbulent" versus "stable" to contrast environments (Miller, 1996) have been used by many authors with no particular precision as to their meaning.

Organizational ecology researchers have adopted Dess and Beard's (1984) concept of environmental "instability" as their model for environmental change and have measured it by calculating the coefficient of variation in sales (Keats and Hitt, 1988). Other authors have used the effect on organizations to classify the degree of environmental change; in this view, the further away from its existing competencies or orientation a firm is required to move, the greater is the degree of environmental change being experienced by that firm (Christensen, 1992).

2.3.3 Organizational Adaptation

Organizational adaptation and learning have been extensively studied in the management literature. The behavioural theory of the firm (for example Mezias and Glynn (1993) sees firms as adaptive learning systems in which much behaviour unfolds through standard operating procedures. Nelson and Winter (1982) assert that organizations use "routines" that are developed through time and change constantly, but gradually, to adapt to changing conditions: actions that appear to produce results tend to become incorporated as new routines.

Most of this research implies that learning and adaptation are slow, gradual processes and that new capabilities are difficult to create and costly to modify (Argyris and Shön, 1984); some authors going so far as to suggest that existing capabilities may become "core rigidities" that can hinder an organization's ability to change (Leonard-Barton, 1991).

Although recent research remains consistent with the notion of adaptation as a gradual process by which a firm converges toward a reasonable "fit" with the environment (Siggelkow, 2002) and actors in an organizational field make sense of and manage new phenomena (Leblebici et al., 1991), an increasing number of researchers is studying firm adaptation in the presence of significant environmental change (Kraats and Zajac, 2001).

On the theoretical front, organizational change and adaptation have been extensively studied and classified. Greenwood and Hinings (1996) distinguish between radical and convergent organizational change by introducing the concept of an archetypal template-an organization's interpretive scheme shaped by underpinning ideas and values: "Convergent change occurs within the parameters of an existing archetypal template.

Greenwood and Hinings further argue that radical change, in contrast, occurs when an organization moves from one template-in-use to another". They also make the distinction between revolutionary and evolutionary change: the former happens swiftly and affects all parts of the organization while the latter is gradual.

Similarly, Tushman and Romanelli (1985) distinguish between "convergence"—a process of incremental change consistent with existing internal activities and strategic orientation—and "reorientations"—simultaneous and discontinuous shifts in an organization's strategy, structures, and control systems.

Moreover, Tushman and Romanelli further posit that "*re-creations* are reorientations which also involve a discontinuous shift in the firm's core values and beliefs" and they propose a punctuated equilibrium model of organizational evolution, where periods of convergent progress are punctuated by reorientations that set the direction of the next convergent

period. The propositions of the above papers have been revised and extended by different researchers (Johnson et al., 2000).

2.3.4 Internal Capabilities

Organisation capability is a broad concept with many elements and attributes. Organisational capabilities are defined by Chandler (1990) as a firm's collective physical facilities and skills of employees and in particular, the abilities and expertise of the top management layers. Hoskisson et al. (2004) refer to capabilities as: "the capacity to perform a task or activity in an integrated manner". This means that capabilities, existing and potential, will influence strategic decisions. However, competitive advantage only results from capabilities that are distinctive, costly and time-consuming to replicate (Barney et al., 2001).

Capabilities are the building block for core competencies (Grant, 2002) and are usually embedded in the firm and require both time and significant resources to change. Organisational capabilities are commonly defined as a firm's capacity to deploy its assets, tangible or intangible, to perform a task or activity to improve performance (Teece *et al.*, 1997). Examples include the capability to offer excellent customer service or to develop new products and innovate (Lorenzoni and Lipparini, 1999).

Capabilities can also be classified as "dynamic". For example, Teece *et al.* (1997) suggest that dynamic capabilities are the "firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments".

The reconfiguration of competencies is also mentioned by Helfat and Raubitschek (2000), when they state that dynamic capabilities are embedded in "routine organisational processes that guide the evolution of a firms' resource configuration and operational routines". Capabilities are termed "core" when they result in a competitive advantage over other firms.

For purposes of this study, the definition by Helfat (2003) that an organizational capability refers to an organizational ability to perform a co-ordinated task, utilizing organisational resources, for the purpose of achieving a particular end result will be used.

Winter (2003) suggests that a capability comprises a large chunk of activity that enables outputs that clearly matter to the organisation's survival and prosperity. Recent resource-based writings stress that the uniqueness of a firm's resources and capabilities are not sufficient to sustain competitive advantage.

Fiol (2001) agrees and remarks "both the skills/resources and the way organizations use them must constantly change, leading to the creation of

continuously changing temporary advantages". This suggests that it is the way resources are configured and not the capabilities as such that is the source of competitive advantage. Configuration is specific to each organization and will relate to their corporate strategic thinking. Accordingly, firms can achieve temporary advantage, which can achieve a longer time frame by constant resource reconfiguration to meet the changing markets demands.

O'Regan and Ghobadian (2004) offer examples of generic capabilities as advertise/promote the product or service; deliver a broad product range; distribute products broadly; respond to swings in volume; make rapid design changes; compete on price; provide after sales service; deliver products quickly; provide high performance products; deliver products on time; offer consistent quality; involvement of top management; involvement of line managers and flexibility to adapt to unanticipated changes. They argue that generic capabilities as opposed to capabilities that are "core" or "distinctive" have wider applicability and are not unique to any one firm.

This is supported by Fleisher and Bensoussan (2003) who state that: "the source of competitive advantage within a firm is often multifactorial in that it usually cannot be attributed to only one type of resource". They suggest that it is the interaction between the different types of resources that drives a firm's competitive advantage.

O'Regan and Ghobadian (2004) contend that each level has a catalytic effect on the others and it is this cumulative catalytic impact that makes the resource-based view of strategy such a potentially powerful force. Accordingly, the capabilities to deploy a given mix of resources are critical for achieving competitive advantage (Teece *et al.*, 1997).

2.4 Strategic Responses

Organizations exist in complex and volatile commercial, economic, political, technological, cultural and social environment. The environmental changes occasioned by these factors are more complex to some organizations than for others due to differences in economies of scale. For survival, an organization must maintain a strategic fit with the environment. The environment is indispensable and an organization has to respond to its dynamism, heterogeneity, instability and uncertainty (Thomson, 1967).

A sustainable competitive advantage is achieved when there is a strategic fit between the external and internal environment. An organization's external environment includes economic forces, socio-cultural issues, demographic patterns and technological factors, while its internal environment consists of the organization's systems, policies, resource capability and corporate culture (Pearce and Robinson, 1997).

The essence of strategy lies in creating tomorrow's competitive advantage faster than competitors can mimic the ones a firm possesses today. It is also meant to relate a company to its environment and to find a position in the

industry from where it can defend itself against competitive forces (Porter, 1998). Environmental dynamics demand constant revision of old strategies and creation of new ones. To do this, organizations require strategic capabilities. Strategic capability is the ability of a firm to perform at the level required for its success (Johnson and Scholes, 2002). The resources and competitiveness of the organization underpin it.

The concept whereby new strategic capabilities are used to cast new strategies in an organization may be explained in the context of strategic success hypothesis. According to this hypothesis, organizations require appropriate resources to enhance their strategic capabilities in order to achieve competitive advantage. Resources are scarce and costly thus constraining most organizations' ability to respond to environmental situations. The organizations that are able to muscle requisite resources and build the necessary strategic capabilities are better poised to respond strategically to business demands and prevailing environmental situations thus enjoy sustainability in business.

2.5 Organizations' Response Strategies

Strategic responses to changing competitive environment may be gradual or revolutionary. The pace of the changes will depend on the nature and circumstances facing the organization. Therefore as the environment changes, a firm must adopt new strategies to match the changing environment. The firm must also create internal capabilities to implement the

new strategies adopted. The strategies that an enterprise could pursue to achieve competitive advantage may be broadly categorized into intensive, diversification, defensive, joint venture and combination strategies (David, 2001). These strategies may overlap with each other in many aspects since they are used to pursue the same objective of competitiveness. They are hence not mutually exclusive.

2.5.1 Intensive Strategies

These are strategies that require intensive efforts to improve a firm's competitive position with existing products. Intensive strategies include market penetration, market development and product development. Market penetration seeks to increase market share for present products or services in present markets through greater efforts. It is widely used alone and sometimes in combination with other strategies. This strategy involves being ahead of the competition by enhancing the organization's research and development function, using promotion effectively, and attempting to increase efficiency. It does not call for mergers or acquisitions, but it does emphasize aggressive marketing (Kotler, 2001).

The marketing concept holds that the key to achieving organisational goals consists of determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors (Kotler, 2001). It starts with a well-defined market, focuses on customer needs, coordinates all the activities that will affect customers, and produces

profits by satisfying customers. Good marketing in a system is hence at least one key factor for success.

Market development involves introducing present products or services into new geographic areas. This strategy attracts favour in specific industries such as airlines. Product development on the other hand seeks to increase sales by introducing new products, and improving or modifying present products and services. This requires large research and development expenditure base (David, 2001). It also involves the adaptation of market power whose concept implies that the firm is implementing a corporate mega trend that is generating brutal power in the market. Such a power can express itself in terms of company size, market share, economic power, or high levels of profitability.

2.5.2 Diversification Strategies

Diversification is typically a strategy, which takes the organization away from its current markets or products or competences (Johnson and Scholes, 2002). Diversification will increase the diversity that a corporate centre must oversee. It might occur because:

- The business environment changes threatening both the future of current strategies and throwing up new opportunities.

- An organization has resources and competences that can be exploited in new areas.

- The expectations of powerful stakeholders might drive diversification.

The two general types of diversification strategies are related and unrelated diversification (Johnson and Scholes, 2002). Related and Unrelated diversifications result in synergies in terms of products, markets, technology and competences. Related diversification is a strategy development beyond current products and markets but within the value system or industry in which the organization operates. Related diversification may take the form of either vertical or horizontal integration.

Vertical integration describes either backward or forward integration into adjacent activities in the value system. Backward integration refers to development into activities concerned with inputs into the current business like raw materials, machinery and labour while forward integration refers to development into activities concerned with outputs like transport, distribution, repairs and service.

Horizontal integration is the development into activities that are competitive with or complimentary to, a company's present activities. Organizations may use this strategy to tap opportunities in other markets in order to exploit the

organizations' competences – perhaps to displace the current providers as a new entrant.

Unrelated diversification is thought of as an organization moving beyond its current value systems or industry. In the competence perspective, the traditional notion of unrelated diversification might be thought of in terms of i) diversifying into completely new but existing markets and new products by exploiting the existing organization's competences and ii) diversifying by creating new markets.

According to (David, 2001), in the contemporary times diversification strategies are becoming less popular as organizations find it more difficult to manage diverse business activities. Whereas diversification focuses on hedging specifically against business cycles, diversification without a powerful market strategy does not even protect firms against business cycles. It simply dwarfs growth in firms' market positions.

2.5.3 Defensive Strategies

Defensive strategies arise out of the desire by an organization to be secure and have a stable niche in the market place (Johnson and Scholes, 2002). Several indicators or activities like specialization, cost efficient production, emphasis on price and service during marketing, and tendency toward vertical integration, characterize them.

Defensive strategies may be in the form of retrenchment, divestiture or liquidation. Retrenchment (turnaround reorganization) occurs when an organization regroups through cost and asset reduction to reverse declining sales and profits. It is designed to fortify an organization's basic distinctive competence. Retrenchment may entail pruning product lines, closing marginal businesses, closing obsolete factories, auctioning processes, reducing the number of employees and instituting expense control system.

Divestiture entails selling a division or part of an organization. It has become a very popular strategy as firms try to focus on their core strengths and competences by lessening their level of diversification. Liquidation on the other hand involves selling all of a firm's assets for their tangible worth. Liquidation may be in recognition of defeat and consequently can be an emotionally difficult strategy (David, 2001). Liquidation may also be in response to a better opportunity else where which a firm's shareholders envisage may be more profitable compared to the current one.

2.5.4 Joint Venture Strategies

Joint ventures are typically thought of as developments where organizations remain independent but set up a newly created organization jointly owned by the parents for the purpose of capitalizing on some opportunity. This is because organizations cannot always cope with increasingly complex

environments from internal resources and competences alone. Such an arrangement includes, research and development partnership, cross-distribution agreements, cross-licensing agreement, cross manufacturing agreements and joint bidding consortia.

Joint venture is what Quint (2000) calls synergy or corporate alliance. Synergy can occur in situations where two or more activities or processes complement each other to the extent that their combined effect is greater than the sum of the parts (Quint, 2000). Synergism implies the presence of scale, speed, and scope economies. Synergy or corporate alliance became a favourite strategy in the 1980s and 1990s in most businesses.

In the early 1990s, the joint venture strategy was a favoured means of beginning collaborative adventures between eastern and western European firms with eastern European firms providing labour, entry into markets and sometimes plant while western companies providing expertise and finance. Joint ventures are gaining prominence because they allow companies to improve communications and networking, globalise operations, and to minimise risk (Branch, 1999; Rattner, 1999). They allow organizations to retain their identities.

Joint ventures are also referred to as collaboration. Collaboration between potential competitors or between buyers and sellers is likely to be

advantageous when their combined costs are lower through collaboration than the cost of operating alone.

In Kenya, some major oil companies formed a joint venture in which they operate petroleum products distribution facilities in Nairobi and Mombasa.

2.6 Studies on strategic responses in Kenyan firms

Kandie (2001) in a study to establish strategic responses Telkom Kenya was using to cope with the increasingly competitive environment occasioned by liberalization of the communications sector revealed no significant responses. The researcher attributed this to financial constraints imposed by a Government squeeze on credit pending sale of the company and lack of managerial autonomy in decision-making. The study recommended the formation of a strategic alliance with a suitable partner as a possible solution.

Migunde (2003) conducted a study with the objective of determining the strategic responses adopted by the Kenya Broadcasting Corporation (KBC) to increased competition in the broadcast media industry occasioned by liberalization resulting in new entrants on both the radio and television. Responses were collaborative strategies such as programme exchanges, production and staff training, rightsizing and market penetration. Differentiation was not widely used except for local programmes. The

researcher however found that responses were minimal and mainly reactive in nature.

The evangelical industry has not been spared of change to its external environment. Changes such as decreased economic power (attributed to low tithes and offerings); community impact of HIV/AIDS; political divisions amongst church members that tends to mirror the dynamic national politics and technological investments to improve among other things, communication between the churches and their congregation were notable external changes documented by Muturi (2003).

The researcher also documented engagement in income generating activities (e.g. bookshops), societal marketing (through building schools in local community) and staff training and development as notable strategic responses by the churches.

In the tourism sector, Mugambi (2003) observes that changes in communication technology, exchange rates, global safety and security and competition from other destinations are among key environmental changes that have affected the sector operations in Kenya. Responses have included reduced planning periods, in order to enable quick responses to change in the short term, redefined company mission and vision (clarity of direction and values), flattening of the organizational structure to improve communication and enhance decision making, rightsizing, outsourcing non-core activities and

changes in target markets through de-emphasizing non-profitable destinations.

Other responses noted include direct marketing abroad, strategic partnership with the Kenya Tourism Board (KTB) in order to market Kenya/themselves as tourist destinations, product development to cater for new target markets and improved service quality (Mugambi, 2003).

In the area of healthcare, Muraah (2003) notes that the pharmaceutical sector has had to grapple with the issue posed by the advent of HIV/AIDS and the challenges this poses in relation to supply and distribution of anti-retroviral (ARVs). In this perspective, the firms had a mixed view of HIV/AIDS, some seeing it as an opportunity, others as a threat and still others, from both perspectives. With the increased flood of generics, a number of the firms (42.9%) sampled sought better ARV transfer prices to compete effectively in the price wars with the lower priced generics.

Other responses documented by Muraah necessitated improvements in customer service to build loyalty through on-time deliveries, long-term contracts and bonus incentives and discounts offered on volume purchases. To ensure fast registration of products and ensure what Muraah terms as speed-to-market, firms also created a regulatory affairs department and other recruited pharmacists to liaise with the pharmacy and poisons board.

In a related study, Lengopito (2004) addressed strategic responses in the case of the private healthcare insurance providers to increased competition. The study revealed responses such as increased employee remuneration, use of new technical skills, cost cutting measures, expansion, formation of partnerships, strategic alliances, divestiture and acquisitions among others.

In the Non-Governmental Organization (NGO) sector, Nderitu (2004) conducted a survey to establish strategic responses to threats posed by changing donor-funding patterns by Nairobi-based NGOs specializing in children's issues. Environmental changes that Nderitu noted included political transition from single-party to multi-party politics in 1992, increased competition among NGOs for grants and donations, increased cost of doing business, competition from the not-for-profit sector and increased donor scrutiny on use of allocated funds. Nderitu further notes that donor patterns that had changed included insistence on accountability and transparency, tighter controls on expenditures, continuously shifting priorities based on commercial interests, interest in negative media reports about NGOs at the time and donor involvement in NGO management.

Strategic responses that Nderitu identified in this sector was involvement by NGOs in self sustainable projects e.g. organic oriental farming targeting specific clients; round table talks with donors where they raise issues as well as including the same in their annual reports and changing organizational strategy as well as collaborating with partnering agencies.

The NGOs also involved beneficiary communities in project development and implementation thus ensuring project continuity even after donor withdrawal, aggressiveness by NGOs in pursuit of new donors and inter-organizational changes to redress the organization.

Internal strategic responses identified by Nderitu (2004) were institution of internal controls by some NGOs, moderate changes in Human Resource strategies and organizational priorities to include donor concerns, moderate capacity building, linking funding to performance (63% to 78% of NGOs surveyed), proactive planning procedures and a renewed focus on roles and standards.

In a case study of Kenya Commercial Banks responses to a changing competitive environment, Kiptugen (2003) major business changes notably economic decline, liberalization, legislative changes, increasing level of education and technological advancements had drastically altered the banking sector competitiveness. Strategic responses by KCB involved restructuring, differentiated marketing strategies, information technology (IT) strategy and culture change.

Kiptugen (2003) observes that through IT, KCB facilitated better branch network interconnectivity, customized IT solution products, centralization of clearing, introduction of ATMs and implemented banks intranet to improve

communication and decision-making. IT played a key role in enabling the bank deliver its customer service strategy.

Culture change entailed change in mission/vision statements; customer-focused approach to service through “putting the customer first” approach; building a quality culture through emphasizing excellence in service delivery; enhancing bottom-up/top-down communication, open plan offices and other means (Kiptugen, 2003).

Kiptugen observes further that restructuring involved separation of business services into retail, business and corporate to effectively serve these segments; senior management changes with specialist heads in each of the business units; shorter reporting lines; reduction of branch network; disposal of non-core assets and businesses and outsourcing. Longer term responses included staff early retirement schemes and process mapping and subsequent reduction of service procedures.

Goro (2003) in a study to identify key substitute products that are a threat to commercial banks and strategic responses of the sector to these identifies treasury bills, forex bureau services, funds transfers, co-operative loans and money transfers as those substitutes posing the biggest threat while “merry-go-rounds” fundraisings and insurance products presented the least threat. In long-term finance, banks were facing competition from mortgage providers.

Strategic responses identified by Goro include customer retention strategies; market penetration using advertising, positioning and branding; implementation of feedback mechanisms to ensure customer needs and complaints are attended to; changed corporate mission and vision; adoption of leaner, more efficient structures; improved IT strategies; market segmentation by the larger banks; market focus through low cost supply and differentiation and increased use of shared resources by the smaller banks e.g. Kenswitch.

2.6.1 A review of strategic responses in Kenyan oil firms

Chepkwony (2001) observes that Kenya oil sector underwent massive liberalization in October 1994. Isaboke (2001) notes that deregulation of Kenya's petroleum Industry caused many changes. These included the registration of new entrants in to the market (Abeka, 2001).

Partial deregulation existed prior to this with a Government ban on importation of refined petroleum products as a means of protecting the Mombasa based refinery, but this ended with the Governments introduction of price controls (Isaboke, 2001). Chepkwony (2001) further observes that the mainstream oil companies suffered significant loss of market share to new entrants, more so, the small to medium-sized independent dealers.

Chepkwony (2001) also documents that a saturated market and small margins implied that oil sector players had to resort to new strategies in their quest for increased market share. Strategic partnerships, mergers and acquisitions are some of the strategies used to attain this objective. For instance Shell group in Kenya acquired the Agip franchise. Other strategies such as retrenchment and critical evaluation of activities were undertaken in order to reduce costs.

Price became the major strategy for competition while other variables, like quality and service, took a backstage. This resulted in a mushrooming of substandard and illegal outlets as well as the dumping of petroleum products meant for export resulting in unfair competition due to low priced products occasioned by non-payment of taxes and adulteration of fuels to achieve volume-based margins (Chepkwony, 2001).

In the study whose main objective was to investigate the strategic responses that the major oil companies have used to counter the threat of new entrants, Isaboke (2001) established that a host of generic strategies including cost leadership, differentiation, market focus, segmentation, penetration and market development were key responses. Additionally, majority of the companies also changed products and services offered; the market segment served and the involved the use of technology in enhancing the offerings.

Chepkwony's (2001) study had the objective of determining strategic responses taken by petroleum companies in Kenya to challenges of increased competition. The study revealed that firms made changes to their missions and technologies with attendant efforts to diversify from markets originally served. Firm strategy changed towards a deeper customer orientation, survival as opposed to profitability and increased participatory planning and reviews. Product development increased markedly, with new products to meet ever changing customer needs and product quality became a top priority.

Chepkwony also evidenced that promotional strategies were also increasingly used, as shown by substantial increase in advertising expenditures through use of various media; research and development also witnessed increased activity, with firms gathering more information on competitors and customer needs with a view to maximizing customer satisfaction. Other strategies, such as pricing; distribution; social responsibility; cost structure; environment; health and safety were all enhanced.

Finally, in a study whose objectives was to establish the strategic postures for each of the major players in the Kenyan oil industry and to determine the generic strategies of the respective firms and whether such strategies were appropriate, Wamathu (1999) established that all the players analysed fell in the same quadrant posture i.e. aggressive. The appropriate generic strategy was therefore cost leadership. However, some companies had a distinctive advantage in the cost leadership strategy than others as illustrated later in this

paper. For the latter group the action evaluation was to change to the relevant posture-competitive, that may give them an edge over the former. The appropriate generic strategy for competitive posture would then be differentiation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study employed an exploratory survey design. Kotler and Armstrong (2001) observe that this method is the best suited for gathering descriptive information; where the researcher wants to know about people's feelings, attitudes or preferences concerning one or more variables through direct query. This study achieved this through finding out about respondent opinions regarding the variables under study.

3.2 Population of Study

The population of interest were all the PIMCs registered by the MOE as at 30th June 2005. These were firms licensed by the MOE to import petroleum products as per the requirements of the Petroleum Act. Such PIMCs are operational if they participate in the tendering system of the MOE for the importation of petroleum products. The MOE maintains a register of licensed PIMCs. (See appendix II for the licensed PIMCs as at 30th June 2005). There were 27 companies in the register as at 30th June 2005. Of these, 2, namely, Fuelex and Petro Plus (Kenya) Ltd, had since wound up; Kenol and Kobil are under the same management and Somken Limited merged with Petro Oil (Kenya) Limited. This left 23 companies that formed the population of the study. Since the population was small, a census study was used.

3.3 Data Collection Methods

The data of interest related to general information about the PIMCs and to how the PIMCs have used given generic strategic responses in responding to the legislative requirements. The research instrument was a questionnaire (see appendix 2). The questionnaire was divided into two parts, Part 1 aimed to capture the general demographic data about the PIMCs and Part 2 addressed the two research objectives. It consisted of open-ended, closed-ended and five point Likert scales. The instrument was be addressed to the chief executives or their designated representatives; in all cases, the "drop and pick later" method was be used.

3.4 Data Analysis Methods

Data analysis was conducted using descriptive statistics. This included the use of measures of central tendency, measures of spread and bar charts. According to Mugenda and Mugenda (1999) descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics. The mean value gave us the expected score or measure from a group of scores in the study according to the assigned rankings. Measures of variability, such as standard deviation, informed the analyst about the distribution of scores around the mean of the distribution, giving an idea about the clustering or spread of the responses across the various PIMCs. SPSS software was used in all analysis.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

This chapter was dedicated to discussing the findings of the research in relation to the research objectives. The objectives of this research were to determine the strategic responses of PIMCs in Kenya to changes in Government legislations on the supply of petroleum products and to establish what factors influence the strategic responses for each company. In order to attain these objectives, a survey study was conducted. The research instrument used was a ten-page questionnaire, which was dropped and picked up later from the population under consideration.

Out of the 23 firms where the questionnaire was distributed, there were 17 respondents. The overall response rate was thus 73.9% of the total population to whom the questionnaire was sent. This was adequate in line with Mugenda and Mugenda (1999) who propose a response rate of 70% and over as very good for analysis and reporting.

4.2 Profile of the respondent organizations

4.2.1 Ownership

Questions that were asked in relation to ownership sought to establish whether the companies were local or foreign owned; presence or absence of Government shareholding and whether or not the PIMCs were public, private or parastatals.

Table 4.2.1 Ownership composition of the companies

Variable	Frequency	Percent
Local	9	52.9
Foreign Owned	8	47.1
Total	17	100

Of the respondents, 52.9% were locally owned while 47.1% were foreign owned. The researcher felt that those PIMCs that were foreign owned would have strategic responses that reflect the global strategies of their parent companies that will differ markedly from those of the locally incorporated PIMCs. This was however not evident from the research findings possibly due to the need for PIMCs to use similar strategic responses for them to be able to compete effectively.

4.2.2 Government shareholding

Only the National Oil Corporation of Kenya (NOCK) had Government representation. Government representation was felt to influence the various choices that a company could make in terms of strategic responses through influencing decision making in a way that would differ from the other firms. From a review of the filled questionnaires, there was no significant departure in the strategic responses employed by NOCK to those used by the other firms. As such, Government affiliation did not influence markedly the strategic responses used by NOCK. This could be due to the fact that being the sole PIMC with Government ownership in its ranks, it would be a strategic error to pursue responses that are not in line with what the industry is doing and hence placing the company at a competitive disadvantage.

4.2.3 Ownership structure of the companies

Table 4.2.3 Ownership Structure

Variable	Frequency	Percent
Private Owned	14	82.4
Part Private/Part Public	2	11.8
Parastatal	1	5.9
Total	17	100.0

These sought to determine the issue of whether the companies were privately owned, parastatals or had a hybrid ownership composition. From Figure 4.2.3

above, 82.4% were privately owned, 11.8% part private and part public, while 5.9% were parastatals. From Figure 4.2.4 below, 11.8% of the firms were listed in the NSE, whilst 88.2% were not.

4.2.4 Listing in the Nairobi Stock Exchange

Table 4.2.4 Listing

Variable	Frequency	Percent
Yes	2	11.8
No	15	88.2
Total	17	100.0

The part private/part public companies were also listed on the NSE. The rationale here was that private PIMCs would be influenced to only a small extent by external sentiment in what strategic responses to use in response to changing legislation as opposed to the publicly listed PIMCs. However, no significant variation in choice of responses was observed among the PIMCs based on this category of ownership.

4.2.5 Representation of company size

Table 4.2.5 Representation of size in terms of number of staff

Variable	Frequency	Percent
Yes	2	11.8
No	15	88.2
Total	17	100.0

11.8% had less than 10 staff; 35.3% between 10 and 50 staff; 41.2% between 50 and 250 staff and finally, 11.8% had above 250.

4.3 Strategic responses in relation to legislative changes

For purposes of simplicity of presentation, the study will adopt the following coding system for the 12 responses under investigation:

1) Forming Supply Subsidiaries - Subsidiaries, (2) Human Resource Dev - HRD, (3) Increased Distribution Chain Control – Distribution, (4) Increased Supply Chain Control - Supply Chain, (5) Joint Distribution Arrangements - Hospitality, (6) Joint Supply Arrangements - Joint Supply, (7) Market Development - MD, (8) Market Penetration - MP, (9) Mergers, (10) Product Development - PD, (11) Quality Drive - QD, (12) Service Level Agreements - SLA

The data required for this section was obtained using five point Likert scales against which the respective generic response was ranked. Tables for composite means/standard deviations were presented for each legislative requirement. For meaningful interpretation, the mean values were rounded off to the nearest integer and interpreted according to the five point Likert scale used e.g. a composite of 1 = no extent, 2 = a mild extent and so on.

4.3.1 The Government requirement that oil companies import petroleum products through an open central tendering system.

This requirement implies that all the PIMCs consolidate their fuel requirements and submit the figure to the MoE, who then calls a tender. The PIMC that bids the lowest price is awarded the tender. The benefits is that the country pays less in foreign exchange and smaller PIMCs that are unable to import products on their own are now able to meet their legal requirements.

Table 4.3.1 Means and Std. Dev. of the usage of strategic responses

Strategic Response	N	Mean	Std Dev
Valid N (List wise)	17		
Mergers	17	1.5882	1.17574
Forming supply subsidiaries	17	1.7647	1.34766
Product development	17	1.8235	1.42457
Human resource development	17	2.4706	1.23073
Joint supply arrangements	17	2.5294	1.54587
Quality drive	17	2.5882	1.58346
Joint distribution arrangements	17	2.7059	1.61108
Market penetration	17	2.7647	1.43742
Market development	17	2.8235	1.55062
Increased supply chain control	17	2.8824	1.45269
Service level agreements	17	3.3529	1.65609
Increased distribution chain control	17	8.2353	23.17469

Table 4.3.1 above presents the overall means and standard deviations of the findings arranged in ascending mean values. Mergers and formation of supply subsidiaries were the least used strategic responses. Service level agreements were the most frequently used followed by increased supply chain control and market development in that order (a fairly high extent). All the responses had high standard deviations above 1.0 indicating a wide dispersion of responses about the respective means. The variable "increased distribution chain control" registered no responses.

Service level agreements with suppliers and distributors were used to a high extent mainly due to the fact that most of the small companies operate through hospitality arrangements with the bigger oil companies. As such, such arrangements became more important owing to the need to comply with the new regulation and avoid punitive penalties. Increased supply chain control may have taken the form of closer monitoring and scrutiny of supplies to ensure timeliness of deliveries and quality assurance-service level agreements would have helped to ensure this. Market penetration-to increases current sales in current markets-and market development normally result in increased revenues, which would buffer the adverse financial effects of the regulations. Mergers were the least used strategic response maybe due to the fact that the industry is populated with new entrants who are relatively unstable and prone to closure.

4.3.2 The requirement that oil companies meet over 60% of their needs by processing crude at KPRL.

The rationale underlying this legislative requirement was to protect the KPRL refinery; from the regulators perspective, it would preserve jobs and also create new ones. Additionally, the country did not have sufficient storage capacity to handle 100% finished imports thus necessitating some level of local processing to meet the deficit.

For this requirement, Table 4.3.2 below shows that increased supply chain control was most popular response, followed by joint distribution arrangements, market development, service level agreements and joint supply arrangements. Mergers were the least used.

Supply chain controls were popular as they are a logistical parameter; since bulk processing locks in the product, efficient logistics would ensure rapid diffusion of the processed oil into the market, compensating for any processing delays; the additional hospitality arrangements and service level agreements serve to reduce the overhead cost of the logistics or improve reliability and consistency. The rest of the parameters that registered significant usage went towards contributing to performance or additional profits to net off the adverse impact of the legislation.

Table 4.3.2 Means and Std. Dev. of the usage of strategic responses

Strategic Response	N	Mean	Std Dev
Valid N (List wise)	17		
Mergers	17	1.2500	23.47198
Forming supply subsidiaries	17	1.7647	1.43742
Product development	17	2.0000	23.32097
Market penetration	17	2.1875	23.26810
Quality drive	17	2.4375	23.23379
Human resource development	17	2.5000	23.20259
Increased distribution chain control	17	2.5625	23.17659
Joint supply arrangements	17	2.7500	23.15152
Service level agreements	17	2.7500	23.15152
Market development	17	2.7865	23.16183
Joint distribution arrangements	17	2.8125	23.13293
Increased supply chain control	17	3.0625	23.07038

4.3.3 The requirement that petroleum products imported into the country can only be offloaded at the KPC terminal in Mombasa

The purpose behind this requirement was to provide a one gate entry for all petroleum products in order to enhance tax collection and minimize smuggling

or dumping of petroleum products meant for re-export to neighbouring countries and which gain tax concessions in the process.

Table 4.3.3 Means and Std. Dev. of the usage of strategic responses

Strategic Response	N	Mean	Std Dev
	17		
Mergers	17	1.2353	.56230
Product development	17	1.7059	1.21268
Human resource development	17	1.8824	1.16632
Forming supply subsidiaries	17	2.0588	1.59963
Market penetration	17	2.1765	1.42457
Quality drive	17	2.1765	1.42457
Market development	17	2.2353	1.43742
Joint supply arrangements	17	2.5882	1.58346
Joint distribution arrangements	17	2.6471	1.65609
Service level agreements	17	2.6471	1.53872
Increased distribution chain control	17	2.8824	1.53632
Increased supply chain control	17	2.8824	1.65387

From Table 4.3.3 above, increased supply chain and distribution chain control, joint distribution and service level agreements and joint supply arrangements had means that approximated 3.0000 (representing a fairly high extent of usage). Mergers had the lowest mean of about 1.000 (no extent of usage) and the lowest standard deviation of 0.5623. The rest of the variables had mean values that were on either side of 2.0000 and standard deviations greater than 1.0000.

Again, logistics seem to be the overriding concern with supply chain control, distribution chain control, joint distribution and supply arrangements and service level agreements topping the list. High standard deviations however indicate a large variability of the scores implying that there was no uniformity of agreement among the PIMCs regarding their usage, with some using them a lot and other s to little or no extents.

Table 4.3.4 The Government requirement that PIMCs maintain specific stock levels

This legislative requirement led to the creation of strategic reserves to avoid shortages in case of emergencies. Before, PIMCs would import only to meet their market requirements and exposed the country to risk of serious shortages in cases where the supply chain was disrupted. This is prone to occur given the volatile nature of global oil politics.

From Table 4.3.4 below, under this requirement, mergers were the least used strategic response while increased supply chain control, increased distribution chain control, market penetration and development and joint supply arrangements were used to a fairly high extent, in that order.

Again, standard deviations were high indicating the wide dispersion of the scores about the means. Again, the parameters associated to logistics top the list as shown in Table 4.3.4. To achieve high turnovers under restrictive

legislation the importance of an efficient supply and distribution system cannot be overlooked. Market penetration and development have assumed a more significant role possibly due to their importance in achieving high turnovers to compensate for higher fixed costs.

Table 4.3.4 Means and Std. Dev. of the usage of strategic responses

Strategic Response	N	Mean	Std Dev
Valid N	17		
Mergers	17	1.4706	1.17886
Product development	17	1.7647	1.20049
Quality drive	17	1.8824	1.21873
Human resource development	17	1.9412	1.08804
Forming supply subsidiaries	17	2.2941	2.59241
Joint distribution arrangements	17	2.4118	1.37199
Service level agreements	17	2.4706	1.17886
Joint supply arrangements	17	2.5294	1.37467
Market development	17	2.5882	1.46026
Market penetration	17	2.5882	1.46026
Increased distribution chain control	17	2.7647	1.30045
Increased supply chain control	17	2.8824	1.36393

4.3.5 The Government legislation requiring PIMCs to pay customs taxes on imported products in advance at the point of entry.

Table 4.3.5 Means and Std. Dev. of the usage of strategic responses

Strategic Response	N	Mean	Std Dev
Valid N (List wise)	17		
Mergers	17	1.4706	1.32842
Product development	17	1.8235	1.28624
Quality drive	17	2.0588	1.19742
Forming supply subsidiaries	17	2.2941	1.82909
Joint distribution arrangements	17	2.5882	1.41681
Joint supply arrangements	17	2.7059	1.35852
Market penetration	17	2.7647	1.56243
Market development	17	2.9412	1.59963
Service level agreements	17	3.0588	1.43486
Human resource development	17	3.1176	1.21873
Increased distribution chain control	17	3.2353	1.43742
Increased supply chain control	17	3.5294	1.37467

This requirement had the net effect of increasing the financial burden on the PIMCs as they had to pay tax on bulk imports as opposed to when they would pay tax only for products retailed.

Increased supply chain control was used to a high extent (mean of 4.000), while increased distribution chain control, human resource development and 3 service level agreements had means of averaging 3.0000 (a fairly high extent). Mergers were not used at all (mean of 1.0000).

High standard deviations indicated wide disparity in the distribution of the responses across PIMCs. Other than the logistical parameters of increased supply chain control and distribution chain control that have high scores on all the strategic responses, HRD grew in significance with respect to the upfront tax payment requirement. An improved workforce spells increased sales revenues and lower overall costs increasing the margins and enhancing profitability.

From Figure 4.3.6(a) *below, the requirement that oil companies import* petroleum products through an open central tendering system was rated by 88.3% of the companies as having some impact on the companies' strategies with 41.2% having a high impact and the requirement that oil companies meet over 60% of their needs by processing crude at the Kenya Pipeline Refinery Limited had 52.9% of the firms registering a great extent of influence;

4.3.6 The impact of the legislative requirements on the companies

Figure 4.3.6(a)

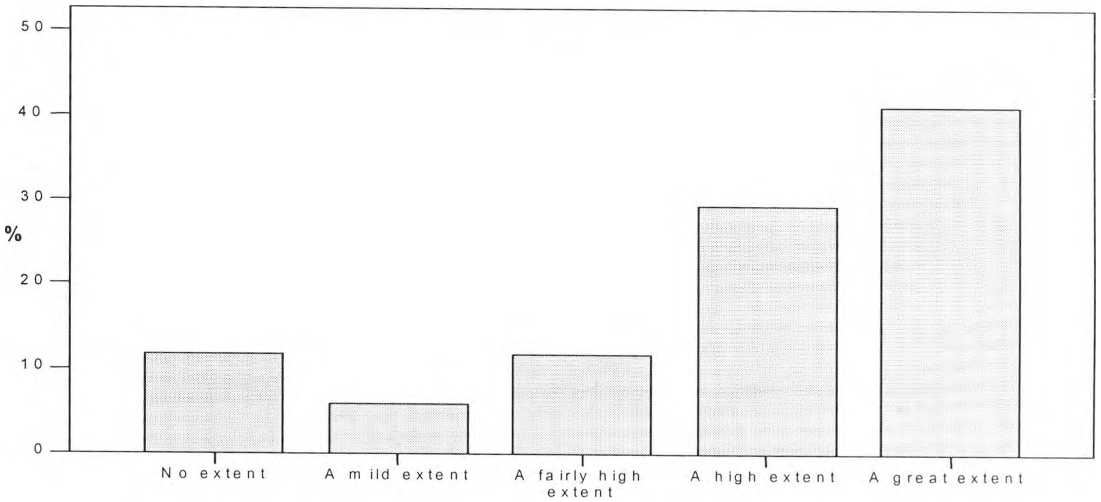


Figure 4.3.6(b)

Figure 4.3.6(c).

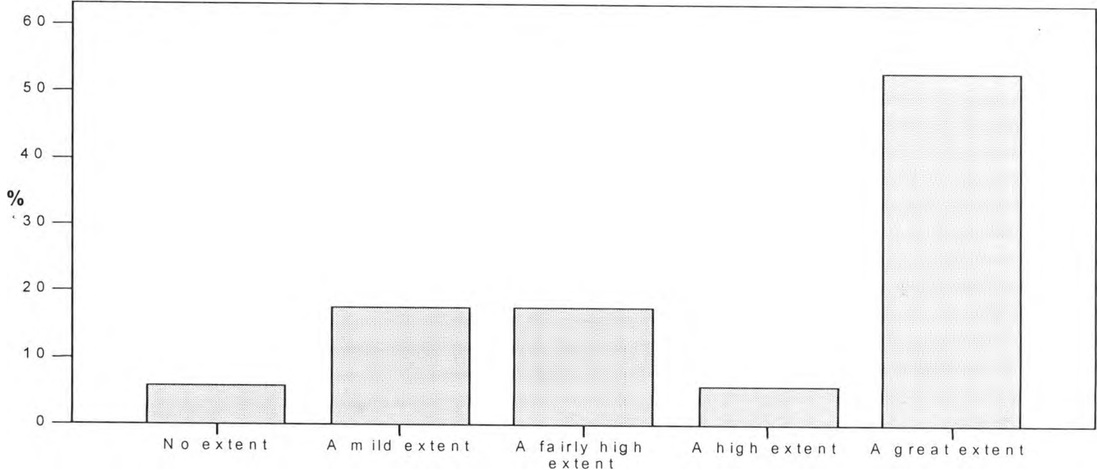


Figure 4.3.6(d)

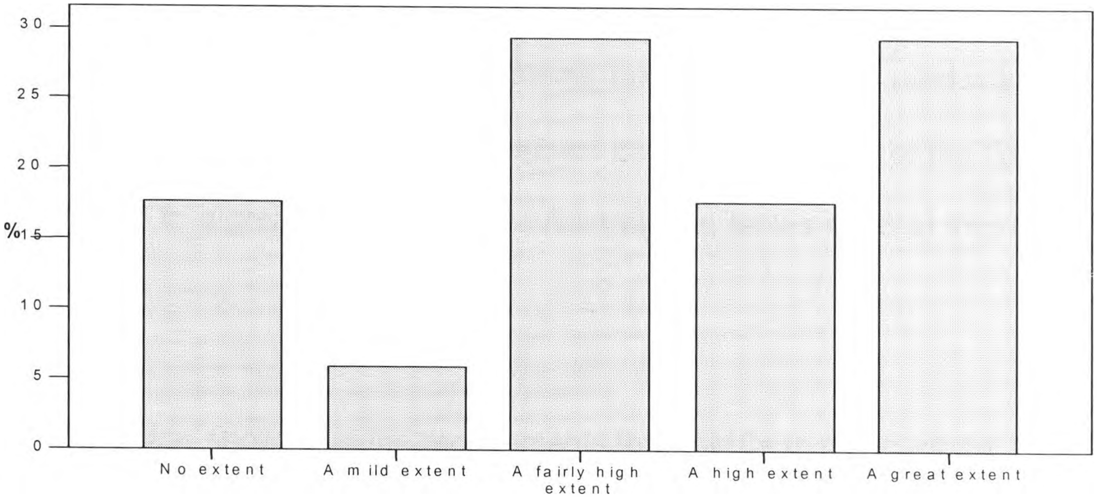


Figure 4.3.6(e)

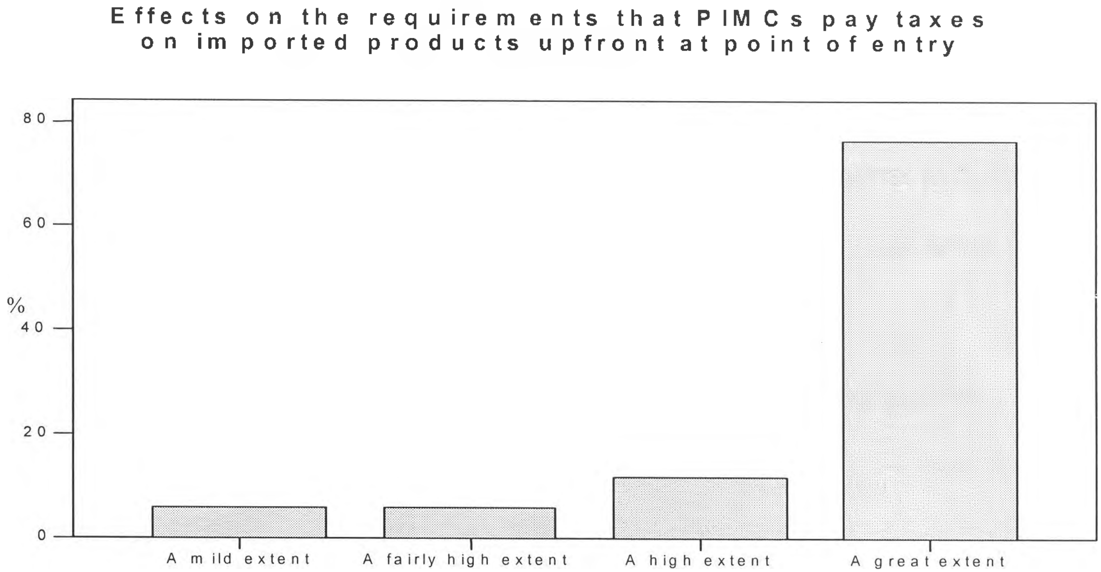


Figure 4.3.6(b) shows that the requirement that petroleum products imported into the country can only be offloaded at the KPC terminal also had 52.9% of the firms being influenced to a great extent; The requirement that PIMCs maintain specific stock levels was rated as having the least effect overall while the requirement that PIMCs to pay customs taxes on imported products in advance at the point of entry had the highest impact with 76.5% of the firms being affected to a great extent. This are illustrated in tables 4.3.6(a) through to (e).

Table 4.3.6 below shows that the requirements that PIMCs to pay customs taxes on imported products in advance at the point of entry influenced the PIMCs to a great extent (had the highest mean of 4.588) followed by the requirement that oil companies meet over 60% of their needs by processing

crude at the KPRL (a high extent, mean of 4.235). The requirements that oil companies import petroleum products through an open tendering system and that petroleum product's imported into the country can only be offloaded at the Kenya Pipeline Company terminal in Mombasa were at par (3.824) while the requirement for PIMCs maintain specific stock levels was the lowest at 3.353. The taxation requirement had a high financial impact; for the smaller firms,

Table 4.3.6 Statistical representation of how the various legislative requirements impact on the companies

Strategic Responses	N	Mean	Std. Deviation
Valid N (listwise)	17		
Company effects on the requirements PIMCs maintain specific stock levels	17	3.353	1.45521
Company effects on the requirements that oil companies import petroleum products through an open tendering system	17	3.824	1.38000
Company effects on the requirements that petroleum products imported into the country can only be offloaded at the Kenya Pipeline Company terminal in Mombasa	17	3.824	1.42457
Company effects on the requirement that oil companies meet over 60% of their needs by processing crude at the Kenya Pipeline Refinery limited	17	4.235	1.09141
Company effects on the requirements that PIMCs to pay customs taxes on imported products in advance at the point of entry	17	4.588	0.87026

refinancing was the only option out, implying higher costs on interest payments. The impact on revenues was significant because taxes were to

be paid for goods not yet sold. The corresponding high impact of the KPRL requirement may have had to do with the supply bottlenecks that would result; this was further compounded by the requirement to offload only at the KPC terminal.

4.4 The second objective was to establish what factors influence the strategic responses for each company.

The aim of this section was to ascertain those factors that had the greatest influence on PIMCs strategic response. Data was captured using a set of 20 predetermined generic factors whose impact was ranked using a five point Likert scale.

From Table 4.4 below financial capability, with a mean of 4.5294 exerted a great extent of influence. Its standard deviation of 0.62426 implied a low variation of the respective scores about the mean, thus indicating a high clustering of the responses about the region of 4 (a high extent) and 5 (a great extent). This means that most of the PIMCs found this factor to be a significant challenge. Shareholder value and profitability were significant influencers on strategies. Buyer and supplier bargaining powers, company overheads and strategy had similar influencing patterns across the scores and were significant factors affecting the strategies.

Industry rivalry, company and company vision/ were factors that had a fair to high extent of influence and which demonstrated close clustering about the mean. Threat of new entrants and threat of substitute products registered non-responses.

Table 4.4 Extent to which the below factors influence strategic responses.

Factors	N	Mean	Std. Deviation
Valid N (Listwise)	17		
Threat of substitute products	17	2.7647	23.09523
Environment considerations	17	2.9412	1.34493
Company image	17	3.1176	1.26897
Quality culture	17	3.1176	1.36393
Local political environment	17	3.2941	1.04670
Product portfolio diversity	17	3.2941	1.40378
Advances in technology	17	3.3529	1.27187
Parent company global strategy	17	3.3529	1.41161
Company vision/mission	17	3.4706	.94324
Bargaining power of suppliers	17	3.5294	1.17886
Threat of new entrants	17	3.5882	22.87177
Bargaining power of buyers	17	3.7059	1.15999
Market share	17	3.7647	1.30045
Survival tactics	17	3.7647	1.09141
Industry rivalry	17	3.8235	.88284
Company overheads	17	3.8824	.92752
Increased shareholder value	17	3.8824	1.21873
Entry/exit barriers	17	4.0000	1.06066
Profitability	17	4.1176	1.05370
Financial capability	17	4.5294	.62426

Environmental concerns were the least influential factors followed by the threat of substitute products. Threat of substitute products had the lowest mean of 2.7647. Most of the variables had means that averaged at around 3.0000 and 4.0000. Standard deviations were generally high, indicating a wide dispersion of the individual scores across the firms. The low standard deviation for financial capability indicates that this was the most critical factor influencing strategic responses across the industry.

Evidently, the firms financial ability would determine whether or not it could say, increase its minimum stock holdings, pay taxes upfront and still be able to operate efficiently on the higher fixed/variable cost base. All the five legislative requirements entailed a increased operational cost base. Firms with deep wallets were able to meet their needs without much financial juggling-smaller outfits however needed to refinance, which entailed higher costs. That financial performance was a concern is seen in the high ratings profitability, increased shareholder value and company overheads received.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings and draws conclusions relevant to the research.

5.2 Summary of Findings

The first objective of the research was to determine strategic responses of PIMCs in response to Government legislative changes. All the strategic responses that were indicated were used to some or other extent by the various companies.

With regard to the first legislation, that is, the Government requirement that oil companies import petroleum products through an open central tendering system, service level agreements with suppliers and distributors were used to a high extent mainly due to the fact that most of the small companies operate through hospitality arrangements with the bigger oil companies. As such, such arrangements became more important owing to the need to comply with the new regulation and avoid punitive penalties.

The requirement that oil companies meet over 60% of their needs by processing crude at the KPRL, supply chain control was popular as it is a logistical parameter; since bulk processing locks in the product, efficient logistics would ensure rapid diffusion of the processed oil into the market, compensating for any processing delays; the additional hospitality arrangements and service level agreements serve to reduce the overhead cost of the logistics or improve reliability and consistency.

The legislation requiring petroleum products imported into the country can only be offloaded at the Kenya Pipeline Company terminal in Mombasa had scattered responses favouring increased supply chain and distribution chain controls. Joint distribution arrangements and service level agreements also scored highly. Whereas joint distribution arrangements and service level agreements emanate from the hospitality arrangements mentioned earlier, the desire for increased supply chain control reflect the need for backward integration that would ensure constant supply of the oil product. Increased distribution chain control would enable the organization to control outlet demand and match it to its supply capacity preventing planning shortages.

Regarding legislation requiring PIMCs to maintain specific stock levels, increased supply chain control and increased distribution chain control were used to a high extent. This could be due to their being core capabilities in enabling sufficient stocking levels, that is, firms can include the products in the supply and distribution chains as stock held, thus facilitating compliance.

Market development and penetration were also used in relation to this objective. This can be explained by the need to increase revenues and earnings to compensate for the higher fixed overhead costs that increased stock will entail.

The Government legislation requiring PIMCs to pay customs taxes on imported products in advance at the point of entry had seven of the strategic responses registering usage to a fairly high extent. Increased supply chain control was used to a high extent (mean of 3.5294) while mergers were the least used (mean of 1.4706). The high prominence of all the strategic responses indicates the need to optimize on all available options in order to reduce costs or increase revenues to counter the higher financial constraints imposed by increased taxes.

The second objective was to determine the factors that influenced the given strategic responses. The findings indicated that financial capability was the factor that most influenced the strategic responses of the companies. This may be because most of the responses required financial muscle for the company to cope, for instance, upfront taxation and given stock levels. Profitability was also significant largely due to its influence on financial capability and the leverage that the latter provides. Entry/exit barriers may have been of high significance owing to the implication of few competitors in a highly capital intensive industry, meaning increased shareholder value for those that persevered.

Industry rivalry, mainly in form of competitor response to the strategic responses was a significant factor; evidently, the companies need to react to the threat posed by their competitors-failure to do so will result in loss of market share and shareholder value among others. Environmental considerations were of the least significance in influencing the strategic responses. This may be largely due to the fact that none of the legislations had an environmental impact.

One major multinational oil company cited KRA delays with duty refunds, Lack of adequate storage and KPC Mombasa for imports as factors influencing its strategic responses to Government legislative changes. Another major cited product adulteration, security concerns, infrastructure development and governance issues as influencers. Other firms cited monetary policies in exchange rate controls/levels, the requirement for transit volumes to be out in 45 days and access to modern banking promises such as collateral management agreements, industry lobbying, KRA flow meters at SOT, debonding at SOT and export points designation.

5.3 Limitations of The Study

Non-responses were frequently encountered in the questionnaires. These resulted from either deliberate refusal to respond or inability of the respondent to understand the information being sought. The researcher was unable to

administer the questionnaire through interviews due to lack of availability of the respondents.

5.4 Recommendations for further research

In depth case studies can serve to reveal detailed information about specific companies. This can be done regarding the strategic response options. For instance a study can be done to evaluate intensive growth strategies or diversification growth and how they are used in given firms and the correlation with firm performance measures such as profitability and shareholder value. Additionally, the factors influencing given strategic responses are not exhaustive; further inquiry could be conducted to determine additional factors or isolate the critical factors.

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Appendix One

Complimentary Letter to the Respondent

University of Nairobi
School of Business
P. O. Box 30197
Nairobi
27 November 2006

Dear Sir/Madam,

I am a graduate student at the School of Business, University of Nairobi. In fulfilment of the requirements for attaining my degree, I am currently conducting a management research whose theme is to determine strategic responses of Kenyan Petroleum Importing and Marketing Companies (PIMCs) to changes in Government legislation.

To this end, I kindly request you to fill out the attached questionnaire to the best of your knowledge and as soon as you can to facilitate this research. I would like to assure you that all information provided will be used solely for the purpose of this research; be treated with the utmost confidence and in no way will the name of your institution be implicated in the research findings.

Your cooperation is highly appreciated. Thanking you in advance.

Yours respectfully,

George N. Kahira: ____________________

Mr. J. Maalu (Supervisor): ________________________

Appendix Two

Questionnaire

Part I

1. Name of your Company (optional). ______________________

2. Please indicate the ownership composition of your Company

   [ ] Local; [ ] Part-local/part-foreign; [ ] Foreign owned

3. Do you have any Government shareholding in your firm?

   [ ] Yes ; [ ] No

4. Kindly indicate whether your company is:

   [ ] Private owned; [ ] Part private/part public

   [ ] Public owned; [ ] Parastatal

5. Is your company listed on the Nairobi Stock Exchange?

   [ ] Yes ; [ ] No

6. Indicate below the best representation of your company's size in terms of the number of staff.

   [ ] Below 10 [ ] 10-50; [ ] 50-250; [ ] Above 250

7. Using a scale of **1** to **5** where,

1 = no extent at all; 2 = a mild extent; 3 = a fairly high extent;

4 = a high extent; 5 =a great extent,

rank the extent that your organization used the responses below, in response to the Government requirement that oil companies import petroleum products through an open central tendering system.

Strategic Response	**Rank** 1	2	3	4	5
Forming supply subsidiaries					
Human resource development					
Increased distribution chain control					
Increased supply chain control					
Joint distribution arrangements (hospitality)					
Joint supply arrangements (hospitality)					
Market development (same products-new markets)					
Market penetration (same products-same markets)					
Mergers					
Product development (new products-same markets)					
Quality drive					
Service level agreements with suppliers/distributors					

8. Using a scale of **1** to **5** where,

1 = no extent at all; 2 = a mild extent; 3 = a fairly high extent;

4 = a high extent; 5 =a great extent,

rank the extent that your organization used the responses below, in response to the requirement that oil companies meet over 60% of their needs by processing crude at the Kenya Pipeline Refinery Limited.

Strategic Response	Rank 1	2	3	4	5
Forming supply subsidiaries					
Human resource development					
Increased distribution chain control					
Increased supply chain control					
Joint distribution arrangements (hospitality)					
Joint supply arrangements (hospitality)					
Market development (same products-new markets)					
Market penetration (same products-same markets)					
Mergers					
Product development (new products-same markets)					
Quality drive					
Service level agreements with suppliers/distributors					

9. Using a scale of **1** to **5** where,

1 = no extent at all; 2 = a mild extent; 3 = a fairly high extent;

4 = a high extent; 5 =a great extent,

rank the extent that your organization used the responses below, in response to the requirement that petroleum products imported into the country can only be offloaded at the Kenya Pipeline Company terminal in Mombasa.

	Rank				
Strategic Response	**1**	**2**	**3**	**4**	**5**
Forming supply subsidiaries					
Human resource development					
Increased distribution chain control					
Increased supply chain control					
Joint distribution arrangements (hospitality)					
Joint supply arrangements (hospitality)					
Market development (same products-new markets)					
Market penetration (same products-same markets)					
Mergers					
Product development (new products-same markets)					
Quality drive					
Service level agreements with suppliers/distributors					

10. Using a scale of **1** to **5** where,

1 = no extent at all; 2 = a mild extent; 3 = a fairly high extent;

4 = a high extent; 5 =a great extent,

rank the extent that your organization used the responses below, in response to the Government legislation requiring PIMCs to maintain specific stock levels.

Rank

Strategic Response	**1**	**2**	**3**	**4**	**5**
Forming supply subsidiaries					
Human resource development					
Increased distribution chain control					
Increased supply chain control					
Joint distribution arrangements (hospitality)					
Joint supply arrangements (hospitality)					
Market development (same products-new markets)					
Market penetration (same products-same markets)					
Mergers					
Product development (new products-same markets)					
Quality drive					
Service level agreements with suppliers/distributors					

11. Using a scale of **1** to **5** where,

1 = no extent at all; 2 = a mild extent; 3 = a fairly high extent;

4 = a high extent; 5 =a great extent,

rank the extent that your organization used the responses below, in response to the Government legislation requiring PIMCs to pay customs taxes on imported products in advance at the point of entry.

Strategic response	**Rank**				
	1	**2**	**3**	**4**	**5**
Forming supply subsidiaries					
Human resource development					
Increased distribution chain control					
Increased supply chain control					
Joint distribution arrangements (hospitality)					
Joint supply arrangements (hospitality)					
Market development (same products-new markets)					
Market penetration (same products-same markets)					
Mergers					
Product development (new products-same markets)					
Quality drive					
Service level agreements with suppliers/distributors					

12. Using a scale of **1** to **5** where,

1 = no extent at all; 2 = a mild extent; 3 = a fairly high extent;

4 = a high extent; 5 =a great extent,

rank the extent to which the Government regulations below have affected your company:

[ ] The requirement that oil companies import petroleum products through an open central tendering system.

[ ] The requirement that oil companies meet over 60% of their needs by processing crude at the Kenya Pipeline Refinery Limited.

[ ] The requirement that petroleum products imported into the country can only be offloaded at the Kenya Pipeline Company terminal in Mombasa

[ ] The requirement that PIMCs maintain specific stock levels

[ ] The requirement that PIMCs to pay customs taxes on imported products in advance at the point of entry.

13. Using a scale of **1** to **5** where,

1 = no extent at all; 2 = a mild extent; 3 = a fairly high extent;
4 = a high extent; 5 =a great extent,

kindly rank the extent to which the below factors influence your organizations strategic responses to Government legislative changes.

Factors	**Rank** 1	2	3	4	5
Advances in technology					
Bargaining power of buyers					
Bargaining power of suppliers					
Company image					
Company overheads					
Company vision/mission					
Entry/exit barriers					
Environment considerations					
Financial capability					
Increased shareholder value					
Industry rivalry					
Local political environment					
Market share					
Parent company global strategy					
Product portfolio diversity					
Profitability					
Quality culture					
Survival tactics					
Threat of new entrants					
Threat of substitute products					

Question 13 (continued):

Kindly indicate and rank any other factors that influence your organizations strategic responses to Government Legislative changes below

Factors	Rank 1	2	3	4	5

Thank you for your co-operation and assistance in helping complete the above questionnaire

Appendix Three

List of Petroleum Importing and Marketing Companies in Kenya (in alphabetical order)

	Company Name	H/O Location
1	Addax (Kenya) Limited	Nairobi
2	Caltex (Kenya) Limited	Nairobi
3	Dalbit Petroleum Limited	Nairobi
4	Engen (Kenya) Limited	Nairobi
5	Fossil Fuels Limited	Nairobi
6	Fuelex (Kenya) Limited	Nairobi
7	Galana Oil (Kenya) Limited	Nairobi
8	Gapco (Kenya) Limited	Nairobi
9	Global Petroleum Limited	Nairobi
10	Hashi Empex Petroleum Limited	Nairobi
11	Hass Petroleum Limited	Nairobi
12	Intoil Limited	Nairobi
13	Kenol Petroleum Limited	Nairobi
14	Kobil Petroleum Limited	Nairobi
15	Mafuta Products Limited	Nairobi
16	Metro Petroleum Limited	Nairobi
17	Mobil (Kenya) Limited	Nairobi
18	Moil Kenya Limited	Nairobi
19	National Oil Corporation of Kenya	Nairobi
20	Oilcom (Kenya) Limited	Mombasa
21	Petro Oil (Kenya) Limited	Nairobi
22	Petro Plus Africa (Kenya) Limited	Nairobi
23	Shell BP (Kenya) Limited	Mombasa
24	Somken Limited	Nairobi
25	Tecaflex Limited	Nairobi
26	Total (Kenya) Limited	Nairobi
27	Triton Petroleum Co. Limited	Nairobi