CHALLENGES OF GLOBALIZATION AND ITS EFFECT ON OIL DISTRIBUTORS AT THE GALANA OIL KENYA LIMITED

BY:

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DECLARATION

I declare that this research project is my original work and has not been presented for a degree or any other academic award in any institution of learning.

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REG NO: D61/70219/2007

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

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Lastly I would like to thank all those not mentioned by name that contributed and participated in one way or the other to make this work a complete whole. I wish them God's blessing, continued health, success and happiness.

DEDICATION

To my Husband

Robert Oduor

My Daughter

Olivia Adhiambo Oduor....

May this project inspire you to excel

To my sister Wendy Atieno

For all the support received towards this project ·

ABSTRACT

This study set out to determine the challenges faced by firms in the Kenyan Oil industry that are as a result of globalization. It also sought to determine if the price controls imposed by the Kenyan Government on Oil Marketing Companies would be realistic in the long run.

The study employed a case study approach. The target population included five senior managers of Galana Oil Kenya Limited. Primary data was collected by way of interviews with respondents. Of the target population, 4 interviews were successfully carried out, representing an 80% response rate. Data analysis was started immediately after the fieldwork. Data was summarized into frequencies and percentages and presented in bar graphs and tables.

The study found that the challenges faced by marketers included compliance with global regulations as opposed to national regulations which ultimately led to loss of revenue, fines and penalties being imposed on them and changes in the political and fiscal regimes in which they traded meaning that carefully laid out strategies would have to be re-thought and re-analyzed.

The study findings also pointed to the fact that price controls imposed on Oil Marketing Companies were not realistic in the long term mainly because the oil industry is a volatile market whose prices are affected by various factors both internationally and locally. Since the price of oil is heavily dependent on the international market it therefore cannot be captured keenly by the price control bodies. The price control mechanism used by the Kenyan Government did not take into account some aspects of the business such as demurrage which is a real cost for the Oil Marketers. The pricing model also uses historical stock holding as the basis for current pricing,

yet stocks are constantly being brought into the country. Lastly the pricing model does not recognize investments in retail stations as contributing to business performance of Oil Marketers, hence stifling new business ventures into the retail market.

The study also revealed that there were opportunities associated with globalization which included the chance to do business in other markets. Information accessibility in the market thus making the process of decision making much easier and faster was another noted opportunity, followed closely by access to high quality fuels and an increased number of suppliers meant better delivery performance. Another opportunity was the ability to source for products competitively. It is recommended that a similar study be carried out in a multinational oil company to test whether the same theory would hold true.

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CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

There are various environmental factors which can impact the businesses in an economy. These environmental factors can be categorized into external and internal environment of the businesses. The internal environment of the company includes the factors which are within the company and under the control of company like product, organizational culture. leadership, and manufacturing (quality). On the other hand, the external factors are not under the control of the company and include social environment, globalization, political conditions and suppliers, competitors of the company, government regulations and policies, resources in an economy and demographics of customers (Berry and Rondinelli, 1998).

Although an early description of globalization was penned by the American entrepreneur-turned-minister Charles Taze Russell who coined the term 'corporate giants' in 1897, it was not until the 1960s that the term began to be widely used by economists and other social scientists and had achieved widespread use in the mainstream press by the later half of the 1980s. Since its inception. the concept of globalization has inspired numerous competing definitions and interpretations (Hopkins. 2004)

1.1.1 Global Business Strategy

Global Business Strategy can be defined as the business strategies engaged by the businesses, companies or firms operating in a global business environment and serving consumers throughout the world. Global business strategies are closely related to the business developing strategies adopted by businesses to meet their short and long term objectives. The short term goals of the business would be related to improving the day-to-day operations of the company while the long term objectives are generally targeted towards increment of the profits, sales and earnings of the company in the long run ensuring growth and stability of the business and dominance over the national or regional market.

This is essentially the point where a global business strategy differs from a national business development strategy as different other factors such as product standardization and adaptation come in. The factors of product differentiation and diversification are relevant in the case of both national and global business strategy in the wake of rising competition in both the national and international market. Global business strategies have emerged as a result of globalization and internationalization of established domestic companies which is purported to increase the value of the company in question. Increasing pressure of globalization and the rising global competition have prompted managers and academicians to rethink the formulation of global business strategy. As previously mentioned, global business strategies rests on two pillars of standardization and adaptation which have been in severe conflict in the recent years. This debate have been backed by

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Standardization of production by firms who engage in global business entails producing the same product for the national as well as the international markets with only minor changes in attributes. This is mainly explained by the fact that basic human needs are the same in all countries across the world. This strategy to expand the global business has been supported by personalities such as Levitt, Buzzell, Yip, Loewe and Yoshino. The concept of standardization first emerged in the 1960's and then again resurfaced in the 1980's and it has been adopted very effectively by many Japanese and European firms which have experienced higher levels of product and process innovations which in turn have acted as source of comparative advantage for these companies in the international market.

The arguments in favor of the global business strategy of standardization include the fact that the organization benefits from the economies of scale accruing to the company with it being able to produce in large quantities using more or less the same techniques of production. It also preserves the image of the home country which houses the global corporation since it helps in minimizing the costs of alteration, design or modification, handling and stocking the product, speeding up delivery systems. This helps in saving the managerial time and effort to take decisions regarding the manufacture of different products. Lastly it helps in faster accumulation of the learning experience as fallout of the learning-by-doing approach.

At the opposite end of the spectrum, advocates of the strategy of market orientation using the techniques of adaptation or local adaptation argue that while basic human needs may be similar everywhere, standardization may not be the word as differences in cultural and other environmental factors significantly influence the buying pattern of people in different countries. Supporters of this theory include Boddewyn, Soehl Picard, Douglas, Sommers and Kernan.

Global Business strategies are a field of study effectively addressed by the interdisciplinary issues of marketing, organization theory, business strategy and international management and concentrates on maximizing the firm performance. It depends on choosing a global strategy that is apt for the set of circumstances facing each business. Choosing an international strategy, be it standardization or adaptation is contingent upon the ability of the firm to suit its marketing strategy and the external environment. A conceptual contingency framework is often theorized between the critical variables of the business such as high sales revenue, capacity utilization and specific relationships between these variables and their effective implementation can lead to high levels of performance. One of the key features affecting global business strategies is the effect of the WTO (World Trade Organization) rules on trade in goods and services, Foreign Direct Investment and Intellectual Property Rights. These affect crucial business interests and negotiations and agreements between developed countries have an impact on the current burning issues such as AIDS, environmental protection and climate change, global security and international migration.

1.1.2 Challenges of Globalization

Globalization poses four major challenges that will have to be addressed by governments, civil society, and other policy actors. One is to ensure that the benefits of globalization extend to all countries. That will certainly not happen automatically. The second is to deal with the fear that globalization leads to instability, which is particularly marked in the developing world. The third challenge is to address the very real fear in the industrial world that increased global competition will lead inexorably to a race to the bottom in wages, labor rights, employment practices, and the environment. And finally, globalization and all of the complicated problems related to it must not be used as excuses to avoid searching for new ways to cooperate in the overall interest of countries and people.

The advance of globalization has not been a smooth or a pain-free process. The changes it has caused, or is perceived to have caused, have spurred a political backlash--dramatically evident in the street protests that plagued the WTO ministerial in Seattle. Two of the most common complaints against globalization are that it has undermined labor and environmental standards, and that it has exacerbated the gap between rich and poor, both among and within countries.

Critics of globalization warn of a destructive "race to the bottom," as advanced nations are forced to weaken labor and environmental standards to compete with less-regulated producers in developing nations. This theory rests on the assumption that lower standards give LDCs a significant advantage in attracting global capital and gaining export markets at the expense of more developed countries. The Organization for Economic Co-operation and Development (OECD) has found that, in practice, a lack of core labor standards plays no significant role in attracting foreign investment or in enhancing export performance. The OECD did find strong evidence "that there is a positive association over time between sustained trade reforms and improvements in core standards."

In other words, trade liberalization encourages higher standards, not lower standards. If anything, the real race may be toward the top. For reasons of internal efficiency as well as public perceptions, multinational companies tend to impose higher standards on their overseas production plants than those prevailing in local markets, thus raising average standards in the host country. Free trade and domestic liberalization--and the faster growth they create--are the best ways to encourage higher standards. As per capita incomes rise in less developed countries, so does the domestic political demand for higher standards, and the ability of the productive sector to pay for them. Punishing LDCs with trade sanctions would only cripple their long-term ability to raise domestic labor and environmental standards.

1.1.3 Concept of Globalization

Globalization can be defined as "the changes in societies and the world economy that result from dramatically increased international trade and cultural exchange". Globalization is the diminution or elimination of state-enforced restrictions on exchanges across borders and the increasingly integrated and complex global system of production and exchange that has emerged as a result (Palmer, 2002). Sassen (2006) intimates that a good part of globalization consists of an enormous variety of micro-processes that begin to denationalize what had been constructed as national - whether policies, capital, political subjectivities, urban spaces, temporal frames, or any other of a variety of dynamics and domains. The term can also refer to the transnational circulation of ideas, languages, or popular culture through acculturation. Taking a holistic view, Joshi (2009) defines globalization as 'the increasing economic integration and interdependence of national economies across the world through a rapid increase in cross-border movement of goods, service, technology, and capital. Globalization describes an ongoing process by which regional economies, societies, and cultures have become integrated through a globe-spanning network of communication and execution.

The term also refers to economic globalization which means the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology (Bhagwati, 2004). However, globalization is usually recognized as being driven by a combination of economic, technological, socio-cultural, political and biological factors. Fotopoulos (2001) argues that globalization is the result of systemic trends manifesting the market economy's grow-or-die dynamic, following the rapid expansion of transnational corporations and because these trends have not been offset effectively by counter-tendencies that could have emanated from trade-union action and other forms of political activity, the outcome has been globalization. This is a multi-faceted and irreversible phenomenon within the system of the market economy and it is expressed as: economic globalization, namely, the opening and deregulation of commodity, capital and labor markets which led to the present form of neoliberal globalization; political globalization, i.e., the emergence of a transnational elite and the phasing out of the all powerful-nation state of the statist period; cultural globalization, i.e., the worldwide homogenization of culture; ideological globalization; technological globalization; social globalization.

However, as outlined above, globalization is much more than an economic phenomenon. The technological and political changes that drive the process of economic globalization have massive noneconomic consequences. For instance, the rapid increases in global integration in the second half of the 19th century and early 20th century were driven by the outbreak of peace in Europe and the invention of the telegraph, the steamship and the railroad. In the words of Giddens (2002: p 10), a leading sociologist, "globalization, as we are experiencing it, is in many respects not only new, but also revolutionary. ... Globalization is political, technological and cultural, as well as economic."

1.1.4 Kenya's Oil Industry

Petroleum is Kenya's major source of commercial energy and has, over the years, accounted for about 80% of the country's commercial energy requirements. Demand for oil in Kenya is quite small due to the country's underdeveloped economy, which is heavily dependent on labor intensive and rain-fed agriculture systems. The domestic demand for various petroleum fuels on average stands at 2.5 million tons per year, all of it imported from the Gulf region, either as crude oil for processing at the Kenya Petroleum Refineries Limited or as refined petroleum products.

Prior to liberalization in October 1994, hence opening the industry to globalization, a significant feature of Kenya's oil industry was a relatively high level of government's direct participation and a correspondingly low level of private sector involvement. Liberalization of the industry involved deregulation of retail prices of petroleum products and of the importation of crude oil and refined products. Seven marketing and distribution companies were responsible for procuring and importing their own oil and National Oil Corporation of Kenya was mandated to supply 30% of the crude oil requirement into the country.

Initially, the government's presence in the petroleum industry is presented by Kenya Petroleum Refineries Limited (owned by government and Essar Energy Overseas on a 50:50 equity holding); Kenya Pipeline Company Limited and Kenya Railways Corporation that's responsible for transportation of petroleum products from Mombasa to other parts of the country and neighboring countries and National Oil Corporation of Kenya.

Since liberalization, many new companies have been licensed by the government to engage in petroleum trading, especially import and export, wholesale and retail of petroleum products. Due to the volume of expenses incurred in importation of oil, the Kenyan government, since the second half of 1990s encouraged foreign interest in oil exploration in the country. However, after drilling 30 wells, there has been no evidence of exploitable petroleum reserves in Kenya. Currently there are more than 40 Oil Marketing Companies licensed in the country; some of which are: Libya Oil (K) Ltd, Total Kenya

Ltd, Engen Kenya Ltd, Kenya Oil Company Ltd, Kobil Petroleum Ltd, Galana Oil (K) Ltd, National Oil Corporation of Kenya, Hashi Energy Ltd, Gulf Energy Ltd, Prime fuels Group and a growing number of independent oil distribution companies that have sprung up since the liberalization of the sector.

Today with the dawn of a global market place drawing nation's closer together and increased interdependence, the world is ruled by crude oil prices. Net importers like Kenya normally benefit when crude prices crash on the world price list. To the contrary, skyrocketing world's crude prices and fuel shortages stall the oil industry in Kenya just as it was witnessed in mid 2008 when the world's oil price went up to USD 147 per barrel.

As a result of this there was concern from the Kenyan public that Oil Marketing Companies were taking them for a ride and the Kenyan Government decided to react. In the past six months from September 2010, there have been various regulatory changes that have affected the Kenyan oil market. One of these changes was the banning of private imports by oil marketing companies (OMC'S). The only supply into the country would be that that had been tendered and won in the open tender System (OTS).

Another significant change was the re-introduction of price controls by the government. The new regulations set limits on wholesale and retail prices of crude oil, natural gas, coal and other fuels and were imposed on importers of petroleum products, refineries, storage facilities, transporters and resellers.

There is enforcement of Open Tender System (OTS) where 70% of the ullage is reserved for local material.

Extensions on loading of transit material were scrapped. If an oil marketer has not managed to evacuate the entire volume allocated for export 30 days after warehousing the same, then that product will have to be localized(converted for use within the country) and penalties on the same will be charged.

1.1.5 Galana Oil Kenya Limited

Galana Oil Kenya Limited was established ten years ago in 2001 as a privately- owned company whose core business is importation, distribution and marketing of petroleum products in the East and Central Africa region. Galana Oil invests in petroleum imports and exports, bulk trading, distribution networks, and service stations. The company has exclusive rights to trade under the Delta brand name (under license from Delta Oil USA) in downstream marketing.

There are plans to expand the retail footprint in Kenya by acquiring existing stations or developing new sites. Galana Oil participates in the open tender system of importing products for the entire industry. It is committed to providing and distributing quality petroleum products to meet and exceed stakeholders' expectations through outstanding customer service delivery with great regard to the environment and have the vision of being the top oil marketer in Kenya.

Galana Oil has affiliates in Uganda, Rwanda, Democratic Republic of Congo (DRC), Burundi, and Tanzania. Galana Oil is keen to diversify its product portfolio to meet its regional growth ambition. Galana Oil Kenya Ltd's product range includes: White fuels; Unleaded Premium, Unleaded Regular, Kerosene and Diesel, Black fuels; fuel oil 180 centistokes (cSt) and Fuel oil 125 cSt, LPG, Bitumen and Jet AI. Its service stations offer services such as: car service and wash, and convenience stores). It has also recently added lubricants to its offering as the sole distributor in Kenya for the Emirates National Oil Company (ENOC)'s range of lubricants.

Galana Oil Kenya Limited is also a member of the Kenya's Petroleum Open Tender system (OTS) and has participated in the monthly industry tender to supply oil and petroleum products. Galana has participated severally in the OTS and won a number of tenders.

1.2 Research Problem

Global business strategy can be defined as the business strategies engaged by the businesses, companies or firms operating in a global business environment and serving consumers throughout the world.

Global Business strategies are a field of study effectively addressed by the interdisciplinary issues of marketing, organization theory, business strategy and international management and concentrates on maximizing the firm performance. It depends on choosing a global strategy that is apt for the set of circumstances facing each business.

Traditional national borders are becoming meaningless for the transfer of capital and ideas. Making countries' fates and prosperities tied to the global economy. This is exemplified by the oil industry which has witnessed firsthand the advent of a truly global market place where geographical borders are of diminishing relevance. The price of oil today is a world price determined transparently through the interaction of buyers and sellers in thousands of daily transactions. When it comes to the world oil markets and oil prices, its impact is reflected each day in world oil prices as the current incessant high oil prices are the result of complex interactions of many different factors.

Globalization and growing interdependence are creating new challenges for business. For the oil industry, the biggest challenge is to provide significantly more energy at reasonable costs; in a manner that is both safe and environmentally friendly. Global oil demand and supply fundamentals are not the only factors determining current prices. Other factors include geopolitical risks, tight global refining capacity and infrastructure bottlenecks, a multitude of boutique fuels and increased role of oil's forward market as a financial vehicle for investment and speculation.

Global business strategies are closely related to the business developing strategies adopted by businesses to meet their short and long term objectives. The short term goals of the business would be related to improving the day-to-day operations of the company while the long term objectives are generally targeted towards increment of the profits, sales and depends on choosing a global strategy that is apt for the set of circumstances facing each business.

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The great promise of globalization is not only to increase world economic activity, but also to spread prosperity to developing countries. Hence, more energy, particularly oil, will be required to fuel these growing economies yet difficulty is faced in meeting this expected increase in future demand compounded by the current constraints on the oil industry's ability to deliver energy to end-users. These constraints are the direct result of the low-price environment of the 1980s and 1990s which discouraged investment, thereby, setting the stage for the current tightness seen throughout the supply chain.

This study will be different in that it seeks to establish the impact and challenges of globalization on the Kenyan Oil industry by taking a look at Galana Oil Kenya Ltd. The study will thus answer the following research question:

What are the challenges faced by firms in the Kenyan oil industry that are as a direct result of globalization? Are the recent price controls imposed on Oil Marketing Companies realistic in the long run?

1.3 Objectives of the Study

The objective of the study will be to determine the effect of globalization on the oil industry in Kenya and will be guided be the following specific objective:

To determine the challenges of globalization on Galana Oil Kenya Limited.

1.4 Value of the Study

The study will educate and open the minds of the stakeholders in the oil industry including the regulators on the impacts of globalization on oil industry. The consumers will therefore understand why the cost of fuel is erratic while the regulators will formulize strategies that will cushion the firms in oil industry against the unstable global oil markets.

This study will be invaluable to the Government of Kenya for it will educate it on the dynamics of globalization on the oil industry in Kenya. By understanding such dynamics, the government will, thus, formulate policies that shield both consumers and traders within the industry from erratic changes oil prices influenced by globalization. As aforementioned, the oil industry as a whole will benefit from such regulations.

The study will form a good literature base upon which further studies and references will be based. Thus, the study will be of benefit to the Kenyan current and future scholars/academicians and researchers since it will broaden their knowledge on the impacts of globalization.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on determining the effect of globalization on oil industry in Kenya and it's divided into different sections which include Challenges of Globalization, Impacts of Globalization in African Countries, Impact of Globalization on Competitiveness of Firms and Effects of Globalization on Inflation.

2.2 Impacts of Globalization in African Countries

At the time when many markets were regulated and/or controlled, exporting goods and services into other markets was seemingly restricted (Hymer, 1970, Dunning, 1981 and Teece, 1985). This was because many countries were opposed to free trade (Todaro, 1989) as that might, among other things, lead to a potential loss of domestic production, jobs, income and adverse balance of payment. This stance adopted by some countries restricted the impact of globalization and, for that matter, also the impact of trade liberalization. Instead of allowing firms to export to most LDCs, governments restricted that act and encouraged manufacturers to come into a host country to do local production (Todaro, 1989 and Hennart, 1982). Having foreign firms to come and do local production in a host country would, for example, increase job opportunities, income, the transfer of skills and knowledge for the indigenous people.

The stance to restrict trade among nations could not be tenable over the years. Opening up the world economies for free trade, ever since the General Agreement for Tariffs and Trade (GATT) was established in 1947 and even during the discussion of Ricardo's 19th century trade relations, has been advanced as essential for all nations (Czinkota and Ronkainen, 2007, Harford, 2007 and Todaro, 1989). This is because an opened market o economy may gain from the efficiency and the growth benefits of free trade. An opene economy may also be able to substitute large world markets for its narrow domesti market.

Institutions such as the World Trade Organization (the successor of GATT), t International Monetary Fund (IMF), the World Bank, and regional economic blocs such the European Union (EU), and the North American Free Trade Association (NAFTA) a all agitating for free trade among nations. However, a total and a genuine free trade markets today is still far from a reality. Almost all industrial countries still have so trade barriers or subsidies, which protect their domestic firms from competition fr abroad; or have subsidies which help them enter foreign markets (Peng, Wang and Jia 2008, Harford, 2007, Human Development Report, 2004 and Beamish and Lu, 2004).

2.3 Impact of Globalization on Competitiveness of Firms

As foreign manufacturers need not undertake local production in many Least Devel Countries (LDCs) nowadays, if they choose to, they can still serve those markets goods and services exported into them, thanks to virtually no trade restrictions impos them. Chinese firms, for example, are said to have entered main markets of the world as Europe and North America with products ranging from auto parts and appliances to telecommunications (Czinkota and Ronkainen, 2007, p. 189). Also Chinese firms are said to have invaded Africa with their products. If indigenous firms in Africa do not go abroad to pre-empt competition there, their competitors will come into their domestic markets to compete with them or even pre-empt them. The forces of globalization and trade liberalization leave no firm in LDCs safe from foreign competition.

Positive with the forces of globalization and trade liberalization is that firms do not only have access to a larger number of markets, also goods and services, they are expected to operate in favorable environment where controls of all kinds are eliminated or minimized (Human Development Report, 2002 and World Development Report, 1994). But, in spite of the advantages of globalization and trade liberalization, most firms in the LDCs face enormous problems, which negatively affect their competitiveness. Example of such negative factors are the unfair trade among nations (Human Development Report, 2004), where in the spirit to influence competitiveness of firms, most industrial countries erect trade barriers and give subsidies to their firms in entering and operating in foreign markets (Beamish and Lu, 2004 and Human Development Report, 2002).

An enabling environment will translate into firms getting, for example, easy access to: most critical production inputs, from within or outside, at competitive prices, bank loans at competitive prices, efficient communication and transportation systems, and regular supply of electricity and water. And above all, there should be effective fiscal and monetary policies, which are conducive to, among other things, the conduct of business in an environment that is deeply involved in the processes of globalization and trade liberalization. Where the above conditions are lacking, as in the case of many LDCs, Kenya being no exception, the environment will be termed as being not 'enabling' (Kauda and Sorensen, 2001).

According to Wagner (2005), globalization and the accompanying market deregulation and liberalization process increasingly exposes private agents and governments to international competition on different levels or fields. In the private sector (on a microeconomic level), global economic integration leads to lower price markups and lower excess wage on all markets. "The disciplining effect of global financial markets applies ... to the private sector, by making it more difficult to sustain unwarranted price markups and non-productivity driven wage increases" (Citrin and Fischer, 2000, p. 27). This effect of globalization, however, will tend to result in one-time downward shifts in the price level rather than ongoing restraints on the rate of inflation.

2.4 Effects of Globalization on Inflation

Real and financial globalization has had an immerse effect on inflation. Real globalization in the sense of an increase in international trade or "openness" affects inflation, as has been discussed in recent years. The recent literature has identified openness as one of the countervailing forces that lessen the incentive to inflate. The argument which is originally due to Romer (1993) is that, the more open the economy, the smaller the real benefits of higher output from surprise monetary expansion, and thus the lower the equilibrium rate of inflation. As domestic output increases, the terms of trade worsen: the more open the economy, the larger the fraction of foreign goods in domestic consumption, and the greater the welfare loss from the terms of trade loss. In short, more open economies may be blessed with a lower incentive to inflate.

Here, however, we concentrate on the effects of financial globalization. Financial globalization in the sense of an increase in cross-border capital flows (portfolio investment as well as foreign direct investment) implies that the above explained locational competition between countries or regions gains in importance. Theoretical and empirical research has shown that (high) inflation is an undesirable locational factor and a locational disadvantage in a globalised world (Wagner, 2002). Inflation is regarded as a signal of bad policy and political and economic instability (Mankiw, 1999 and Rogoff and Reinhart, 2003). As bad policy and political and economic instability are relevant locational factors or disadvantages, this contributes to capital flight in a globalised economy. The costs of a capital drain stem from the fact that investors and (productive) mobile factors are the basis of economic growth. When firms and mobile capital leave the country (or region), this means a loss of (potential) production, a decrease in the (potential) output, an increase in unemployment and a decrease in productivity (particularly if, as is often the case, the most productive factors and the most innovative investors are the most mobile ones). This tendency for capital flight in the case of bad locational factors (such as high inflation) is stronger, the higher the integration and globalization of the financial markets is (Wagner and Berger, 2003). By contrast, the host country (recipient) profits from attracting foreign mobile capital. It profits from technology transfer, because foreign direct investment (FDI) allows the labor force in the host country to become better trained, and from profits and tax revenues.

Inflation, however, works like taxation. The real effective capital income tax rate rises as inflation increases (Feldstein, 1997). The effects on capital income taxes are a main mechanism by which the tax system becomes non-neutral to inflation. Therefore, governments, unless they are very myopic, when deciding about structural priorities, will consider the costs of a capital drain and of not being able to attract foreign capital which functions as a source of financing investments and economic growth. This insight (and the consequent change in behaviour) has found expression, for example, in the willingness of numerous governments all around the world to provide their central banks with greater legal independence. This trend towards increased central bank independence that has been witnessed in both industrialized and developing countries can be regarded as the most important inflation-decreasing effect of locational competition. This locational or institutional competition, which was described above as a characteristic or implication of globalization, tends to make institutions such as central bank independence into a "must" for a government in order to be able to sell bonds on the international financial markets, at least at a "reasonable" price.

The hypothesis that increasing locational competition reduces inflation pressure has also been modeled (Wagner, 2001). Inflation itself was caught there as the result of inefficient structural conditions. These inefficiencies, which supposedly can only be reduced by (costly) structural reforms, were considered to be the consequence of a (rational) delay of reforms. By increasing locational competition, an increase in globalization raises the costs of this delay of reforms, and hence of inflation. In a modified Calmfors (1998)-approach it was shown that globalization may increase the extent of (labor market) reforms and decrease inflation.

2.5 Challenges of Globalization

On the impact of globalization, there are two major concerns. The first major concern is that globalization leads to a more iniquitous distribution of income among countries and within countries. The second fear is that globalization leads to loss of national sovereignty and those countries are finding it increasingly difficult to follow independent domestic policies. According to Rangarajan (2006), these two issues have to be addressed both theoretically and empirically.

The argument that globalization leads to inequality is based on the premise that since globalization emphasizes efficiency, gains will accrue to countries which are favorably endowed with natural and human resources. Advanced countries have had a head start over the other countries by at least three centuries. The technological base of these countries is not only wide but highly sophisticated. While trade benefits all countries, greater gains accrue to the industrially advanced countries.

This is the reason why even in the present trade agreements, a case has been built up for special and differential treatment in relation to developing countries. By and large, this treatment provides for longer transition periods in relation to adjustment. However, there are two changes with respect to international trade which may work to the advantage of the developing countries. First, for a variety of reasons, the industrially advanced countries are vacating certain areas of production. These can be filled in by developing countries. A good example of this is what the East Asian countries did in the 1970s and 1980s. Second, international trade is no longer determined by the distribution of natural resources.

With the advent of information technology, the role of human resources has emerged as more important. Specialized human skills will become the determining factor in the coming decades. Productive activities are becoming "knowledge intensive" rather than "resource intensive". While there is a divide between developing and the advanced countries even in this area – some people call it the digital divide - it is a gap which can be bridged. A globalized economy with increased specialization can lead to improved productivity and faster growth. What will be required is a balancing mechanism to ensure that the handicaps of the developing countries are overcome (Rangarajan, 2006).

Apart from the possible iniquitous distribution of income among countries, it has also been argued that globalization leads to widening income gaps within the countries as well. This can happen both in the developed and developing economies. The argument is the same as was advanced in relation to iniquitous distribution among countries. Globalization may benefit even within a country those who have the skills and the technology. The higher growth rate achieved by an economy can be at the expense of declining incomes of people who may be rendered redundant. In this context, it has to be noted that while globalization may accelerate the process of technology substitution in developing economies, these countries even without globalization will face the problem associated with moving from lower to higher technology. If the growth rate of the economy accelerates sufficiently, then part of the resources can be diverted by the state to modernize and re-equip people who may be affected by the process of technology up gradation (ibid).

The second concern relates to the loss of autonomy in the pursuit of economic policies. In a highly integrated world economy, it is true that one country cannot pursue policies which are not in consonance with the worldwide trends. Capital and technology are fluid and they will move where the benefits are greater. As the nations come together whether it is in the political, social or economic arena, some sacrifice of sovereignty is inevitable. The constraints of a globalised economic system on the pursuit of domestic policies have to be recognized. However, it need not result in the abdication of domestic objectives. Another fear associated with globalization is insecurity and volatility. When countries are inter-related strongly, a small spark can start a large conflagration. Panic and fear spread fast. The downside to globalization essentially emphasizes the need to create countervailing forces in the form of institutions and policies at the international level. Global governance cannot be pushed to the periphery, as integration gathers speed.

In conclusion there are still numerous opportunities and threats in this industry and Galana Oil Kenya Limited has to engage itself in thorough evaluative techniques and come out strongly with strategies, which show that they are proactive rather than reactive.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter analyses the research design and data collection methods as well as the methods that were used for data analysis.

3.2 Research Design

This study was a case study since the main purpose of the study was to determine the challenges of globalization in Kenyan oil industry and its impact on Galana Oil Company. A case study is an in depth study of a particular situation rather than a sweeping statistical survey. It is a method used to narrow down a very broad field of research into one easily researchable topic or an empirical inquiry that investigates a phenomenon within its real-life context and can include quantitative evidence, relies on multiple sources of evidence and benefits from the prior development of theoretical propositions According to Kothari (1990) a case study is a powerful form of qualitative analysis with the unit of study being an institution, family, district, community, or person.

Case studies provide more realistic responses than a purely statistical survey and are flexible. However, by focusing on a narrow field, its results cannot be extrapolated to fit an entire question/population as it show only one narrow example.

3.3 Data Collection Techniques

The study relied mostly on primary data sources. Primary data was collected using interview guides administered on the research sample. An interview guide is a set of a research instrument consisting of a series of questions to be asked during an interview for the purpose of gathering information from the interviewees. The data was collected from five senior managers of Galana Oil Company Limited. The choice was based on their knowledge of globalization because of their positions in the Company and knowledge on the subject matter. The researcher booked an appointment with each of the senior managers upon where the interviews were conducted using an interview guide. To ensure that the interviewees were well prepared for the interview, the researcher sent all interviewees a copy of interview guide in advance.

3.4 Data Analysis

The data collected from the respondents was qualitative in nature. The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnect as was indicated by the respondents. This approach of analysis is preferred because it gives results that are predictable, directed, or comprehensive. Content analysis also enabled the researcher to sift through large volumes of data with relative ease in a systematic fashion. Moreover, the researcher also used the method for inferences to be made which enhanced a comparison of the different phenomena in the data collected.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents analysis of data analysis, findings and discussions. Section 4.2 gives the data summary. Section 4.3 discusses how the industry players make use of globalization as an opportunity and section 4.4 probes exactly how realistic price controls will be in the long run in the Kenyan market. Section 4.5 looks at the challenges faced by the Oil Marketers as a result of globalization.

4.2 Data Summary

A total of five interview guides were administered to the interviewees. The data was collected and analyzed. Presentation of data will take place in terms of tables. The respondents were first given the meaning of globalization to help make the interview process flow better. They were then asked to provide information on challenges faced by firms as a direct result of globalization. They were then asked to comment on whether or not the price controls imposed on Oil Marketing Companies were realistic in the long run. This was followed by a query on whether or not there were special risks stemming from business globalization and how Galana Oil Kenya Limited was dealing with them. Finally the interviewees were asked to give suggestions on how to overcome the challenges in the Kenyan Oil Industry.

Below is a table showing a summary of the responses received.

Table 4.1: Distribution of Respondents by Response Rate

	Issued	Returned	Not Returned	Total
Interview to Managers	5	4	1	5
Percent	-	**80.0**	**20.0**	**100.0**

Source: Researcher (2011)

Table 4.1 reveals that out of the 5 interview guides issued by the researcher to the respondents only 4 were returned for data analysis. This translated to 80% return rate which according to Orodho (2003) is considered to be high enough to generalize responses.

4.3 Globalization as an Opportunity

The researcher sought to find out from the interviewees how the industry players and Galana Oil Kenya Limited in particular view globalization as an opportunity. The results are shown in the table below.

Table 4.2: Distribution of Respondents by how industry players view globalization as an opportunity

	Frequency	Percent
Opportunity to do business in other markets	4	80.0
Ability to source for products competitively	3	60.0
Access to high quality fuels leading to better delivery performance	4	80.0
Local industries merging with upstream oriented companies	2	40.0
Easily available Information	4	80.0

Source: Researcher (2011)

Table 4.2 reveals that majority of the respondents (80.0%) indicated that the opportunity to do business in other markets was the greatest opportunity. They also sighted the ease of availability of information in the market (80.0%), thus making the process of decision making much easier. The table further reveals that access to high quality fuels, increased number of suppliers and better delivery performance (80.0%) were other added advantages of globalization. Another opportunity was the ability to source for products competitively

(60.0%). Local industries were able to merge with upstream oriented companies thus boosting their income and giving them access to lower priced products (40.0%). The findings imply that although globalization comes with challenges to the oil industry it also creates opportunity for business growth.

4.4 Effect of Price Controls in the Long Run

The researcher sought to find out if the price controls imposed on Oil Marketing Companies were realistic in the long term. The results are shown in the table below:

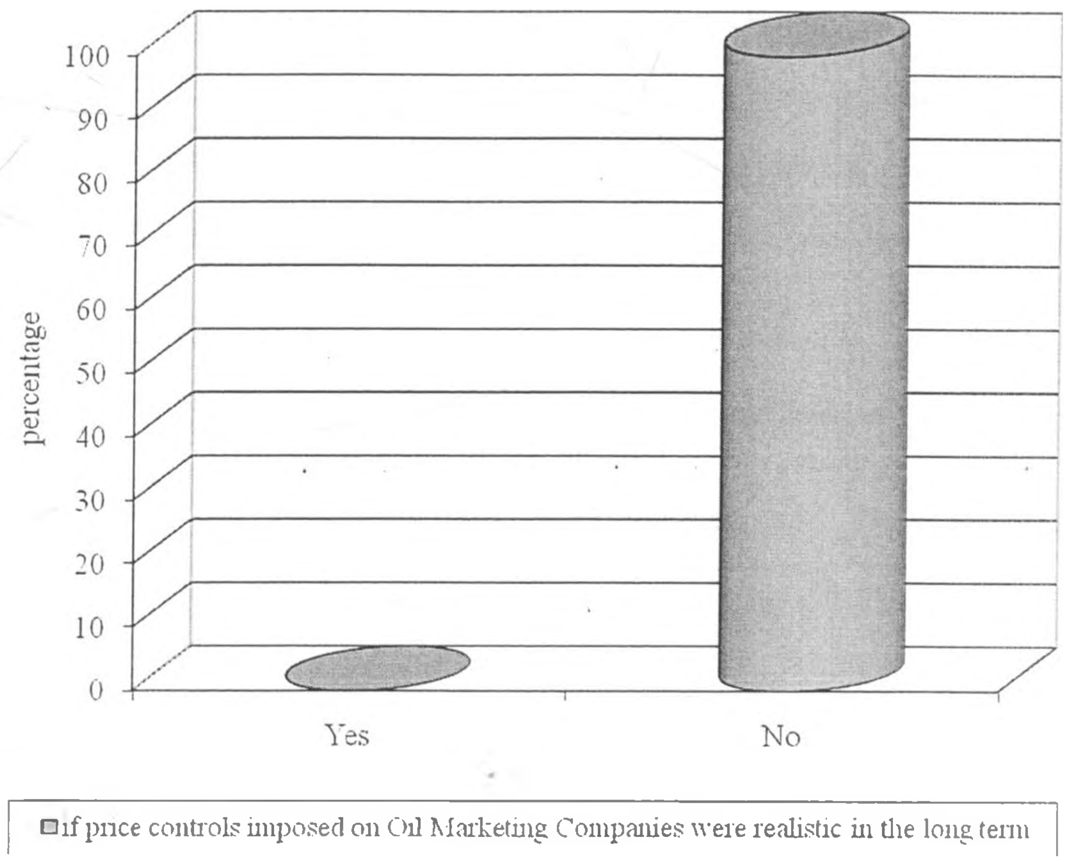

Figure 4.1: Distribution of Respondents by price controls imposed on oil marketing companies being realistic in the long term

From Figure 4.1 above all the respondents (100.0%) disagreed to price controls imposed on Oil Marketing Companies were realistic in the long term. There were various reasons given by the interviewees for this. The first was that the oil industry is a volatile market whose prices are affected by various factors both internationally and locally. The price of oil is heavily dependent on the international market and therefore cannot be captured keenly by the price control bodies.

The interviewees also indicated that the price control mechanism used by the Kenyan Government did not take into account some aspects of the business such as demurrage which is a real cost for the Oil Marketers in its costing. It also uses historical stock holding as the basis for current pricing, yet stocks are constantly being brought into the country.

The pricing model does not recognize investments in retail stations as contributing to doing business, hence stifles new business ventures into the retail market.

4.5 Special Risks Stemming from Globalization and Ways in Which Galana Oil Kenya Limited is addressing them

The researcher prodded the interviewees on whether there were special risks stemming from business globalization and how Galana Oil Kenya Limited was addressing them. The findings are shown in table 4.1.4 below:

Figure 4.1: Distribution of Respondents by price controls imposed on oil marketing companies being realistic in the long term

From Figure 4.1 above all the respondents (100.0%) disagreed to price controls imposed on Oil Marketing Companies were realistic in the long term. There were various reasons given by the interviewees for this. The first was that the oil industry is a volatile market whose prices are affected by various factors both internationally and locally. The price of oil is heavily dependent on the international market and therefore cannot be captured keenly by the price control bodies.

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The pricing model does not recognize investments in retail stations as contributing to doing business, hence stifles new business ventures into the retail market.

4.5 Special Risks Stemming from Globalization and Ways in Which Galana Oil Kenya Limited is addressing them

The researcher prodded the interviewees on whether there were special risks stemming from business globalization and how Galana Oil Kenya Limited was addressing them. The findings are shown in table 4.1.4 below:

Table 4.3: Special risks stemming from business globalization

	Frequency	Percent
Fast depreciation of the Kenya shilling	3	60.0
Competition	2	40.0
Better customer service and network expansion	3	60.0
Market share growth	1	25.0

Source: Researcher (2011)

Table 4.3 reveals that a big proportion (60.0%) of the interviewees indicated that foreign exchange risk especially in light of the rapidly depreciating Kenya shilling as a great risk facing Galana Oil Kenya Limited. Galana Oil Kenya Limited has however factored this in their costing to recover the same. They have also established liaison officers in different countries so as to trade in both international and local currencies.

Another 40.0% of the interviewees indicated global competition as a risk stemming from business globalization. However a large proportion (60.0%) of the interviewees indicated that Galana Oil Kenya Limited was offering better customer service and a wider network expansion in order to promote Galana Oil Kenya Limited's brand name and a relatively large proportion indicates presence and growth of market share (25.0%). The findings imply that globalization comes with its risks in the oil industry which the oil marketers must find a way of dealing with.

4.6 Steps taken by Galana Oil Kenya Limited to enhance safety awareness in the use of petroleum products

4.6.1 Safety campaigns through mass media

The researcher sought to find out if Galana Oil Ltd uses safety campaigns through media to enhance safety awareness in the use of petroleum products. The figure below shows the findings:

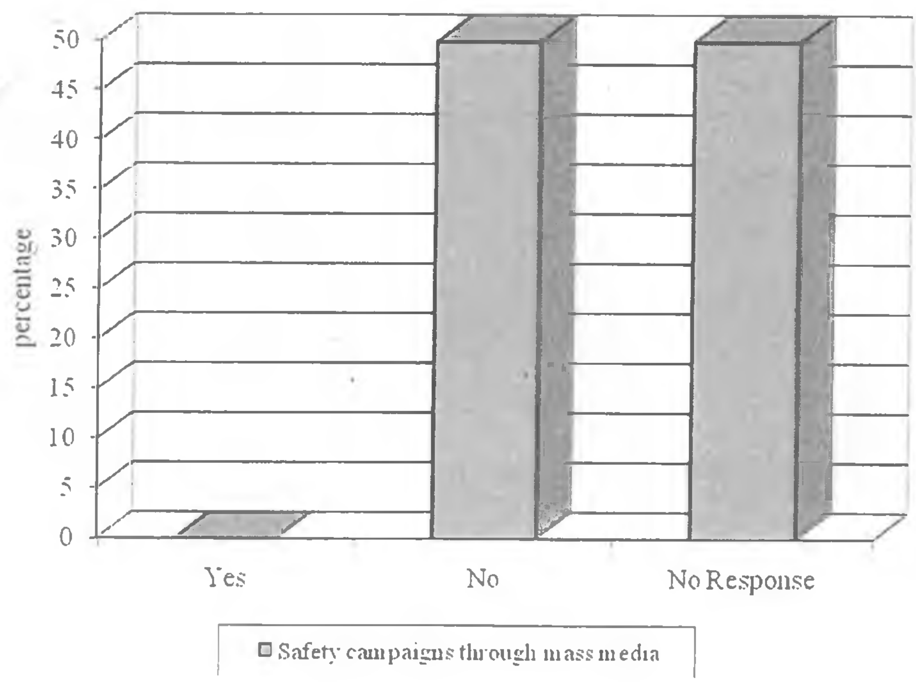

Figure 4.2: Safety campaigns through mass media

Figure 4.2 depicts that half of the respondents (50.0%) indicated Galana Oil Kenya Limited does not use safety campaigns through the mass media to enhance safety awareness in the use of petroleum products. The remaining 50.0% of the interviewees did not respond to the question.

4.6.2 Road shows

The researcher sought to find out if Galana Oil Kenya Limited uses road shows to enhance safety awareness in the use of petroleum products. The figure below shows the findings:

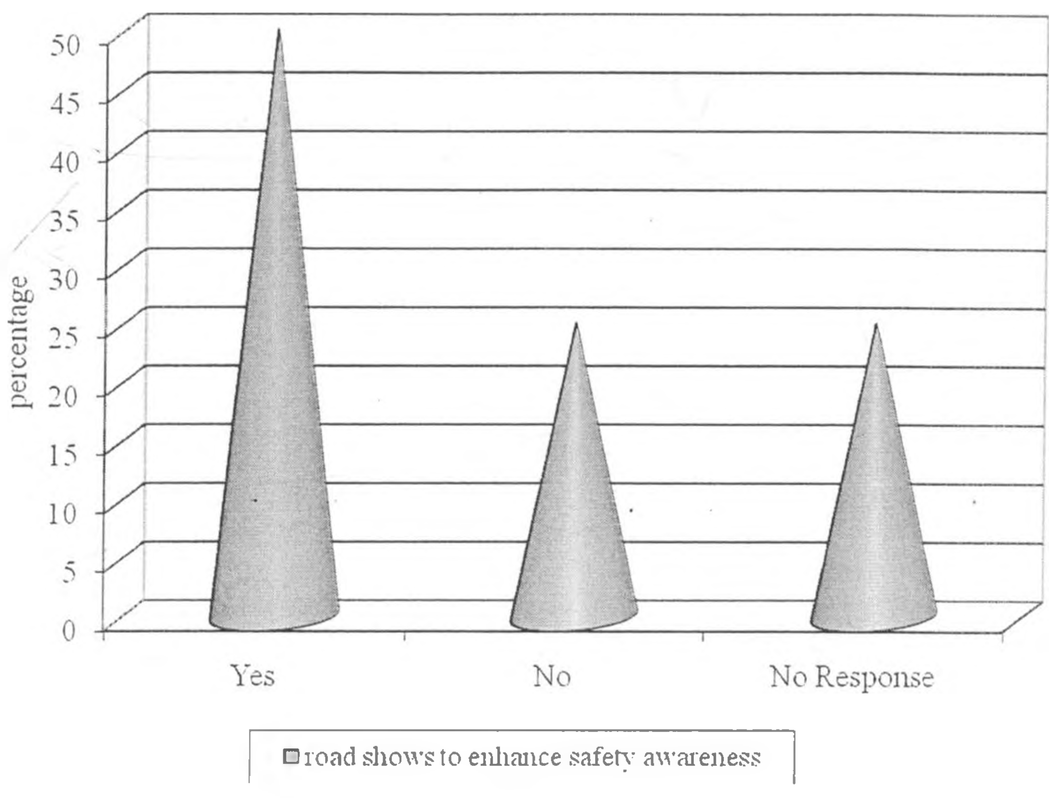

Figure 4.3: Safety campaigns through road shows

Figure 4.3 shows that half of the respondents 50.0% agreed that Galana Oil Kenya Limited uses road shows to enhance safety awareness in the use of petroleum products while another 25.0% of the interviewees disagreed. However, one respondent did not respond to the question.

4.6.3 Circulating messages through brochures / flyers

The researcher sought to find out if Galana Oil Ltd uses brochures/flyers to enhance safety awareness in the use of petroleum products. The figure below shows the findings:

Figure 4.4: Safety campaigns through brochures/flyers

Figure 4.4 shows that majority respondents 75.0% agreed that Galana Oil Kenya Limited circulated messages through brochures and flyers to enhance safety awareness in the use of petroleum products. However, one respondent did not respond to the question.

4.6.4 Training on safe handling and storage of products by distributors

The researcher sought to find out if Galana Oil Kenya Limited carried out training on safe handling and storage of products by distributors to enhance safety awareness in the use of petroleum products. The figure below shows the findings:

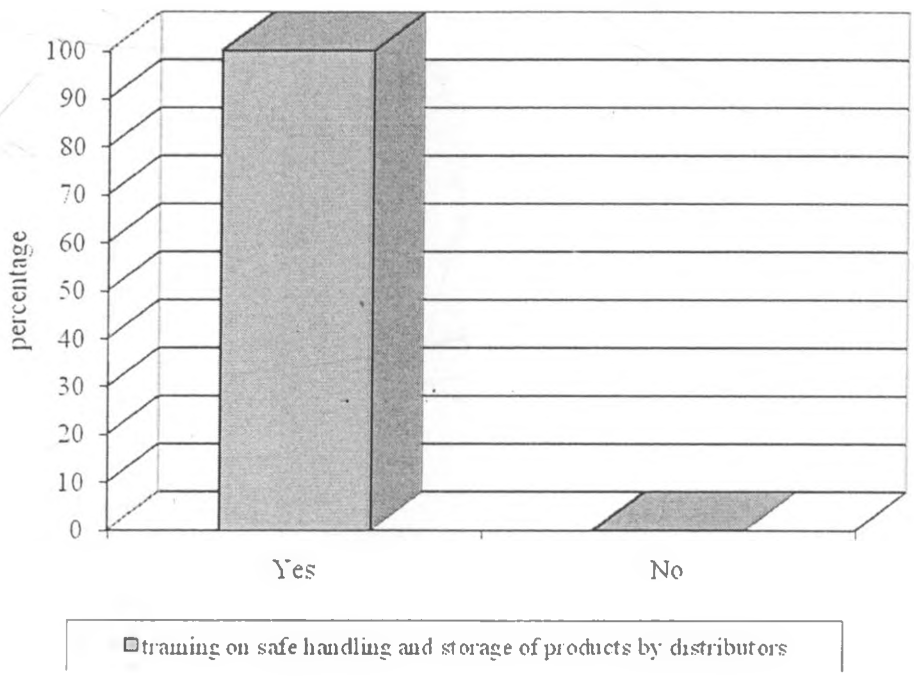

Figure 4.5: Training on safe handling and storage of products by distributors

Figure 4.5 reveals that all the interviewees (100.0%) agreed that Galana Oil Kenya Limited carried out training on safe handling and storage of products by distributors to enhance safety awareness in the use of petroleum products. The findings imply that Galana Oil Kenya Limited and other Oil Marketers put emphasizes on safe handling and storage of petroleum products by distributors as a measure to enhance safety awareness on product use.

4.7 Steps taken to encourage use of cleaner fuels

The researcher sought find out if Galana Oil Kenya Limited was doing anything to encourage the use of cleaner fuels. Figure 4.6 below shows the findings:

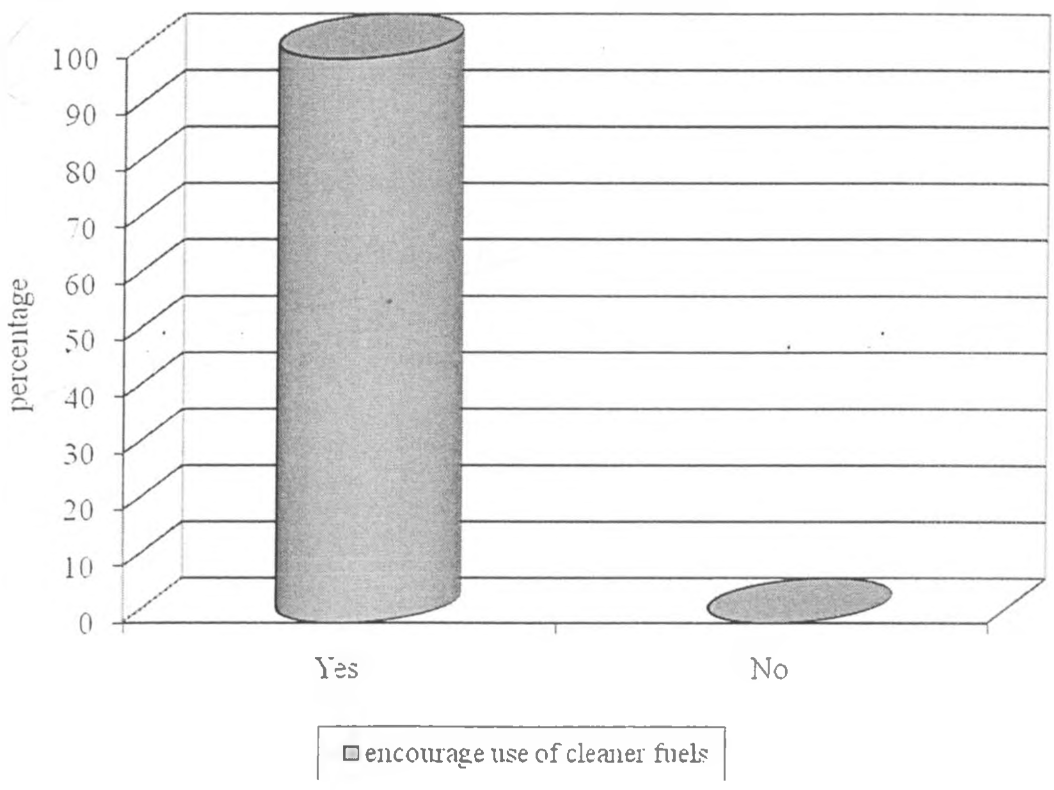

Figure 4.6: Encouraging use of cleaner fuels

From Figure 4.6 it is evident that all the respondents (100.0%) agreed that the company was doing something to encourage use of cleaner fuels. The explanations given by the interviewees included importation and distribution of low sulphur diesel, importation and distribution of unleaded gasoline, ensuring all products meet local quality requirements and by supplying high quality and environmental friendly ENOC lubricants.

They also mentioned that the company was carrying out a campaign to encourage the use of synthetic lubricants as opposed to monograde lubricants. Synthetic lubricants are cleaner in that their drainage period or mileages are longer compared to monogrades. They also emit less pollutants hence protect the environment.

4.8 Challenges faced by firms in the Kenyan oil industry

The researcher sought to find out the challenges faced by firms in the Kenyan oil industry that are a direct result of globalization. The findings are shown below;

Table 4.4: Challenges faced by firms in the Kenyan oil industry

	Frequency	Percent
Going-green concept	3	60.0
Lack in compliance of the global regulations	3	60.0

Change in the fiscal regimes and political risks	3	60.0
Stiff competition from international oil companies	3	60.0
Competition by smaller companies	1	25.0

Source: Researcher (2011)

Table 4.4 reveals that majority of the respondents (60.0%) indicated going-green concept which focuses on environmental safety and public health so the industry players will be driven towards supply of environmental friendly petroleum products which are ultimately more expensive. Among the other challenges given by 60.0% of the respondents included lack of compliance with global regulations which leads to loss of revenue, stalled supply chains, penalties and fines and ruined reputations. Other challenges are the changes in the fiscal regimes and political risks which mean that long term strategies would have to be re-worked. This can undermine confidence among the oil marketers and result in low sales. (60.0%) of the interviewees spoke of stiff competition from Multi-national oil companies who promise low prices to the consumers. They also influence decisions in the oil industry mostly in their favor such that the playing field more often than not is not even. Competition in the oil industry will affect the smaller local companies since they do not have the capacity to compete with the big companies. A small proportion (25.0%) indicated stiff competition from small oil firms which have little operational costs threatening international established firms. The findings imply that globalization comes with many challenges which affect all the players in the Oil industry.

4.9 Suggestions and Recommendations on Overcoming Challenges Faced by the Kenyan Oil industry that are a Direct Result of Globalization

The researcher sought to find out if the interviewees had any suggestions or recommendations regarding overcoming the challenges faced by the Kenyan Oil Marketers that are a direct result of globalization. The interviewees recommended upgrading by the Oil Marketers to the most recent technology in order to match the global world as a start.

They also suggested that the Kenyan Oil Marketers needed to enhance their logistics support across the globe to avoid delays in getting the product to the Kenyan market. They also needed to get reliable sources for their fuels and also adhere to all duty and customs requirements.

The last suggestion was that Kenyan Oil Marketers need to re-invent their business models to be more adaptive since globalization calls for adaptability at the highest levels. Even niche operators must adapt to their niche market.

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter comprises of the summary of research findings, conclusions, limitations of the study and suggestions for future research. Section 5.2 describes the summary of research findings, section 5.3 concludes the chapter. In section 5.4 we make recommendations. Section 5.5 and 5.6 discusses the limitations of the study and suggestions for future research.

5.2 Summary

The overall purpose of the study was to find out the challenges caused by globalization on Oil Marketers in Kenya. It also sought to determine if the price controls imposed by the Kenyan Government, will be realistic in the long run. Its specific objective was to determine the challenges of globalization on Galana Oil Kenya Limited.

The researcher reviewed previous studies with a view to establish academic gaps which the present study sought to bridge. This was done through library research. The process included reading, evaluating the methodology employed in terms of design choice, target population, sample and sampling procedure data collection instruments (that is suitability, validity and reliability), data collection procedures, data analysis, findings and recommendations.

This study employed a case study as the main guide to the study. The target population included five senior managers of Galana Oil Company Limited. The research instrument used in data collection was an interview guide to collect data from the organization. To ensure validity of the instruments, expert opinion was sought. Data analysis was started immediately after the fieldwork. Data was summarized into frequencies and percentages and presented in bar graphs and tables.

The study findings revealed that majority of the respondents (80.0%) thought that the chance to do business in other markets was the greatest opportunity presented by globalization. Information accessibility in the market thus making the process of decision making much easier was another opportunity, followed closely by access to high quality fuels and an increased number of suppliers meant better delivery performance. Another opportunity was the ability to source for products competitively (60.0%).

The study findings also depict that all the respondents (100.0%) disagreed that price controls imposed on Oil Marketing Companies were realistic in the long term mainly because the oil industry is a volatile market whose prices are affected by various factors both internationally and locally. Since the price of oil is heavily dependent on the international market it therefore cannot be captured keenly by the price control bodies. The price control mechanism used by the Kenyan Government did not take into account some aspects of the business such as demurrage which is a real cost for the Oil Marketers. The pricing model also uses historical stock holding as the basis for current pricing, yet stocks are constantly being brought into the country. Lastly the pricing model does not recognize investments in retail stations as contributing to business performance of Oil Marketers, hence stifling new business ventures into the retail market.

A relatively large proportion indicated differences in currencies especially the fast depreciation of the Kenya shilling (60.0%), competition (40.0%), offering better customer service and network expansion to promote Galana oil's brand (60.0%) and presence and growth of market share (25.0%) as the risks stemming from business globalization. The study findings also revealed that majority of the respondents agreed that Galana Oil Kenya Limited used road shows (50.0%), circulation of messages through brochures/flyers (75.0%) and training on safe handling and storage of products by distributors (100.0%) as a way of enhancing safety awareness in the use of petroleum products. However majority indicated that Galana Oil Kenya Limited did not use safety campaigns through the mass media (50.0%).

The study findings also revealed that all the respondents (100.0%) agreed that the company was doing enough to encourage the use of cleaner fuels through importation and distribution of low sulphur diesel, importation and distribution of unleaded gasoline, ensuring all products meet local quality requirements and by supplying high quality and environmental friendly ENOC lubricants.

The study findings reveal that majority of the respondents indicated the challenges of globalization to be the going-green concept (60.0%) which increases operating costs, lack of compliance with the global regulations, stiff competition (60.0%), from international oil companies who promise lower prices to the consumers; influence from multi-national companies in decision making in the oil industry and competition as affecting the smaller local companies since they do not have the capacity to compete with the big companies. A small proportion (25.0%) indicated stiff competition from small oil firms which have little operational costs threatening internationally established firms. The findings imply that globalization comes with many challenges which affect the oil industry at large.

5.3 Conclusions

Based on the analysis of the data collected from the survey, the following conclusions are drawn. First, it is clear that although globalization comes with challenges for the oil industry it also creates opportunity for business growth. The study shows that there is an increased opportunity to do business in other markets especially foreign markets. Access to information is more readily available in the market thus making the process of decision making much easier than it was before the advent of globalization. Oil Marketers have an easier access to better quality fuels and an increased number of suppliers mean better delivery performance and ability to source for products competitively.

Second, there is a general consensus that the price controls imposed on Oil Marketing Companies are not realistic in the long run in light of globalization. The pricing model used by the Kenyan Government is historical whereas petroleum products are brought into the country on a day to day basis. It also doesn't take into account pertinent costs that affect the marketers costing.

Thirdly, the study findings revealed that Oil Marketers used road shows, circulation of messages through brochures and flyers and training on safe handling and storage of products by distributors as a way of enhancing safety awareness in the use of petroleum products. The study findings also revealed that Galana Oil Kenya Limited was doing enough to encourage use of cleaner fuels through importation and distribution of low sulphur diesel, importation and distribution of unleaded gasoline, ensuring all products meet local quality requirements and by supplying high quality and environmental friendly ENOC lubricants.

Last but not least, the study established that some of the risks associated with globalization included the additional costs from the going-green concept, lack of compliance with global regulations, stiff competition from Multinational oil companies; influence from multi-nationals in oil industry decision making process to the detriment of the smaller oil marketers. Stiff competition from small oil firms which have little operational costs are also threatening internationally established firms.

The study recommends that oil marketers should upgrade to the most recent technology in order to match the global world. They should also enhance their logistics support across the country especially in terms of storage and transport in order to avoid delays. They should also vet their suppliers so that they acquire reliable sources for their fuels while at the same time adhere to all duty and customs requirements.

The government should put in place policies that will cushion the Oil marketers against the unstable global oil market which is occasioned by price hikes and shortages. There is need for the Government of Kenya to embrace the dynamics of globalization on the oil industry in Kenya. By understanding such dynamics, the government will, thus, formulate policies that shield both consumers and traders within the industry from erratic changes oil prices influenced by globalization. The oil industry as a whole will benefit from such regulations.

There is need for stakeholders in the oil industry including the regulators to use the finding as reference for policy guidelines on the impacts of globalization on oil industry. This will enable the consumers understand why the cost of fuel is erratic. There is also need for the oil marketers to embrace use of safety campaigns through mass media as a way of enhancing safety awareness in the use of petroleum products.

5.4 Limitations of the Study

Some respondents did not provide answers to all the questions depriving the study of some of the required data. Secondly this study focused on the challenges of globalization on oil marketers; however there are other risks that Oil Marketing Companies encounter while in operation such as changes in legislation and economic regimes. These were excluded from the study due to time and finance constraints.

Another potential limitation was the reliability of the data obtained. Inaccuracies could have resulted from the survey respondents misunderstanding the interview questions or terminology. Indeed in many cases the researcher had to explain the question to the respondent in order for them to attempt to give the right response.

5.5 Recommendation for Further Research

This study sought to determine the challenges faced by firms in the Kenyan Oil Industry that are as a result of globalization. Although the study achieved its purpose it focused on only one Oil Marketing Company-Galana Oil Kenya Limited as a representation of all the other companies in the industries.

It is thus recommended that a similar study be carried out in other companies, especially a Multinational Oil Company, as its dynamics would be different from that of Galana Oil Kenya Limited, which is a locally owned company. The study would test whether or not the Multinational is affected in the same way by globalization.

5.6 Implication on Policy, Theory and Practice

The study recommends that oil marketers should upgrade to the most recent technology in order to match the rest of the global world. Oil Marketers should also enhance their logistics support across the country especially in terms of storage and transport in order to avoid delays. They should also vet their suppliers so that they acquire reliable sources for their fuels while at the same time adhere to all duty and customs requirements.

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APPENDIX I: LETTER OF INTRODUCTION

Sandra Oluoch,

P.O BOX 67241-00200

Nairobi, KENYA.

Dear Respondents,

I am a student at the University of Nairobi currently doing a research study to fulfill the requirements of the Award of Master of Business Administration on the **CHALLENGES OF GLOBALIZATION AND ITS EFFECT ON OIL DISTRIBUTORS.** The information provided by the organizations will enable me to make conclusions concerning the above subject.

You have been selected to participate in this study and I would highly appreciate if you assisted me by responding to all questions in the attached interview guide as completely, correctly and honestly as possible. Your response will be treated with utmost confidentiality and will be used only for research purposes of this study only.

Thank you in advance for your co-operation.

Yours faithfully,

Sandra Oluoch

Researcher

APPENDIX II: INTERVIEW GUIDE

Confidentiality: ***The responses you provide will be strictly confidential. No reference will be made to any individual(s) in the report of the study.***

Globalization can be defined as "the changes in societies and the world economy that result from dramatically increased international trade and cultural exchange".

1. What are the challenges faced by firms in the Kenyan oil industry that are as a direct result of globalization?

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2. With globalization a reality, how do the industry players make use of it as an opportunity?____

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3. Are the recent price controls imposed on Oil Marketing Companies realistic in the long run?

Yes [ ] No [ ]

Kindly explain your response

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4. Are there special risks stemming from business globalization, and how is Galana Oil K Limited addressing them?

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5. Which of the following is Galana Oil K Ltd doing to enhance safety awareness in the use of petroleum products?

Safety campaigns through mass media Yes [ ] No [ ]

Road shows Yes [ ] No [ ]

Circulating messages through brochures/flyers. Yes [ ] No [ ]

Training on safe handling and storage of product by distributors Yes [ ] No [ ]

Other (please specify)...

5. Is your company doing anything to encourage use of cleaner fuels?

Yes [ ] No [ ]

Kindly explain your response

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7. What suggestions/recommendations can you give regarding overcoming challenges faced by firms in the Kenyan oil industry that are as a direct result of globalization?____

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Thank You for your Time and Co-operation