STRATEGIC MANAGEMENT OF PROCUREMENT PROCESSES AND OPERATIONAL EFFICIENCY OF MAJOR OIL COMPANIES IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2014

DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:………………………………….. Date:…………………………………

JULIUS MUSAU **D61/72456/2011**

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

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DEDICATION

I dedicate this project to my family and friends. Your support, love, patience, encouragement, sacrifice and prayers have transformed my dreams to the success of this degree. May God keep and bless you abundantly.

ACKNOWLEDGEMENTS

I would like to thank my supervisor Mr. Jeremiah Kagwe for his coaching, mentorship guidance and encouragement during this journey. I would also like to extend my gratitude to my employer and my colleagues at work for their unwavering support and encouragement.

First, my sincere gratitude goes to Our Almighty Father who by His grace I was able to do and complete this study. This far the lord has brought me, it has been a challenging project and I thank God for his mercies. In addition, I would also like to thank the individuals who have contributed to the successful completion of this project.

My further appreciation also goes to my family and friends for their support throughout this demanding journey. I would wish to extend my gratitude to my employer and my colleagues at work for their unwavering support and encouragement.

I would also like to appreciate the respondents for making time to give feedback on the questions, which went a long way in ensuring that the project was insightful on completion.

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ABBREVIATIONS AND ACRONYMS

CO	Company
CORP	Corporation
LTD	Limited
LPG	Liquefied Petroleum Gas
LUBES	Lubricants
NOCK	National Oil Cooperation of Kenya
OD	Organizational Development
PIEA	Petroleum Institute of East Africa
SPSS	Statistical Package for Social Sciences
UKTI	United Kingdom Trade Investment

ABSTRACT

Procurement, being a very critical process in the organization, needs effective and strategic management as it is a great determinant of revenues and costs of an organization and that an effective procurement can give competitive advantage. Effective strategic management is therefore very critical in creating efficient procurement processes of any organization as procurement is mostly, linked to production whereby it plays an increasingly important role for an organization's profitability. The purpose of this study was to investigate the effects of strategic management on procurement processes and operational efficiency of major oil companies operating in Kenya. The study adopted a descriptive research design. The study targeted the major oil companies in Kenya (See Appendix I). Since there were only five, the study adopted a census approach and targeted one top level manager from the finance, procurement, risk management and operations department in all the five companies. This gave us a target population of 20 respondents. The study collected both primary and secondary data. The primary data collection instrument was a questionnaire, which had both open and closed ended questions. Before processing the responses, the completed questionnaires were checked for completeness to ensure consistency. The data was then coded and analyzed using Statistical Package for Social Sciences (SPSS V. 20) and Microsoft Excel. From the findings the study concluded that there is a significant relationship between strategic management in procurement and operational efficiency. The study also concluded that strategic management in procurement affects operational efficiency by leading to competitive pricing of oil products on the market, reduced wastages in the management of oil products, increased oil product output for the company, eliminated product shortages on the market and increased competitive advantage for the organization. The study recommended that the management of these companies embrace strategic management in procurement to cut on cost and gain competitive advantage thus better performance of the organization. The study also recommended that the management of these organizations to come up with strategies that will ensure reduced wastage of resources and thus prevention of losses through the wastage of these resources.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The fundamental role of strategic management in an organization is to provide direction. All processes in an organization are very crucial for the success of the entire organization hence effective management of these processes is necessary for the success of the entire organization (Baudin, 2004). Procurement, being a very critical process in the organization, needs effective and strategic management as it is a great determinant of revenues and costs of an organization and that an effective procurement can give competitive advantage (Weele, 2002).

Strategic management provides overall direction to the enterprise and is closely, related to the field of organization studies (Liker and Choi, 2004). In the field of business administration, it is useful to talk about strategic alignment between the organization and its environment or strategic consistency. According to Arie, (2007), there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these, in turn, are with the market and the context. Strategic management involves analysis of the firm's external and internal environments towards making strategic decisions and drawing out comprehensive action-plan for achieving organizational goals. The strategic management framework is based on the firm's vision and mission. Vision and mission also help in the formulation of long-term organizational goals (Aaltonen and Ikavalto, 2001).

Effective strategic management is therefore very critical in creating efficient procurement processes of any organization as procurement is mostly, linked to production whereby it plays an increasingly important role for an organization's profitability. By having an efficient strategic management of procurement processes, there is potential for substantial competitive advantages as the largest part of the cost of goods sold are in purchased raw materials, components, and services. According to Larsson, (2008), firms are incorporating strategic management practices aimed at achieving a lean production process. Strategic management enables an organization to recognize the existing environmental opportunities and threats and also to understand or estimate the organization's resources capabilities considering the strengths and weaknesses of its resources, so as, to align itself and to battle with the environmental challenges. Strategic planning practices therefore aid an organization in its management practices that also enhance its performance.

Oil companies in Kenya have taken a major step to integrated strategic management practices in their procurement activities aimed at making procurement more efficient (Kozak, 2004). With the increasing demand for petroleum products and increased level of competition in the market, the oil companies are strategically managing the procurement processes so as to enhance the transportation means, manage inventory, reduce wastage, over production, over processing and to minimize delays (Jackson, 1997).

1.1.1 Strategic Management

Strategic management is the formal process, or set of processes, used to determine the strategies for an organization (Hitt, Ireland and Hoskisson, 2001). It is a systematic approach of managing strategic change, which consists of positioning of the firm through strategy and capability planning, real-time strategic response through issue management and systematic management of resistance during strategic implementation. David, (2003), defines Strategic management as an art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Pearce and Robinson, (2000), defined strategic management as the set of decisions and actions resulting in the formulation and execution of strategies intended to achieve objectives of an organization.

Strategic management is about achievement and letdown, about the ability to plan wars and win them. The strategic management process is a theoretical approach that incorporates human capital, skill and technical structures in an institution to boost efficiency, effectiveness and customer fulfillment, while enhancing employees' satisfaction, adding value to the services and increasing business income (Pearce and Robinson, 2000). It is a holistic application and handling of the employees, technology and information to achieve the preferred results. Strategic management focuses on many areas, including the integration of management, marketing, finance/accounting; production/operations; research and development; and computer information systems (David, 2003). Its main objective is to help the organization achieve success through the formulation of different strategies, their implementation and evaluation (David, 2003). It is also synonymous with the term "Strategic Planning" (David, 2003). Miller and Cardinal, (2004), argue that strategic planning positively influence financial performance of an organization. They investigated how a firm's size, capital intensity and environmental turbulence influence performance in firms with different degrees of formal strategic planning.

The fundamental role of strategic management practice in an organization is to provide direction. It sets out milestones that act as targets for the organization. These are realized through articulation of the vision and mission statements of the organization. Strategic management articulates the aspirations of the organization and the reason for its success. However, there is no consensus on the 'one' right way of strategic management. It depends to a great degree on the size of the firm, management style and complexity of the environment (Pearce and Robinson, 2000). This has led to a distinction between "what is planned or intended" by an organization and "what is actually" realized.

Changes in the corporate environment are leading to new and superior demands on strategic management practices mostly in services provision as the technology changes rapidly (Johnson and Scholes, 2002). Besides, given that strategic management's sole rationale is to improve strategic performance, improving, assessing and monitoring the effectiveness of the strategic planning practice, would appear to be a key managerial task. Effective tactical planning can change the performance of an organization, make fortunes for shareholders or change the configuration of an institution (Johnson and Scholes, 2002).

1.1.2 Procurement Processes

Robbins, (2001), defines procurement as the acquisition of merchandise or services at the most favorable total cost in the right amount and quality. It is the purchase of materials and services from outside organization to support the firm's operations from production to marketing sales and logistics. Procurement activities endeavor at anticipating needs, sourcing and obtaining supplies, transporting supplies into the organization, and evaluating the status of supplies as a current asset (Hardaker and Graham, 2000).

Procurement methods and procedures serve as the guidelines for or means of acquisition of appropriate goods or services at the best possible cost to meet the needs of the organization in terms of quality, quantity, time and location (Kozak, 2004). Procurement process is the successive stages in the procurement cycle including planning, choice of procedure, means to solicit offers from bidders, examination and evaluation of those offers, award of contract and contract management. Procurement encompasses the whole process of acquiring property or services. It begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters, 2004). Thus, procurement methods and procedures must be appropriate to the circumstances.

According to Thai, (2005), every organization that purchases goods or services must have effective standard procurement procedures, the methods they use to acquire those things required for an organization to provide goods or services to its clients. These procedures should cover all aspects of the procurement cycle, including the selection of the supplier, contract negotiations, order placement and payment and should ensure appropriate service delivery. The procurement process varies between different organizations. In the case of the procured item being a new product, the procurement process will take more time from the buyer since many phases are not yet defined. According to Monczka and Handfield, (2009), effective and efficient strategic management of the procurement process is implemented through having the right staff in all the levels of the organization. Offering professional training and growth opportunities for the staff will help to increase the effectiveness and efficiency of the purchasing process (Monczka and Handfield, 2008).

1.1.3 Operational Efficiency

Operational efficiency is the ability for an organization to execute its tactical plans while maintaining a healthy balance between cost and productivity (Coelli, PrasadaRao, O'Donnell and Battese, 2005). It is the ratio between the input to run a business operation and the output gained from the business. Operational efficiency deals with how well a relevant action is performed hence an operational efficiency is achieved with minimal resources.

Operational efficiency is affected by the productivity of the organization which is measured by examining the amount of output either product or service for a given amount of input which could be assets, employee work hours and other inputs (Lindsay, 1976). When improving operational efficiency, the output to input ratio improves. Inputs typically refers to money/cost, people/headcount or time/effort while outputs are money, new customers, customer loyalty, market differentiation, headcount productivity, innovation, quality, speed and agility, complexity or opportunities (Sisk, 1981).

1.1.4 The Oil Industry in Kenya

Prior to liberalization in October 1994, an important attribute of Kenya's oil industry was a comparatively high level of Government's direct involvement and equally low level of private sector participation. In 1988 National Oil Corporation of Kenya Limited, which was incorporated in 1981 under the Companies Act (Cap 486) with main purpose of coordinating oil exploration actions in Kenya, was mandated on behalf of the government to supply up to 30% of the country's crude oil requirements that would in turn be sold to oil marketing companies for refining and onward sale to consumers.

The oil industry in Kenya is dominated by five major companies depending on their market share. The industry provide economic significance which is not limited to making significant fiscal contribution to the state and providing the state with a reliable cash flow, of maximum value, from diversified business interests while maximizing the benefits from operations and placing the benefits at the service of the country. Furthermore, leverage oil and gas resources, expands or diversify the economy while it maximizes the creation of economic value and employment and contributing to social, cultural and economic programs. NOCK, for example, facilitates and participates in petroleum explorations as it advises Kenya Policy Makers. It also compiles national data and running of petroleum laboratories and provides stability for the Kenyan market by importation, distribution, sales and exportation of energy products (NOCK, 2013).

The above will be made possible through the upstream and downstream activities. For upstream, oil and gas exploration, seven exploration blocks were left of which the allocation will be done through an open bid process, servicing operations for exploration companies and provision of skilled labour. For downstream, NOCK, will Finance the offshore offloading Jetty in Lamu including storage facilities and having strategic reserves of petroleum products including LPG. The new pipeline (Line 5) proposed by Kenya Pipeline Corporation to replace existing (Line 1) between Mombasa and Nairobi pipeline extension through the region Eldoret and Kisumu onwards will be used to move product in the reverse direction up to Nairobi (UKTI, 2014).

Despite the industry sourcing procedure by means of tender, the oil industry is seen by the public as an upright integrated affair in which oil majors hold sway and consumer prices are often increased almost uniformly across the board, with the marketing companies operating more or less like an unofficial cartel. This is because oil marketers are involved in all aspects of the business from procurement of the raw material (crude oil) to its refining and marketing through owning filling and service stations. The distribution channel is also the same, which means more or less similar storage and handling costs (Petroleum Insight, 2007).

The general petroleum strategy in Kenya is to guarantee safe, reliable and least cost supply of petroleum products to the domestic economy. Consistent with this policy and in tandem with reforms in other sectors of the economy, the government liberalized the distribution and pricing of petroleum products and at the same time partially deregulated petroleum supply (Report on Petroleum Sub-Sector in Kenya, 1994).

1.1.5 Major Oil Companies in Kenya

The liberalization poised high entry of many oil companies in the Kenyan market, however, five of the over 30 registered oil companies are major, namely; Total Kenya Ltd, Vivo Energy Ltd, KenolKobil Ltd, Libya Oil Kenya Limited and NOCK. This is based on the percentage of market share commanded by the oil companies (See Appendix I). The major oil companies control 66.6% of the market share. Each of these major oil companies command over 5% of the market share and own major oil installations within the country. These installations comprise mainly, storage facilities, and gas or service stations countrywide. For example, Vivo Energy Ltd owns petroleum storage facilities in Nairobi and Mombasa, LPG filling plant in Nairobi and lubes blending plant in Mombasa (Mecheo and Omiti, 2003).

Based on the Market Share, Total Kenya is the major player in the oil sector having a 21.7% of the market share, with Vivo Energy Limited having 16.9% of the market share, KenolKobil limited with 14.7% market share, Libya Oil Kenya Limited with 8.2% and NOCK with 5.1% of the Market share. The minor companies in the oil Sector are many and share out the 33.4% of the market share. These companies include among others Hashi, Gapco, Engen and Bakri (PIEA, 2013).

There challenges facing procurement and distribution of oil in the industry in Kenya include: high fuel prices, which have turned out to be unaffordable to many Kenyans, enhanced competition in the oil industry, large capital outlay, globalization effects and the increased cost of electricity (Petroleum Insight, 2007). The other challenges are high distribution costs due to limited storage and pumping capacity in Kenya Pipeline Corporation forcing the oil companies to haul product by road from Mombasa. There is also low demand for oil in Kenya due to the country's underdeveloped economy.

1.2 Research Problem

Strategic management is highly adopted by organizations aiming at providing directions in managing processes of firms. It has been highly adopted by organizations in various organizational processes aimed at increasing organizational efficiency. In procurement processes, strategic management is used to effect activities within procurement including, transportation, invention, wastage reduction, prevention of overproduction and processing and prevention of delays in procurement. Procurement excellence is increasingly becoming an important factor in delivering efficient operations within successful companies. During a downturn, when companies must consider every avenue for cutting costs to simply survive, the procurement department plays an increasingly important role in achieving this strategic goal (Schiele and McCue, 2006).

Oil companies face wide challenges in procurement activities, which in turn affect their overall performance. These include constrains in making timely purchases and supplies, increased cost of transactions and competition from the competitors (Petroleum Insight, 2007). Fast technological progress, changes in customer preferences, new regulations and other market shifts compel forward looking firms to reconfigure their asset bases and processes continuously to match the requirements of the dynamic operating environment. Despite the efforts made by companies in the energy sector in Kenya to make procurement processes leaner and more efficient, the objective is yet to be achieved.

Wangari, (2013), did a study on the role of strategic procurement on an organization performance with the case of cooperative bank. She found that found out that though a lot of strides have been made in provision of strategic procurement in Cooperative Bank. Still there are couples of challenges which hamper full implementation of the strategies. Ocharo, (2013), studied on the factors affecting procurement practices, a case of ministry of Energy, and found that procurement planning has a significant impact on procurement performance.

Barua, (2010), did a study on challenges facing supply chain management in the Oil marketing companies in Kenya. The findings showed that challenges facing supply chain management in the oil marketing companies in Kenya occur in one or more of the supply chain components; transportation, equipment, communication, suppliers, customers, labour and finance. Kabuga, (2012), did a study on lean procurement methodologies used by large-scale manufacturing firms in Nairobi, Kenya. The study findings established that the methodologies adopted by large-scale manufacturing firms influenced lean procurement and positively aided manufacturing firms to possess competitive advantage. Owuor, (2001), in his study on strategic alliances and competitive advantage, the case of major oil companies in Kenya, concluded that alliance design and governance are at the core of every successful joint venture.

To the best of my knowledge, no study has been done on strategic management of procurement processes and operational efficiency of oil companies in Kenya. This study therefore sought to fill this gap. The research question to guide the study is: What effects does strategic management of procurement processes have on the operational efficiency of the major oil companies in Kenya?

1.3 Research Objective

The main objective was to investigate the effects of strategic management on procurement processes and operational efficiency of major oil companies operating in Kenya.

1.4 Value of the Study

The findings of the study were important to the oil companies management in Kenya as well as other players in the sector as the study enabled them to assess whether the strategic management practices adopted in the procurement process add value to their operations. In addition, oil Companies would use the findings of this study to improve on their strategic management processes and streamline their practices aimed at achieving lean procurement process and enhancing operational efficiency of the companies.

The findings of this study would be important to policy makers in government bodies as they would guide the decision-making processes on the subject of strategic management for procurement departments in government organizations. This will result to creating lean procurement processes in public sector hence enhancing operational efficiency of the government organizations in service delivery to the public. The result of this study would add value to researchers and scholars as it would provide useful basis for further studies on the effect of strategic management in procurement processes and operational efficiency. The findings would contribute to existing knowledge by enhancing the understanding of the importance of incorporating strategic management to specific lines of production in firms.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents review of the relevant literature on strategic management of procurement processes and operational efficiency of major oil companies. It consists of the theoretical review, strategic management in procurement processes, operational efficiency and strategic management and operational efficiency.

2.2 Theoretical Foundation

There are several theories governing strategic management in organizations. Theories that guide this study are open systems theory and organizational development theory. These theories have been selected because of their argument on strategic management in organizations.

2.2.1 Open Systems Theory

A system that interfaces and interacts with its environment, by receiving inputs from and delivering outputs to the outside, is referred to as an open system. Open systems theory holds that organizations are influenced by their external environment, which consists of other organizations that exert various forces of an economic, political or social nature (Scott, 2002). The theory views organizations as complex set of dynamically intertwined and interconnected elements, including inputs, processes, outputs, feedback loops, and in active exchange with the environment in which it operates. It views the entire organization as composed of a set of interdependent parts, components and elements constantly interacting within identifiable boundaries and in relation to other forces internal and external.

According to Cummings and Worley, (2008), open systems theory suggests that a change in one element of the system, for example, a change in strategy will require changes in other elements such as structure, processes and culture if the change in strategy is to be effective. Systems depict organizations and their subsystems like departments, groups and individuals interactions and explain how they are organized and function. The theory maintains that people and their organizations must have an open and actively adaptive relationship with the contextual environment over time to ensure viability. According to Katz and Kahn, (1978), open systems have input-throughput-output mechanisms that take up input from the environment and via throughput conversion or transformation process and change the inputs into products and services aligned to the needs in the environment.

French and Bell, (1999), note that Open systems have purposes and goals which are realized through a learning organization process which is continuously aligned with changing needs in the environment. A system's overall effectiveness is partly determined by the extent of different subsystems alignment or fit of the relationship between inputs and transformations and outputs among the subsystems of the transformation process. Interventions focus is on aligning the individual and the organization, organization elements and organization with environment helping leaders to understand complicated organizational dynamics and take action. The goal of organizational development programs is to optimize the system by ensuring system elements are harmonious and congruent. When organization structure, strategy, culture and processes are not aligned, the operational efficiency is bound to decline.

2.2.2 Organizational Development Theory

Organizational development (OD) is a long-range effort to improve an organization's problem solving and renewal process through a more effective and collaborative diagnosis and management of organization culture with the assistance of a consultant facilitator and the use of the theory and technology of applied behaviour (French and Bell, 1999). March and Sutton, (1997), note that OD is critical to the performance of any organization because it brings key skills and perspectives that effectively facilitate changes in culture and shifts in strategy to address the complex challenges facing organizations. OD is a comprehensive organizational improvement strategic framework that looks at how people and organizations can function better.

According to OD theory, development is a necessary process that all organizations must undergo (Luhmann, 1995). OD is used to inform better organizational development practice aimed at performance improvement (Lynham, 2002). Without integrating OD theory and interventions with specific impact on performance improvement, increased production and financial performance, the field of OD will likely become less relevant to organizations seeking performance improvement through emergent and planned change interventions (Beer and Walton, 1990).

There are two approaches to Organizational Development theory; the planned and the action research approaches. The planned approach of Organizational Development theory involves a systematic diagnosis of the whole organization plan for its improvement and provision of adequate resources (Britt and Jex, 2008). Through the planned approach, focus is on changing attitudes and behaviour towards the change effort and commitment of the top management to the change process and is action research oriented. The action research approach of OD theory involves diagnosing, taking action, redesigning and taking new action (March and Sutton, 1997).

The theories, open systems and organizational development theory provides an understanding of the strategic management and operational efficiency since managerial decisions and actions have to be made in order to check on the performance of an entity, furthermore creating a great working environment cutting on the operational cost, enhancing teamwork and productivity. Organizations performs better when a strategic framework is involved, thereby the whole organization will be provided with adequate resources which cut on the much spending in carrying out procurement processes hence improving on its operational efficiency.

2.3 Strategic Management in Procurement Processes

The application of strategic management in business for various sectors has long been adopted as a response to market demand, variations in clients' taste and changing of technology. The adoption of a clear strategic perspective in organizations is one of the factors that affect the performance of these organizations. Having a good strategy is also one of the important factors that enable the organizations to survive and go further. According to Cousins and Spekman, (2003), strategic management in procurement processes is concerned with the flow of goods and services in the organization with the aim of leaning the procurement processes and enhancing the competitiveness of firms. As noted by Porter, (1985), integration of strategic management in the procurement processes of companies enables them to improve their position in terms of costs or in terms of their differentiation towards customers, which enables them to gain higher profits than their competitors.

Dobler and Burt, (1990), point out that, firms are increasingly moving away from managing the flow of goods and services into the organization, to the management of the procurement process. In procurement, strategic management entails coming up with managerial decisions and actions that determine the long-run performance of a corporation. It includes strategy formulation to oversee lean procurement as well as implementation, evaluation and control of these strategies (Hunger and Wheelen, 2003). As noted by David, (2003), formulation, implementation and evaluating decisions on procurement enable an organization to achieve its objectives.

As noted by Lysons, (2000), cost efficiency and better productivity has been always been a major issue in procurement but in the type of today's ever increasing competition in the market, strategic management in procurement activities has become an indispensable area which invariably brings forth some semblance of efficiency in various companies. It is imperative to note that strategic procurement approaches in the contemporary business environment are susceptible to world-class business options which are embraced by the successful companies in the market (Sanjay, 2000). Dealing with business complexities and procurement processes has made the management to think strategically. The basic premise of this principle is that strategic management in procurement processes provides the right direction in understanding the amount of effort to be applied to fill the performance gap, compared to competitors (Lysons, 2000).

According to Lysons, (2000), strategic management in procurement processes enhances buyer-supplier partnership leading to lean procurement in a firm. This as well creates a working environment promoting teamwork, trust and quest for continuous improvement. According to Herbert, (2005), Strategic management is necessary for rationalization of supply base, which is necessary for organization performance. This entails the issue of narrowing down the sourcing entities in the procurement function through establishing only the best valuable suppliers to deal with. Reduction of supply base paves way to high degree of efficiency in procurement function and this attribute translates to success in an organization's performance. The activities under rationalization of supply base entail; quality analysis, technical analysis, cost trend analysis and information flow analysis.

The practice of working with supplier to improve their performance and capabilities is important strategic management approach, which in turn accelerates the internal supply performance of the buying company. This is achieved through continued practice of perfecting what the supplier delivers to the buying company (Sanjay, 2000). The prime activities under this approach encompass; training, assessment of supplier's operations, provision of incentives to improve supplier performance and most importantly buyer-supplier information feedback. Strategic thinking makes procurement managers become aware of the following issues: Product cost to advise management to make or buy; Core skills to be guarded within the company and those to be openly outsourced; Type of suppliers to deal with and capabilities to be nurtured; Type of procurement tasks to be prioritized and technologies to be acquired; What to be added to fill the gap between today's and tomorrow's performance requirements not only in terms of immediate cost reductions but cumulative cost savings which could be achieved in the long term (Herbert, 2005).

2.4 Operational Efficiency in Procurement Processes

As noted by Sunder, (1997), improving operational efficiency is one objective of internal controls. In order to increase operational efficiency, an organization should strive to increase the output without a change in input of a similar order of magnitude (Rhodes and Southwick, 1986). It is nearly impossible to increase output without affecting the input requirements, so an organization must realize that it is simply trying to get a higher ratio of output: input than simply higher numbers (Rhodes and Southwick, 1986). In order to improve operational efficiency, an organization has to start by measuring it (Hackman, 2008).

According to Hackman, (2008), operational efficiency entail finding answers to the following questions: how efficient is the firm in utilizing its input to produce its outputs, is the firm using the right mix of inputs or producing the right mix of outputs given prevailing prices, how will the firm respond to a price hike in a critical input; how efficient is the firm in scaling its operations, has the firm improved its productive capability over time and how does the firm compare to its competitors. When improving operational efficiency, companies have a few alternatives. The most common are: same output for less input, more output for same input and much more output for more input. Lindsay, (1976), compared efficiency of public sector and private counterparts and found out that public sectors are observably less efficient.

2.5 Strategic Management and Operational Efficiency

According to Lindsay, (1976), there exists a relationship between strategic management and operational efficiency of firms. Lindsay argues that all the strategic management decisions are aimed at transforming the operations of organizations and this consequently improves the operational efficiency of the organization. Strategic management decisions that promote efficiency tend to be aimed at reducing the use of resources through maximizing return. Any action taken to reduce inventory waste, for example, would be a strategic management decision aimed at greater efficiency. Efforts to increase productivity would be included in this category. Another strategic management decision that would be efficiency-oriented would be having executives share an executive assistant, rather than hiring executive assistants for each executive.

Strategic management has evolved into a more sophisticated and potentially more powerful tool of enhancing organizational efficiency (Stoney, 2001). The strategic management process requires competent individuals to ensure its success (Stahl and

Grigsby, 1992). The top management of an organization has responsibility to ensure firm success and overcome any competition that occurs. However, to be more effective, Stahl and Grigsby, (1992), noted that people at all levels, not just top management, need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environmental shifts, and working with others to continuously improve work methods, procedures and evaluation techniques.

The application of strategic management in business for various sectors has long been adopted as a response to market demand, variations in clients' taste and changing of technology all aimed at enhancing operational efficiency. The adoption of a clear strategic perspective in organizations is one of the factors that determine the operational efficiency of these organizations. Having a good strategy is also one of the important factors that enable the organizations to survive and go further. Stoner and Wankel, (1987), stated that effective management must have a strategy and must operate on the day-to-day level to achieve it. As noted by Pearce and Robinson, (2000), strategic management is vitally important even on the small scale within a business in overseeing efficiency. However, strategic management is difficult to accomplish without a clearly defined set of goals for the business' operation. Knowing what businesses core competencies are is good from the standpoint of understanding its strengths in the marketplace, but this also helps you to identify areas for improvement and set goals and objectives based on those weaknesses. The goals any business sets should be specific, measurable, achievable, realistic and with a time-frame attached to them.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was followed in completing the study. In this chapter, the research identifies the procedures and techniques used in the collection, processing and analysis of data. Specifically the following subsections are included; research design, target population, data collection and finally data analysis.

3.2 Research Design

According to Babbie, (2002), research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure. This study adopted a descriptive research design. A descriptive study is concerned with finding out the what, where, when and how of a phenomenon (Lacity and Jansen, 1994). Descriptive research design has been chosen because it can enable the researcher to generalize the findings of the study. With this, the study shall be able to collect a comprehensive and intensive data and provide an in-depth understanding of strategic management of procurement processes and operational efficiency of major oil companies. Therefore, the descriptive survey was deemed the best strategy to fulfill the objectives of this study.

3.3 Target Population

According to Ngechu, (2004), a study population is a well-defined or specified set of people, group of things, households, firms, services, elements or events under investigation. The target population of this study was major oil companies in Kenya (See Appendix I). Following the small number (5) of the major oil companies in Kenya and with a representative office in Nairobi, the study included all these oil companies hence a census. The study targeted one top level manager from the finance, procurement, risk management and operations department in all the five companies. This gave us a target population of 20 respondents.

3.4 Data Collection

The study collected both primary and secondary data. The primary data entailed facts on the respondents understanding of strategic management, procurement processes and effects on application of strategic management to operational efficiency of procurement processes. Secondary data was obtained, from publications in the oil industry, websites of the major oil companies in Kenya and other documentations available on strategic management and procurement processes.

The primary data collection instrument was a questionnaire, which had both open and closed ended questions. The closed ended questions will make use of a five point Likert scale where respondents were required to fill according to their level of agreement with the statements. The unstructured questions encouraged the respondents to give an in-depth response where closed ended questions are limiting. The questionnaires comprised of two sections. The first part included demographic characteristics questions designed to determine the profile of the respondents while part two dealt with the identified factors.

This study collected quantitative data using a self-administered questionnaire through drop and pick later method. The specific officers who participated in the study included: finance managers, operation managers, procurement managers and marketing managers. These are the heads of the departments in their organizations and are served, by procurement department by way of supplying their individual department needs, as specified by themselves at the needs identification stage – which is the first stage of the procurement cycle.

3.5 Data Analysis

In order to analyze collected data Miller, (1991), observed that, a researcher needs to have the following information about the statistical data analysis tools namely: descriptive, inferential and test statistics. Before processing the responses, the completed questionnaires were checked for completeness. The data was coded for ease of grouping the responses into various categories. Data collected was analyzed using Statistical Package for Social Sciences (SPSS V. 20) and Microsoft Excel. The data findings were presented using tables and charts.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

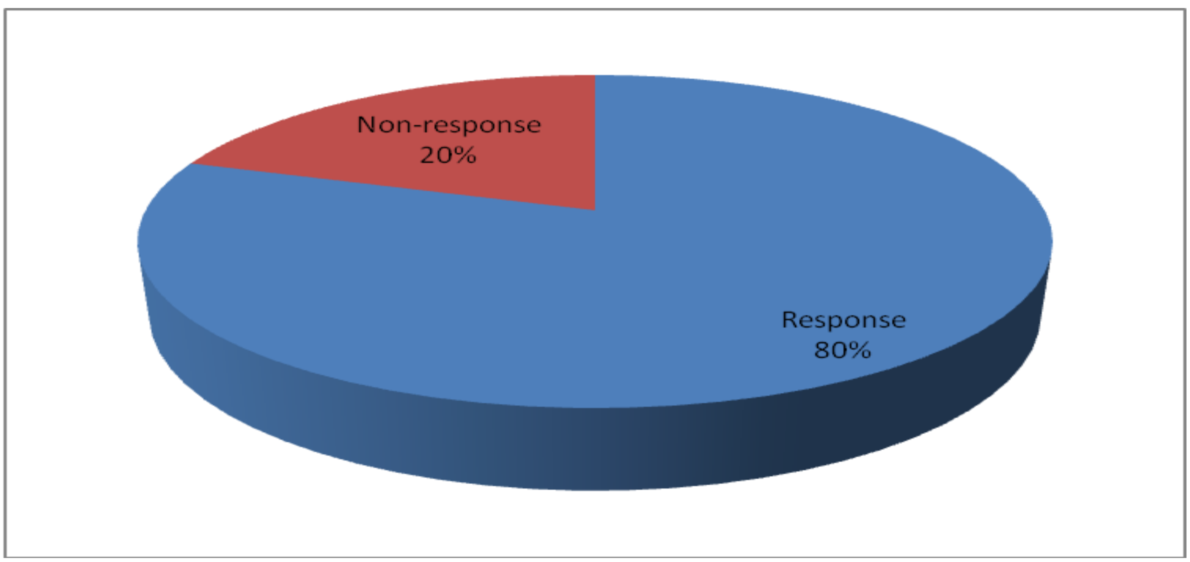
4.1 Introduction

This chapter presents data analysis, results and discussion of the study.

4.2 Response Rate

The study targeted a total 20 managers, each from the finance, procurement, risk management and operations department in the five companies. Out of the distributed 20 questionnaires only 16 were filled and returned giving a response rate of 80%. Mugenda and Mugenda, (2003), stated that for a response rate to be statistically significant for the analysis of the research, it should be at least 50%.

Figure 4.1: Response Rate



Source: (Research Data, 2014)

4.3 Demographic Information

4.3.1 Institution Working with

The study sought to establish the institution where the respondents worked. The findings are shown in table 4.1

Table 4.1: Institution Worked

	Frequency	Percentage
Total Kenya Ltd	4	25
Vivo Kenya Ltd	3	19
National Oil Co. of Kenya	4	25
Libya Oil Kenya Ltd	2	13
Kenol Kobil Ltd	3	19
Total	16	100

Source: (Research Data, 2014)

From the responses, Total Kenya Limited and National Oil Company of Kenya each formed 25% of the respondents, 19% from Vivo Kenya Limited and Kenol Kobil Limited each and 13% were from Libya oil Kenya. This findings show that each major oil company in Kenya was incorporated in the study although the majority were from Total and NOCK and the least from Libya Oil Kenya.

4.3.2 Level of Management

Table 4.2 shows the level of management of the respondents.

Table 4.2: Level of Management

	Frequency	Percentage
Senior Level management	8	50
Middle level management	5	31
Low Level management	3	19
Total	16	100

Source: (Research Data, 2014)

Half of the respondents, 50% were in the senior level management, 31% in the middle level management and 19% in the low level management. The study involved managers from different levels of management as they are tasked with different responsibilities and face different challenges in strategic management of the procurement process.

4.3.3 Ownership of The Company

The study sought to find out the kind of ownership of the respondents company. The findings are in table 4.

Table 4.3: Ownership of the company

	Frequency	Percentage
Local public	4	25
Regional	3	19
Multinational	9	56
Local private	0	0
Other (Specify)	0	0
Total	16	100

Source: (Research Data, 2014)

From the responses, 56% of the respondents worked in multinational organizations, 25% worked in organizations that were local public and 19% were in regional organizations. The study incorporated companies that had different kinds of ownership and thus each had a different management structure.

4.3.4 Years Company Has Been in Operation

The table 4.4 shows the number of years the company has been in operation.

Table 4.4: Years the company has been in operation in Kenya

	Frequency	Percentage
Below 10 years	6	38
Between 11-20 years	3	19
Between 21-30 years	3	19
Between 31-40 years	0	0
Above 40 years	4	25
Total	16	100

Source: (Research Data, 2014)

The findings show that 38% of the respondents worked in organizations that had existed for less than 10 years, 19% of the respondents worked for organizations that have been in operation between 11-30 years, and 25% for those that had been in operation for above 40 years. No respondents were found for organizations that had been in operation for between 31-40 years. This shows that the study involved companies that had different years of experience in the oil industry and thus each had its own different set of insights to add in the study.

4.3.5 Number of Company Employees

The study sought to establish the number of employees of the respondents company. The findings are in table 4.5.

Table 4.5: Number of Company Employees

	Frequency	Percentage
Less than 50	0	0
Between 51-100	0	0
Between 151-200	4	25
Between 101-150	3	19
More than 200	9	56
Total	16	100

Source: (Research Data, 2014)

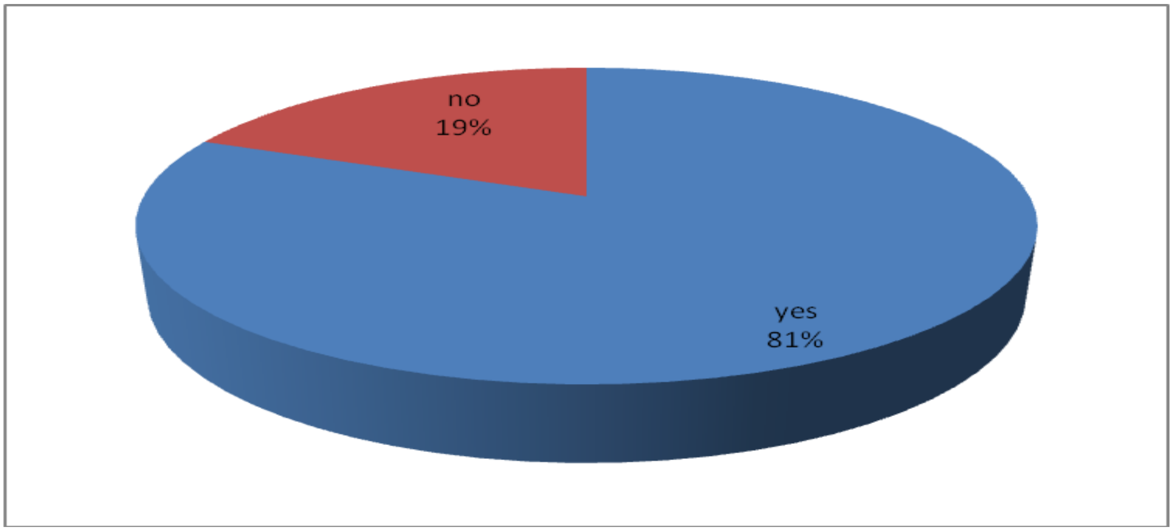
The findings show that organizations that had between 151-200 represented 25%, 19% were in organizations that had between 101-150, while 56% had more than 200 employees. This reveals that the managers interviewed handled different employees in their organizations.

4.4 Strategic Management in Procurement Processes and Operational Efficiency

4.4.1 Strategic Management in Procurement Processes

The study sought to establish whether strategic management in procurement processes affected operational efficiency of oil companies in Kenya. The findings are shown in the figure 4.2.

Figure 4.2: Strategic Management in Procurement



Source: (Research Data, 2014)

Majority of the respondents 81% said yes that strategic management in procurement processes affected operational efficiency of oil companies in Kenya while 19% said it did not. Hitt, Ireland and Hoskisson, (2001), defined strategic management as formal process, or set of processes, used to determine the strategies for an organization. Procurement methods and procedures serve as the guidelines for or means of acquisition of appropriate goods or services at the best possible cost to meet the needs of the organization in terms of quality, quantity, time and location and thus strategizing on them is key.

The study further sought to establish the way in which strategic management in procurement affected operational efficiency. The responses given included that strategic management in procurement enable the organizations to survive and go further due to the strategies adopted that facilitate better procurement services. Porter, (1985), highlighted that integration of strategic management in the procurement processes of companies enables them to improve their position in terms of costs or in terms of their differentiation towards customers, and thus gaining competitive advantage. The respondents also cited that strategic management ensures the flow of goods and services in the organization with the aim of leaning the procurement processes and enhancing the competitiveness of firms and that strategy formulation oversees lean procurement as well as implementation, evaluation and control of these strategies. Procurement methods and procedures serve as the guidelines for or means of acquisition of goods and services.

Dobler and Burt, (1990), pointed out that there is need for strategic flow of goods and services so as to avoid wastage and ensure efficient utilization of resources. Others cited that strategic management is cost efficient and promotes better productivity enhancing buyer-supplier partnership. It also creates working environment promoting teamwork, trust and quest for continuous improvement. Lysons, (2000), concluded that strategic management in procurement processes enhances buyer-supplier partnership leading to lean procurement in a firm. This as well creates a working environment promoting teamwork, trust and quest for continuous improvement.

4.4.2 Strategic Management in Procurement and Operational Efficiency

The study sought to establish the respondents' level of agreement with the following statements on the Strategic Management in Procurement Processes. The findings are in the table 4.6

Table 4.6: Strategic Management in Procurement and Operational Efficiency

	Mean	Std. Dev
Integration of strategic management in the procurement processes has enabled the organization to improve its position in terms of costs or in terms of their differentiation than competition	4.325	0.008
Strategic management enables coming up with managerial decisions and actions that determine the long-run performance of the organization	4.231	0.331
Strategic management in procurement activities brings efficiency in the organization.	4.601	0.452
Strategic management in procurement processes provides the right direction in understanding the amount of effort to be applied to fill the performance gap compared to competition	4.225	0.986
Strategic management in procurement processes enhances buyer-supplier partnership leading to operational efficiency	3.987	0.258
Strategic management in procurement activities have reduced on the operational costs of the company	4.023	0.568
Strategic management in procurement processes creates a working environment promoting teamwork, trust and quest for continuous improvement	4.562	0.123
Strategic management leads to rationalization of supply base, which enhances operational efficiency	4.123	0.002

Source: (Research Data, 2014)

On whether Integration of strategic management in the procurement processes has enabled the organization to improve its position in terms of costs or in terms of their differentiation than competition scored a mean of 4.325 an indication that majority of the respondents agreed. This was supported by Porter, (1985), who cited that integration of strategic management in the procurement processes of companies enables them to improve their position in terms of costs or in terms of their differentiation towards customers, which enables them to gain higher. The respondents also agreed that strategic management enables coming up with managerial decisions and actions that determine the long-run performance of the organization with a mean of 4.231 and that strategic management in procurement processes provides the right direction in understanding the amount of effort to be applied to fill the performance gap compared to competition with a mean of 4.225. In procurement, strategic management entails coming up with managerial decisions and actions that determine the long-run performance of a corporation. It includes strategy formulation to oversee lean procurement as well as implementation, evaluation and control of these strategies (Hunger and Wheelen, 2003). The respondents strongly agreed that strategic management in procurement activities brings efficiency in the organization and that strategic management in procurement processes creates a working environment promoting teamwork, trust and quest for continuous improvement with mean of 4.601 and 4.562 respectively.

According to Lysons, (2000), strategic management in procurement processes enhances buyer-supplier partnership leading to lean procurement in a firm. This as well creates a working environment promoting teamwork, trust and quest for continuous improvement. On whether strategic management in procurement processes enhances buyer-supplier partnership leading to operational efficiency the respondents agreed with a mean of 3.987 and also agreed that strategic management in procurement activities have reduced on the operational costs of the company with a mean of 4.023. Sanjay, (2000), concluded that strategic management in procurement process improves the performance of the suppliers and capabilities is an important approach, which in turn accelerates the internal supply performance of the buying company and thus improves the buyer-supplier relationship.

On whether strategic management leads to rationalization of supply base, which enhances operational efficiency the respondents agreed with a mean of 4.123. According to Herbert, (2005), Strategic management is necessary for rationalization of supply base, which is necessary for organization performance. This entails the issue of narrowing down the sourcing entities in the procurement function through establishing only the best valuable suppliers to deal with.

4.4.3 Ways in which strategic management affect operational efficiency.

The study sought to establish in what ways the respondents thought that strategic management in procurement affected operational efficiency in oil companies in Kenya.

Table 4.7: Ways in which strategic management affect operational efficiency.

	Yes		No	
	F	%	F	%
Led to competitive pricing of oil products on the Market	13	81	3	19
Reduction of wastages in the management of oil products	14	88	2	13
Increased oil product output for the Company	12	75	4	25
Elimination of product shortages on the market	14	8	2	13
Increased competitive advantage for the organization	15	94	1	6

Source: (Research Data, 2014)

The respondents who said that strategic management in procurement process led to competitive pricing of oil products on the market were 81% of the respondents. 88% said that it leads to reduction of wastages in the management of oil products another 88% said that it increased oil production output for the Company. Lindsay, (1976) concluded that strategic management decisions promote efficiency and tend to be aimed at reducing the use of resources through maximizing return and increasing productivity. Those who said that it led to Elimination of product shortages on the market were 75% and 94% said it increased competitive advantage for the organization. Porter, (1985), concluded that integration of strategic management in the procurement processes of companies enabled them to improve their position in terms of costs or in terms of their differentiation towards customers, which enables them to gain higher market share due to the increased competitive advantage gained.

4.4.4 Extent to which strategic management affects operational efficiency.

The study sought to establish the extent to which strategic management in procurement process affects operational efficiency. The findings are shown in Table 4.8.

Table 4.8: Extent to which strategic management affects operational efficiency

	Frequency	Percentage
To a very great extent	9	56
To great extent	3	19
To a moderate extent	2	13
To a less extent	2	13
To no extent	0	0
Total	16	100

Source: (Research Data, 2014)

The respondents who said that strategic management in procurement process affects operational efficiency to a very great extent were 56% while 19% said to a great extent, 13% said to a moderate extent and another 13% said to a less extent. There were no respondents who said it affected to no extent at all. Lindsay, (1976), there exists a relationship between strategic management and operational efficiency of firms and thus people at all levels, not just top management, need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environmental shifts, and working with others to continuously improve work methods, procedures and evaluation techniques, (Stahl and Grigsby, 1992).

4.5 Discussion

The study established that strategic management in procurement processes affected operational efficiency of oil companies in Kenya. Procurement are methods and procedures that serve as the guidelines for or means of acquisition of appropriate goods or services at the best possible cost to meet the needs of the organization in terms of quality, quantity, time and location. Hitt, Ireland and Hoskisson, (2001), defined strategic management as formal process, or set of processes, used to determine the strategies for an organization. For operational efficiency in an organization, strategic management is important in the managing of procurement process that directly affects the operations efficiency. The respondents highlighted that strategic management affects operational efficiency by enabling the organizations to survive and go further due to the strategies adopted that facilitate better procurement services.

Porter, (1985), highlighted that integration of strategic management in the procurement processes of companies enables them to improve their position in terms of costs or in terms of their differentiation towards customers, and thus gaining competitive advantage.

By ensuring the flow of goods and services in the organization with the aim of leaning the procurement processes and enhancing the competitiveness of firms so as to avoid wastage and ensuring efficient utilization of resources and also enhances buyer-supplier partnership leading to lean procurement in a firm. Lysons, (2000), concluded that strategic management in procurement processes enhances buyer-supplier partnership leading to lean procurement in a firm. This as well creates a working environment promoting teamwork, trust and quest for continuous improvement.

The study revealed that Integration of strategic management in the procurement processes has enabled the organization to improve its position in terms of costs or in terms of their differentiation than competition and that strategic management enables coming up with managerial decisions and actions that determine the long-run performance of the organization (Porter, 1985). The respondents also agreed that strategic management enables coming up with managerial decisions and actions that determine the long-run performance of the organization. In procurement, strategic management entails coming up with managerial decisions and actions that determine the long-run performance of a corporation. It includes strategy formulation to oversee lean procurement as well as implementation, evaluation and control of these strategies (Hunger and Wheelen, 2003).

The study also established that strategic management in procurement activities brings efficiency in the organization and that strategic management in procurement processes creates a working environment promoting teamwork, trust and quest for continuous improvement. According to Lysons, (2000), strategic management in procurement processes enhances buyer-supplier partnership leading to lean procurement in a firm. This as well creates a working environment promoting teamwork, trust and quest for continuous improvement. The findings also showed that strategic management in procurement processes enhances buyer-supplier partnership leading to operational efficiency and that strategic management in procurement activities has reduced on the operational costs. Sanjay, (2000), concluded that strategic management in procurement process improves the performance of the suppliers and capabilities is an important approach, which in turn accelerates the internal supply performance of the buying company and thus improves the buyer-supplier relationship. According to Herbert, (2005), Strategic management is necessary for rationalization of supply base, which is necessary for organization performance. This entails the issue of narrowing down the sourcing entities in the procurement function through establishing only the best valuable suppliers to deal with a finding that was established by the study.

Majority of the respondents agreed that strategic management affected operational efficiency in their organization since it led to competitive pricing of oil products on the Market. Lindsay, (1976), concluded that strategic management decisions promote efficiency and tend to be aimed at reducing the use of resources through maximizing return and increasing productivity thus gaining competitive advantage. The study also established that strategic management in procurement process reduces wastage in the management of oil products, increased oil product output for the Company, eliminated product shortages on the market and increased competitive advantage for the organization. Majority also agreed that strategic management in procurement process affects operational efficiency to a very great extent. Porter, (1985), concluded that integration of strategic management in the procurement processes of companies enabled them to improve their position in terms of costs or in terms of their differentiation towards customers, which enables them to gain higher market share due to the increased competitive advantage gained.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion and from the findings highlighted and recommendation made there to. Focused recommendations are also featured in relation to the purpose of this study, which was to investigate the effects of strategic management on procurement processes and operational efficiency of major oil companies operating in Kenya.

5.2 Summary of Findings

Majority of the respondents said that strategic management in procurement processes affected operational efficiency of oil companies in Kenya. The respondents highlighted that strategic management affects operational efficiency by enabling the organizations to survive and go further due to the strategies adopted that facilitate better procurement services. By ensuring the flow of goods and services in the organization with the aim of leaning the procurement processes and enhancing the competitiveness of firms so as to avoid wastage and ensuring efficient utilization of resources and also enhances buyer-supplier partnership leading to lean procurement in a firm.

The respondents also agreed that Integration of strategic management in the procurement processes has enabled the organization to improve its position in terms of costs or in terms of their differentiation than competition and that strategic management enables coming up with managerial decisions and actions that determine the long-run performance of the organization. The majority strongly agreed that strategic management in procurement activities brings efficiency in the organization and that strategic management in procurement processes creates a working environment promoting teamwork, trust and quest for continuous improvement. The respondents also agreed that strategic management in procurement processes provides the right direction in understanding the amount of effort to be applied to fill the performance gap compared to competition.

Majority of the respondents agreed that strategic management affected operational efficiency in their organization since it led to competitive pricing of oil products on the Market, reduced wastages in the management of oil products, increased oil product output for the Company, eliminated of product shortages on the market and increased competitive advantage for the organization. Majority also agreed that strategic management in procurement process affects operational efficiency to a very great extent.

5.3 Conclusions

The study concludes that there is a significant relationship between strategic management in procurement and operational efficiency. The study also concludes that strategic management in procurement affects operational efficiency by leading to competitive pricing of oil products on the Market, reduced wastages in the management of oil products, increased oil product output for the Company, eliminated product shortages on the market and increased competitive advantage for the organization.

5.4 Recommendation with Policy Implications

From the findings the study established that there was a significant relationship between strategic management in procurement processes and operational efficiency. This study therefore recommends that policy makers in the oil industry should come up with policies that will ensure implementation of proper procurement regulations in the oil industry.

The study also established that integration of strategic management in the procurement processes has enabled the organization to improve its position in terms of costs or in terms of their differentiation than competition therefore this study recommends that the management of this companies embrace strategic management in procurement so as to cut on cost and gain competitive advantage thus better performance of the organization.

The study established that strategic management in procurement processes enhances operational efficiency through reduction of wastages in the management of oil products. This study therefore recommends that the management of these organizations comes up with strategies that will ensure reduced wastage of resources and thus prevention of losses through the waste of these resources.

5.5 Limitations of the Study

The study faced several limitations. First, the respondents were reluctant to provide data fearing that the information requested would be used for other purposes other than academic purposes. In order to assure them that the data requested would be used for purely academic purposes, the researcher carried with him, a letter of introduction form the university, in order to confirm that the data would be used for academic purposes only.

Secondly, the firms included in the study had several fuel service stations across the country which was under separate management. This made it difficult to clearly understand the procurement process at these specific service stations but instead the study concentrated on the marketing brand under which the operators traded.

The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on the effects of strategic management on procurement processes and operational efficiency of major oil companies operating in Kenya. The study, however, minimized these by administering questionnaires only to the head of key functional units namely, finance, procurement, risk management and operations in the major oil companies in Kenya.

5.6 Suggestion for Further Studies

This study recommends that in the future a similar study be conducted across the minor oil companies on the influence of strategic management in procurement process on operational efficiency. This will be effective in generalizing the findings across all oil companies in the industry.

The study also recommends that in the future a study be conducted on the relationship between price regulation and organizational performance in the oil industry. This will be effective in establishing what the implication of regulating the price of oil in the country and what effects it would have on the profitability of the organization.

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APPENDICES

APPENDIX I: LIST OF OIL COMPANIES IN KENYA

	Company	Market Share (%)
	(A) <u>Major companies</u>	
1.	Total Kenya Ltd	21.7
2.	Vivo Kenya Ltd	16.9
3.	Kenol Kobil Ltd	14.7
4.	Libya Oil Kenya Ltd	8.2
5.	National Oil Co. of Kenya	5.1
	(B) <u>Minor companies</u>	
6.	Hashi Energy Ltd	4.3
7.	Gulf Africa Petroleum Corp.	2.9
8.	Engen Petroleum Ltd	2.8
9.	Bakri Energy Co. (K) Ltd	2.7
10.	Gulf Energy Ltd	2.5
11.	Galana Oil Kenya Ltd	2.2
12.	Petro Oil Kenya Ltd	1.9
13.	Hass Petroleum Group	1.8
14.	One Petroleum Ltd	1.4
15.	Riva Petroleum Dealers Ltd	1.4
16.	Essar Energy Ltd	0.9
17.	Mogas Kenya Ltd	0.5
18.	Trojan International Ltd	0.5
19.	East African Gasoil Ltd	0.5
20.	Cape Suppliers Ltd	0.5
21.	Towba Petroleum Co. Ltd	0.5
22.	Banoda Oil Ltd	0.4
23.	Fossil Fuels Ltd	0.4
24.	Regnol Oil Kenya Ltd	0.4
25.	RH Devani Ltd	0.4
26.	Al-Leyl Petroleum Ltd	0.4
27.	OryxEnergies	0.4
28.	Tosha Petroleum Ltd	0.3
29.	Olympic Petroleum Ltd	0.3
30.	Tiba Petroleum Company Ltd	0.3
31.	Tradiverse Kenya Ltd	0.3
32.	Oilcom Kenya Ltd	0.2
33.	Jade Petroleum Ltd	0.2
34.	Ranway Traders Ltd	0.2
35.	Ainu Shamsi Energy Ltd	0.2
36.	Keroka Petroleum Ltd	0.2
37.	Dalbit Petroleum Ltd	0.2

Source: Piea, 4th Quarter, Oct-Dec 2013 Pg 33

APPENDIX II: INTRODUCTION LETTER

The University of Nairobi
P.O Box, 30197-00100
Nairobi.

Date ………………….

Dear Sir/Madam,

RE: LETTER OF INTRODUCION

I am a student at the University of Nairobi taking a Master of Business Administration. As a requirement for the fulfillment of the Master of Business Administration, I intend to carry out a study on "*Effects of Strategic Management of Procurement Processes and Operational Efficiency of Major Oil Companies in Kenya.*" Kindly spare some of your time to complete the questionnaire attached herein. The information given will be handled with utmost confidentiality.

Yours faithfully,

JULIUS KYALO MUSAU

Appendix III: Research Questionnaire

THE EFFECTS OF STRATEGIC MANAGEMENT OF PROCUREMENT PROCESSES AND OPERATIONAL EFFICIENCY OF MAJOR OIL COMPANIES IN KENYA

SECTION A: DEMOGRAPHIC INFORMATION

1. Kindly indicate the institution where you work

   Total Kenya Ltd [ ]
   Vivo Energy Ltd [ ]
   KenolKobil Ltd [ ]
   Libya Oil Kenya Ltd [ ]
   NOCK [ ]

2. What is your level of management?

   Senior Level management [ ]
   Middle level management [ ]
   Low Level management [ ]

3. Indicate the ownership of the company

   Local public [ ]
   Local private [ ]
   Regional [ ]
   Multinational [ ]
   Other (Specify) ________________ [ ]

4. Period the company has been in operation

   Below 10 years [ ] Between 31-40 years [ ]
   Between 11-20 years [ ] Above 40 years [ ]
   Between 21-30 years [ ]

5. How many employees does the company employ?

   Less than 50 [ ]
   Between 51-100 [ ]
   Between 101-150 [ ]
   Between 151-200 [ ]
   More than 200 [ ]

SECTION B: EFFECTS OF STRATEGIC MANAGEMENT IN PROCUREMENT PROCESSES ON OPERATIONAL EFFICIENCY

6. a) Does strategic management in procurement processes affect operational efficiency of oil companies in Kenya?

   Yes [ ] No [ ]

   b) Explain?

   ……………………………………………………………………………………………
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

7. What is your level of agreement with the following statements on the Strategic Management in Procurement Processes? Use a scale of 1-5 where 1= strongly disagree, 2= Disagree 3=Neutral, 4=Agree, 5=Strongly agree.

	1	2	3	4	5
1.Integration of strategic management in the procurement processes has enabled the organization to improve its position in terms of costs or in terms of their differentiation than competition					
2. Strategic management enables coming up with managerial decisions and actions that determine the long-run performance of the organization					
3. Strategic management in procurement activities brings efficiency in the organization.					
4. Strategic management in procurement processes provides the right direction in understanding the amount of effort to be applied to fill the performance gap compared to competition					
5. Strategic management in procurement processes enhances buyer-supplier partnership leading to operational efficiency					
6. Strategic management in procurement activities have reduced on the operational costs of the company					
7. Strategic management in procurement processes creates a working environment promoting teamwork, trust and quest for continuous improvement					
8. Strategic management leads to rationalization of supply base, which enhances operational efficiency					

8. In what ways has strategic management in procurement processes affect operational efficiency of oil companies in Kenya? (Please select all that apply)

   Led to competitive pricing of oil products on the Market [ ]

   Reduction of wastages in the management of oil products [ ]

   Increased oil product output for the Company [ ]

   Elimination of product shortages on the market [ ]

   Increased competitive advantage for the organization [ ]

   Other (please specify) [ ]

   ____

   ____

   ____

9. To what extent does strategic management in procurement processes affect operational efficiency of oil companies in Kenya?

   To a very great extent [ ]

   To great extent [ ]

   To a moderate extent [ ]

   To a less extent [ ]

   To no extent [ ]

THANK YOU FOR YOUR PARTICIPATION