RESPONSE STRATEGIES ADOPTED BY SMALL OIL MARKETING COMPANIES IN KENYA TO ENVIRONMENTAL CHALLENGES

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DECLARATION

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

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DEDICATION

This research paper is lovingly dedicated to my mother, Maryan Sheikh Sadiq, for the support, encouragement, and constant love she has given me throughout my life.

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ABSTRACT

The objective of the study was to establish the response strategies adopted by Small Oil marketing companies in Kenya to environmental challenges. The study was a cross-sectional survey design. The cross-sectional design was preferred to other designs since it is the most commonly used form of survey design when data is to be collected at one point in time across many firm. The target population in this study was the oil marketing firms in Kenya. According to Energy Regulation Commission's website, there were 36 Small oil marketing firms in Kenya as at 30th June 2014. These firms were therefore the population of the study. Since the number was not so large, all the 36 firms were included in the sample. This was therefore a census survey. This study used primary data. The data was collected using structured questionnaire on the basis of the objectives of study. After collection of data, it was analyzed using SPSS. Descriptive analysis method was used to analyze the collected data. The statistics used was percentages, mean and standard deviations. The results were presented in form of charts and tables where appropriate for ease of interpretation. Results indicated that response strategies considered in the event of environmental challenges were; focus market, cost leadership strategic alliances and corporate social responsibility. Acquisition and mergers lobbying the government were least pursued response strategies to environmental challenges. The strategies which were used to a large extent were focus and cost leadership. The study finds that response strategies with a high impact to environmental challenges were; corporate social responsibility and cost leadership. The results revealed that the strategic combinations that best suit the small oil marketing companies were; differentiation and low cost leadership, and differentiation and market focus while the strategic combinations that least suit the small oil marketing companies were corporate social responsibility and lobbying the government and corporate diversification and acquisitions and mergers. In line with the above findings the study concluded that response strategies play a very crucial role in environmental challenges and more specifically, it was concluded that among the response strategies that affected strategy implementation were focus market, cost leadership, strategic alliances and corporate social responsibility. Based on the above findings the study recommends that in order to tackle the environmental challenges facing the small oil marketing companies then the following strategies should be pursued by the players in the sector. For policy purposes, the study recommend that, organizations should conduct environmental scanning to be aware of different challenges in the environment and that an organization should apply corporate strategies, business strategies and functional strategies in response to environmental challenges. The study further suggests that since this study focused on only small oil marketing companies which represented a small percentage of the oil industry, further studies should be conducted on other organizations in the industry to establish the correlation. The study also suggests that further studies should focus on other industries such sugar and construction industries.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The general environment is composed of factors that can have dramatic effect on firm's strategy (Dess, Lumpkin and Taylor, 2005). Typically, a firm has little ability to predict trends and events in the general environment, and even less ability to control them. Strategy development has received renewed attention from both practitioners and scholars as environments become more competitive (Bettis and Hitt 1995) and as academics and consultants advocate the necessity of enhancing strategic thinking within firms (Prahalad and Hamel, 1990). One specific modality of strategy development, namely strategic responses, has received significant research attention.

Business organizations are operating in environments that are increasingly uncertain, complex, competitive, dynamic and unpredictable. The changes in environments are not only rapid and bewildering; they also appear to be in a state of constant flux. Development arising from these forces and the need for organizations to survive in today's fiercely competitive market are causing many organizations to rethink the way they are doing business in order to remain relevant to their stakeholders in the unfolding dispensations. These contextual influences not only present organizations with critical challenges, they also present new opportunities for growth and development (Dawleyet al., 2008).

Companies are adopting various strategies to respond to these forces in order to survive and grow. Despite the adoption and implementation of these strategic recipes in the past, organizations still find themselves in need of reinvigoration by way of strategic shifting of the organization structure from what it is now to what it has to be, in order to maintain competitive edge and satisfy customers' needs at a profit. The desire for this repositioning has prompted many business organizations to adopt appropriate response strategies to the environmental challenges.

Given that petroleum products have no close substitutes, their prices have a major feedback effect in the Kenyan economy. They permeate every aspect of production and distribution in the economy. Therefore, rising prices of petroleum product would have significant implications on inflation, employment, poverty reduction and general long term growth prospects of an economy. Since 2005, petroleum pump prices have been surging at relatively higher rate than crude oil,implying a cartel-like pricing approach by the major oil companies (Government of Kenya, 2005).

In 1994, the Government of Kenya deregulated the downstream petroleum market opening up the market to smaller operators engaging in the importation, exportation, distribution and wholesaling of petroleum products. This study therefore focused on these small operators which have a less than 1.5% market share and operate mainly in Kenya major towns selling and marketing petroleum products.

1.1.1 Concept of Strategy

In order to understand the concept of strategic response, it is first important to define strategy. According to Thompson and Strickland (2006) strategy is the game plan for positioning an organization in the market arena. Johnson, Scholes and Whittington (2008) defined strategy as a configuration of an organizations resources and competences with the aim of achieving stakeholder's expectation. A response strategy is a means of investing selectively in tangible and intangible resources to develop those capabilities that assures a sustainable competitive advantage (Hax and Majluf, 1996).

1.1.2 Response Strategies

Response strategies are broadly categorized into corporate strategy, business strategy and functional strategy. Corporate strategies include mergers, acquisitions, takeovers, joint ventures, strategic alliances, turnaround, divestment and liquidation. Business strategies include cost leadership, differentiation and focus. Functional strategy involves developing and nurturing a distinctive competence to provide an organization or business unit with a competitive advantage by maximizing resource productivity (Pearce and Robinson, 2013).

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

Many organizations today are focusing on becoming more competitive, by launching competitive strategies that give them an edge over others. Porter (1985) proposed product differentiation, cost differentiation, focus product differentiation and focus cost differentiation as strategies to be followed by management of organizations. Ansoff (1957) presented the matrix that focused on the company's present and potential future products or areas of engagement. The matrix shows practitioners to consider ways with four possible product/market combinations to grow the business via existing and/or new products, in existing and/or new markets. The matrix consist of four strategies which are set out in a four-box matrix that depicts the logical combination of two available positioning variables existing and potential products against existing and potential markets as market penetration, market development, product development and diversification (Ansoff, 1957).

Strategic response is an important concept for organizations. The essence of response strategy is to cope with competition. Whatever the collective strength of industry forces, the corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favor.

Knowledge of these underlying sources of competitive pressure provides the groundwork for a strategic agenda of action as well as helps in considering areas for diversification (Pearce and Robinson, 2013).

1.1.3 Organizational Environment

Organizations are social entities oriented to certain goals. They are characterized by a designed structure and coordinated activities, and are open in terms of closeness with their environment. Organizations contain collection of resources, categorized as human and material resources that can be coordinated and managed to perform certain tasks. Processes and activities are determined in order to execute tasks, which enable organizations to continuously realize their goals (Fabac, 2010).

Businesses operate in an ever-dynamic environment. They adjust and adapt to environmental dynamism through a variety of strategic orientations. Strategy, therefore, is instrumental to the survival of the firm. According to Porter (1985) the environment includes organizations and competitive forces faced in conducting the activity: industry, suppliers, customers, potential new entrants, products and or replacement services. The various terms that has been used to describe the environment fall generally into three categories: complexity (the level of complex knowledge that understanding the environment requires), instability ordynamism (the rate of unpredictable environmental change) and resource availability (the level of resources available to firms from the environment) (Sharfman and Dean, 1991).

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

Mintzberg (1979) concept of stability included both market and technological stability, recognizing that firms must keep abreast of developments in both areas. Aldrich (1979)proposed that six environmental dimensions subsume all others: geographic concentration and heterogeneity, stability and turbulence and domain consensus capacity. Using factor analysis, Dess and Beard reduced Aldrich's six dimensions to three; complexity, dynamism, and munificence which roughly correspond to Child's three dimensions.

The relationship between the firm and its environment, in the strategy-making context, has two major dimensions. First, the firm's basic mission or scope should match its environment. Second, it should aim at having a competitive edge with other firms that are also trying to get that match (Rumelt 1996).With the continuing rise in environmental dynamism and complexity, the environment in which businesses operate will also become increasingly uncertain. The management of uncertainty, therefore, will continue to be the main task of management involving the development of mechanisms to reduce, absorb, counter, or avoid it completely (Jauch and Kraft 1986).As Miles and Snow (1994) indicated, firms that match their situation to the environment can improve their performance, while those that do not court failure.

1.1.4 Oil Industry in Kenya

In Kenya, Oil Marketing firms can be classified into three categories based on market and strategy, Global Multinational Corporations, Regional Emerging Multinationals, and Local and “Independents” Oil Companies with mainly local presence. According to the Energy Regulation Commission Data (2014) there are 55 licensed Oil Marketing companies in Kenya. These are companies that currently import and market petroleum products in Kenya.

The petroleum sector was deregulated in late 1994 with the deregulation of retail prices of petroleum products and of the importation of crude oil and refined products. However, the sub-sector could not be fully deregulated mainly because of the market’s dependence on KPRL for liquefied petroleum gas (LPG), and the absence of a viable infrastructure for its importation. Therefore, the Government requires oil companies to import and process crude oil through the refinery to satisfy the requirements for LPG. The government introduced an open tender system for the importation of crude to the refinery. Under this system a tender for importation of crude is awarded to an individual oil company, which then imports crude for the whole industry and supplies to the other oil companies (PwC, 2014).

The petroleum processing and delivery infrastructure is fairly elaborate and consists of the Kenya Petroleum Refinery, the pipeline and the storage facilities. The government and the oil marketing companies in the country jointly own the Kenya Petroleum Refinery Limited. Specifically, the government owns 50% of the facility while the rest is divided up among the other oil marketing companies. On the other hand, the oil pipeline of 890 kilometers provides a network into the interior of Kenya by passing through Nairobi and leading westwards to Kisumu and Eldoret. The oil pipeline is fully owned by the government as a state corporation and forms a significant part of the infrastructure for inland distribution. The imported crude petroleum is processed at the petroleum refinery plant at Mombasa and thereafter sold into the local market. Hitherto the liberalization of the sector, the importation of refined petroleum was subject to government approval. Due to liberalization in 1994, the importation of crude oil as compared to refined oil has reduced because of the freedom to import oil either in crude or refined form (SIB, 2014).

At the retail level, there are a number of subsidiaries to foreign based and local companies of varied sizes who have outlets through which petroleum products are sold directly to consumers. The subsidiaries of foreign oil marketing companies are by far the largest players in the sub-sector despite the liberalization of the industry which allowed for the entry of a more players in the market. However, the National Oil Corporation of Kenya (NOCK) acts as an industry watchdog and is at the same time engaged in commercial activities within the industry. This dual role leads to a conflict of interest because in its commercial activities, the National Oil Corporation of Kenya becomes an industry player hence a competitor to the firms that it should regulate. This state of affairs attests to the fact that the liberalization of the petroleum sub sector is yet to be completed (SIB, 2014).

1.1.5 Small Oil Marketing Companies

The Government of Kenya deregulated the downstream petroleum market in October 1994, opening up the market to smaller operators engaging in the importation, exportation, distribution and wholesaling of petroleum products. These efforts to liberalize the oil sector by encouraging indigenous companies' participation in Kenya's downstream petroleum sector seem to have borne fruit, scaling back the market's prior domination by foreign multinationals.

While the country's gross consumption of petroleum products grew on the back of increased economic activity, more players joined the industry to market and sell crude as well as various variants of white fuels including Premium Motor Spirit, Regular Motor Spirit, Automotive Diesel, Industrial Diesel, Bitumen, Kerosene, and Jet A1 (Aviation) Fuel. Fuels are generally homogeneous products from the same source, which are transported the same way and are usually sold in a similar manner. According to (PIEA) Petroleum Institute of East Africa (2014) , Small oil marketing companies, commonly referred to as small operators in the industry jargon, are thirty six (36) and have a joint market share of 11.52% in Kenya and continue to make their presence felt by operating in key towns such Nairobi, Mombasa, Kisumu, Nakuru and Eldoret. These firms benefit from their low cost operations compared to those of multinationals. Key stakeholders in the oil industry that these companies work with include The Petroleum Institute of East

Africa (PIEA), Kenya Pipeline Company (KPC), Kenya Petroleum Refineries Limited (KPRL) and Energy Regulatory Authority (ERC) to ensure it meets all regulatory requirements.

1.2 Research Problem

The environment within which businesses operate is very volatile. The political anxiety, competition from the entrants, social reforms, technological advancement and global changes are some of the challenges that have greatly affected firms. One needs a deep understanding of the environment in order to correctly respond to the market. Failure to correctly respond in time can have devastating consequences (Dess et al., 2006). An organization's strategy must be appropriate for its resources, environment circumstances, and core objectives. The process involves matching the company's strategic advantages to the business environment the organization faces.

The oil industry has changed from a few players who single sourced their entire product from KPRL, to many players who source additional white oil from overseas markets. This was necessitated by the growth of the economies in the region which brought huge demand for the petroleum products. The oil industry in Kenya is characterized by challenges such as the introduction of price controls; severe depreciation of the shilling and soaring interest rates which has resulted in increased cost of crude oil and escalating cost of sales; high financing costs eroding margins and storage and distribution infrastructure proving inadequate and inefficient (SIB, 2014). These challenges are more prevalent for small oil marketing firms in Kenya.

Several studies have appraised the effects of environmental factors on various aspects of business organizations. These include Narver and Slater (2010), investigated the role of the external environment in the market orientation-performance linkage among SMEs in the agro-food sector in Malaysia and found that market technology turbulence and competitive intensity did not moderate the relationship between market orientation and business performance. According to Burns and Stalker (1961), when businesses see their environment as turbulent and complex they respond to align with the environment. According to Pearce and Robinson (1991)1, strategic responses are the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. It's thus a reaction to what is happening in the organization's environment. The petroleum industry is considered to be one of the largest and most powerful industries in the global market with its operations covering every corner of the globe and with the world's energy heavily dependent on oil and gas products (Amnesty International, 2004).

A number of studies have also been conducted in Kenya on response strategies of firms to environmental challenges. These include Murungi (2013) on response strategies employed by oil marketing companies in Kenya and Noor (2012) on response strategies adopted by Hass Petroleum Limited to environmental challenges. Others include Ndirangu (2013) and Isaboke (2011). While these studies were important in terms of examining how oil marketing firms respond to environmental challenges, Murungi (2013) focused mostly on large oil marketing firms which have the muscle to deal with some of the challenges better than the smaller firms which are the focus of the present study. Further, the study by Noor (2012) was a case study and therefore its results cannot be generalized to the entire oil industry. There is therefore a gap in literature that needs to be addressed. The present study sought to answer the question: what are the response strategies adopted by small oil marketing companies in Kenya to environmental challenges?

1.3 Research Objectives

The objective of the study was to establish the response strategies adopted by Small Oil marketing companies in Kenya to environmental challenges.

1.4 Value of the Study

The study will provide valuable insight to managers of the small marketing companies and other stakeholders in the industry and will act as a reference point for strategies being put in place while competing with other players in the industry. Information obtained will shed some light on issues of the need for customer satisfaction hence the need for better service.

In addition, the policy makers, regulators and government in general will have an opportunity to understand the challenges that are inherent in the current business environment and thereby will be able to use the findings of this research to formulate effective policies that are industry sensitive which can adapt to the volatility of the oil industry.

Moreover, the study will be of value to management practitioners and consultants as it will provide a corporate lesson for the strategies that need to be employed for effective utilization of company resources and in maximizing shareholders value. Thus, managers especially those in the oil industry will find useful information from this study on how to respond to environmental challenges.

Finally, scholars and researchers will also find the results of this study useful for further research. The study will also benefit the students of strategic management who will learn on how to apply strategy in a context of a fast changing macro-environment. Scholars can carry out further research based on the recommendations of this study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on strategic responses adopted by organizations to challenges in the environment. The chapter will include discussions on theoretical foundation, environment and the organization, challenges of the external environment and the response strategies to environmental challenges.

2.2 Theoretical Foundation review

This section presents a theoretical review of the study. The section reviews how different theories address the effect of environment on the organizational performance. The theories discussed here are the Open systems theory and Contingency theory.

2.2.1 Open system theory

Open systems theory refers simply to the concept that organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival Galbraith & Lawler, 1993).

According to Scott (2002), organizations and communities conduct their business they influence and change their external environments, while at the same time being influenced by external changes in local and global environments. This two-way influential change is known as active adaptive change. Organizations and communities are open systems; changing and influencing each other over time.

People too are open systems. Through their actions they influence and change their external environment, and at the same time are constantly being influenced by changes in the external environment. From an employee's perspective, the organization itself is their immediate external environment. The prime driver of this change is the increasing rate of change in people's values and expectations in the external environment. People are constantly changing their minds about decisions they will make, including what products and services they will buy and how they'll buy them (Pfeffer & Salancik, 2003). The rate of socio-ecological change is being accelerated by globalization, deregulation, and technological change. All these factors are combining to produce fierce competition for organizations and communities as well as causing unprecedented turbulence and uncertainty.

2.2.2 Contingency Theory

Contingency theory is a class of behavioral theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions (Galbraith, 1973). Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. Several contingency approaches were developed concurrently in the late 1960s.

Contingency theory (Galbraith, 1973 and 1977) has defined uncertainty as the variable which makes the organization contingent upon the environment. Hence, organization design, and organizational choice, depends on the concept of uncertainty. Briefly, uncertainty can be associated with the mathematical concepts of probability and fuzziness (Klir&Folger, 1988) or propositions of bounded rationality (Nobre, 2008).

These two approaches to uncertainty are complementary to each other since the greater the amount of information that the organization needs to have in order to perform and to complete a task, the greater is the degree of cognition that the organization needs to have in order to process and to manage this information for task execution and completion (Nobre et al, 2009).

The contingency theory can therefore be used to explain that each of the changes in the business environment present a unique challenge to managers to come up with responses to fit the situations. Thus, the uncertainty caused by the environment is an important ingredient for a manager's decision.

2.3 Environment and the Organization

The modern business manager operates in a more dynamic environment. The change in the environment has been rapid and unpredictable. Competitors have been applying one strategy or the other to adapt to the dynamic and unpredictable nature of the business environment. The most single significant influence on organizational policy and strategy is the environment outside and inside the organization (Duncan, 1972 and Grant, 1999).

Organizations are institutions deliberately designed to achieve and accomplish certain goals. The activities in these organizations are affected by both the situations within the organization and also, the situations within the larger society or environment in which the organizations operate.

2.4 Challenges of the External Environment

According to Milliken (1987), environmental uncertainty arises from the organisation's inability to predict its environment, or in other words, to predict the factors that characterise its environment. These factors are usually classified into two groups (Bourgeois, 1980) i.e. ''general'' and ''task'' external business environmental factors. The general environment is a relatively remote environment and the elements that compose it have an indirect influence on the organization. This environment is typically composed of factors such as social values, educational, political, economic, legal, behavioural, demographic, natural environment, natural resources, and technological (Asheghian & Ebrahimi, 1990; Grant, 1999).

Political factors include Stability of government, Social policies, Trade regulations, Tax policies and Entry mode regulations that influence and limit organizations and individuals in a given society. These refer to government policy such as the degree of intervention in the economy. Political decisions can impact on many vital areas for business such as the education of the workforce, the health of the nation and the quality of the infrastructure of the economy such as the road and rail system. The dimensions being evaluated include the government attitude to foreign markets, the stability and financial policies of a country and government bureaucracy (Vignali, Vrontis, and Vranecevic, 2003).

The economic environment covers all aspects of economic behavior at an aggregate level, and includes consideration of factors such as growth in income, interest rates, inflation, unemployment, investment and exchange rates (Ennew and Waite, 2007). The nature of consumer demand for financial services will inevitably be affected by economic performance; higher levels of economic growth will result in higher levels of demand for existing financial services, as well as creating demand for new ones. The economy has a significant impact on the viability of a corporate strategy.

Certo (1997) defines social responsibility as a managerial obligation to take actions that protects and improves both the welfare of society as whole and the interests of the organization. In recent years there have been multiple corporate ethical issues that have influenced social views on corporate America. The number of high profile scandals, from Enron to MCI WorldCom, has adversely affected public's perception of corporate strategy as it relates to decisions that affect shareholder and employee interests.

Technology factors are the scientific advances, which influence the competitive position of the enterprise (Pearce and Robinson, 2005). Maintaining awareness of new technologies decreases the probability of becoming obsolete and promotes innovation. Advancements in technology can impact the transformation plan in many ways. New technology as cited in Develop Vision and Strategy can change the demand for a product, render current manufacturing processes obsolete, and reduce costs to undercut competitors, produce new products and a host of other possibilities.

Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, tourism and insurance. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for firms to consider. The growing desire to protect the environment is having an impact on many industries such as the travel and transportation industries (for example, more taxes being placed on air travel and the success of hybrid cars) and the general move towards more environmentally friendly products and processes is affecting demand patterns and creating business opportunities (Pearce and Robinson, 2005).

Legal factors are those factors that influence business strategies that are related to changes in government laws and regulations. For a successful business operation it is important that the businesses consider the legal issues involved in a particular situation and should have the capability to anticipate ways in which changes in laws will affect the way they must behave. Laws keep changing over a period of time. From the point of view of business it is important that they are aware of these changes in the areas of consumer protection legislation, environmental legislation, health & safety and employment law. According to Daniels, Radebaugh and Sullivan (2007), Legal forces are highly important as they cover many aspects of company policy.

2.5 Response Strategies to Environmental Challenges

Baron (1997) observed that contemporary approaches to strategy are hardly monotholic, though much current thinking is anchored by the work of Michael Porter and Henry Mintzberg. Mintzberg and colleagues (1994) discuss ten schools and five definitions of strategy. One of these, 'strategy as a ploy' builds on the game theoretic and military heritage of strategy. It suggests strategy can be about deceptive and unpredictable maneuvers that confuse and outflank competitors. Strategy as 'a position' offers a predominant conceptual framework in the field.

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

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

Ansoff (1965) defines corporate strategy as one describing an organization's overall direction in terms of its general attitude towards growth and management of its various business and product lines. According to Andrews (1998), corporate strategy deals with three key issues facing the organization as a whole. The first being directional strategy which considers the organization's overall orientation towards growth, stability and retrenchment. The two basic growth strategies are concentration and diversification. The growth of an organization could be achieved through mergers, acquisitions, takeovers, joint ventures and strategic alliances. Turnaround, divestment and liquidation are the various types of retrenchment strategy. Second, Dierickx and Cool (1989) stated that portfolio analysis is where the industries or markets in which the organization competes through its products and business units. In portfolio analysis, top management views its products lines and business units as a series of portfolio investment and constantly keeps analyzing for profitable return (Quinn, 1998).

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

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

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

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

Christensen et al (1969) stated that functional strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide an organization or business unit with a competitive advantage. A hierarchy of strategy is the grouping of strategy types in the organization. This hierarchy of strategy is a nesting of one strategy within another so that they complement and support one another (Grant, 1991). Functional strategies support business strategies that in turn support corporate strategy.

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

is primarily concerned with the exchange of information to detect and bring into the organization information about changes in the environment and to send information into the environment that presents the organization in a favorable light.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The objective of this study was to identify the environmental challenges facing small oil marketing companies in Kenya and determine the response strategies adopted by these companies. In this chapter the research methodology was presented in the following order, research design, Target Population, sampling data collection and Analysis.

3.2 Research Design

The study was a cross-sectional survey design. In this type of research study, either the entire population or a subset thereof is selected, and from these individuals, data are collected to help answer the research question. The cross-sectional design was preferred to other designs since it is the most commonly used form of survey design when data is to be collected at one point in time across many firms. During the surveys a group of respondents was asked a set of questions at one point in time.

3.3 Population of the Study

The target population in this study was the Small oil marketing firms in Kenya. According to Energy Regulation Commission's website, there were 36 Small oil marketing firms in Kenya as at 30th June 2014. These firms were therefore the population of the study. Since the number was not so large, all the 36 firms were included in the sample. The census method was used and provided an advantage in that it helped obtain data from each of the companies which then provided greater accuracy and reliability.

3.4 Data Collection

This study used primary data. The data was collected using structured questionnaire on the basis of the objectives of study. Questionnaire is a research tool that gathers data over a large sample (Kombo et al. 2006).The questionnaires were administered using drop-and-pick-later method. The target respondents were either those heading business units or marketing managers or Managing directors of the 36 oil marketing firms. The questionnaire was the most appropriate tool as it allows the researcher to collect information from a large sample with diverse background. A two week period was given for data collection.

In order to maximize the response of the respondents, the researcher made personal visits to the respondents' place of work where he requested the respondents to participate by responding to the questionnaires. Where the respondents were unable to complete the questionnaires on the spot, the researcher left them for a period of one week for the respondents to fill them at their convenience.

3.5 Data Analysis

After collection of data, it was analyzed using SPSS. The data was coded, cleaned and prepared for analysis. Descriptive analysis method was used to analyze the collected data. The statistics used was percentages, mean and standard deviations. The results were presented in form of charts and tables where appropriate for ease of interpretation.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regard to the data collected from the respondents in small oil marketing firms in Kenya. The initial section covers the background information with respect to the respondent as well as the company background that relates to coverage and retail network. This was to enable the researcher to know the nature and type of the oil company, while the second will be on the oil industry strategic responses in facing the dynamic economic environment. The target population was thirty six (36) oil companies in Kenya.

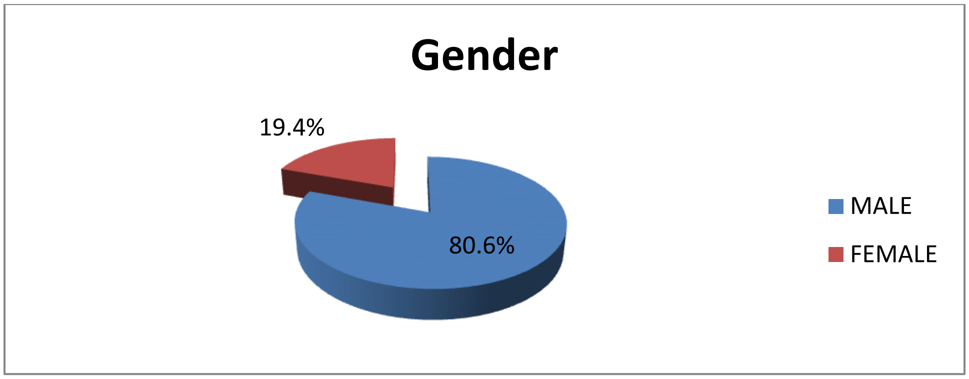
4.2 Demographic Characteristics

This section displays the results of the demographic characteristics. Specifically, this captured the gender of the respondents, level of education of the respondents, years the respondents worked in the Industry, position of the respondents in the company, the number of retail outlet the company has and the years the company has operated in Kenya. This was put into consideration because of the meaningful contribution it offers to the study as the variables help to provide the logic behind the responses issued by the respective respondents.

4.2.1 Gender

Figure 4.1 provides a summary of the gender of the respondents as a result of the responses given by the respondents. As clearly indicated in the figure, the female respondents were the minority whereas the male respondents were the majority. The findings show that 19.4 percent were female while 80.6 percent were male.

Figure 4.1 Gender

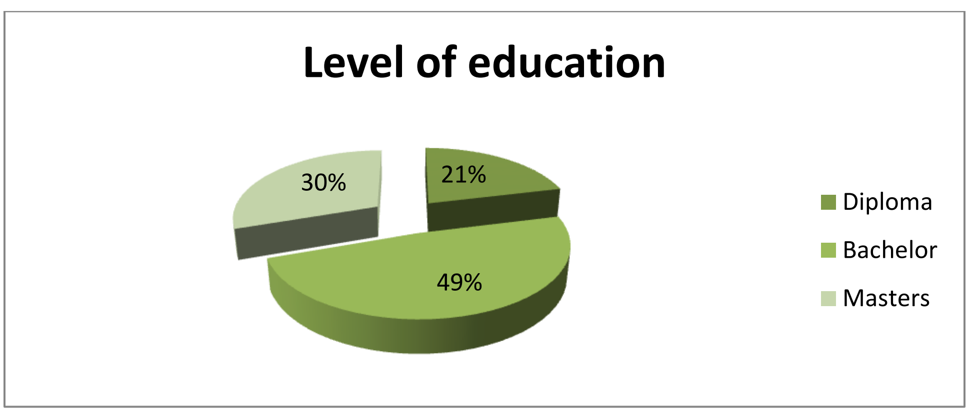


Source: Author 2014

4.2.2 Level of Education

The study sought to establish the level of education of the respective respondents in the organizations of study. Figure 4.2 provides a summary of the level of education of the respondents.

Figure 4.2 Level of Education



Source: Author 2014

According to the study most of the respondents had high level of education qualification. Specifically 49 percent had bachelor's degree qualification and 30 percent Master's degree qualifications respectively. Only 21 percent of the respondents were diploma holders.

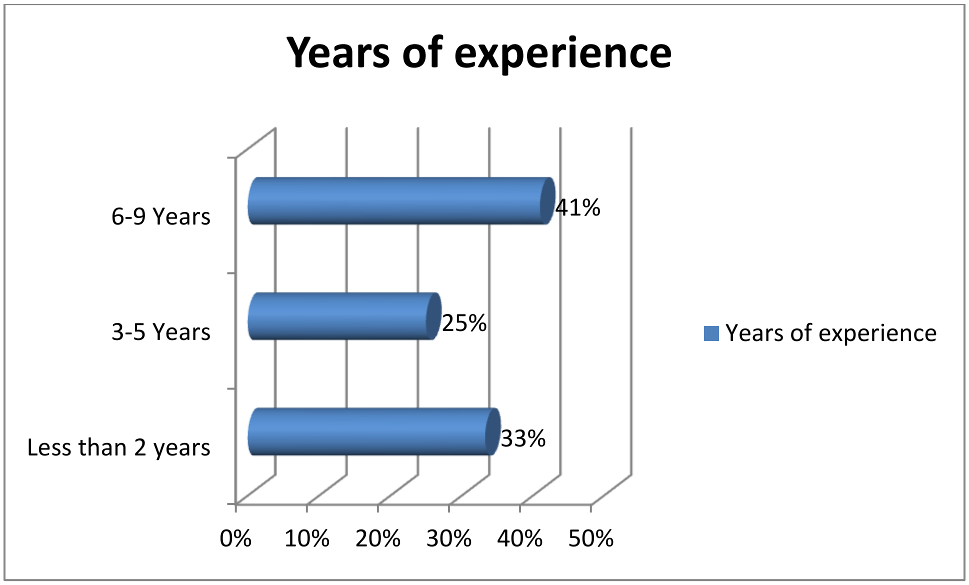
The high level of education among the respondents is a clear indication of that most of the respondents are well aware of the environmental dynamics and therefore well versed with the various strategies in such a scenario. Specifically this meant that even in cases where senior management delegated the role of respondents; the data provided was well articulated and reflected a strategic view of the organization under study.

4.2.3 Number of Years in the Oil Industry

In order to establish the experience of the respondents in the oil industry, the respondents were asked to state how long they have been working in the industry.

Figure 4.3 below shows the level of experience of respondents within the small oil marketing companies. The results indicate that 33 percent of the respondents had worked for less than two years, while majority of the respondents accounting for 41 percent had between 6 to 9 years of experience. Twenty five percent of the respondents had 3 to 5 years of experience. Given many years of respondents' experience in the oil industry, as such they were equipped with the knowledge of the environmental challenges in Kenya.

Figure 4.3 Level of Experience



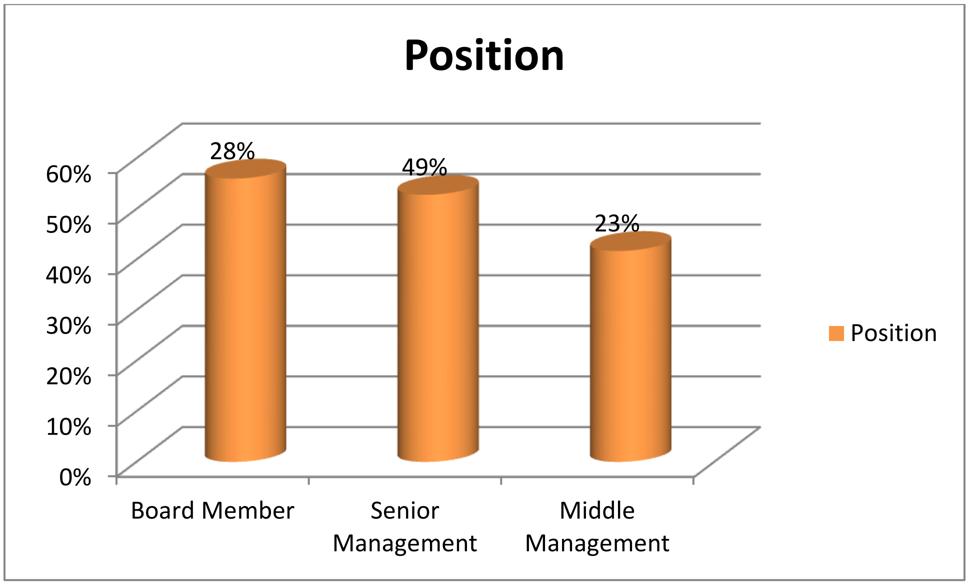
Source: Author 2014

It is worth noting that most of the respondents with 41 percent were between 6-9 years in the company which indicates the dynamism of the environment in the oil sector. Since the respondents were at the epitome of decision making in their respective organizations, this could have an impact on the strategic response of these small oil marketing firms. Their views are therefore well supported and provide a correct view of the strategic responses adopted towards environmental challenges of the small oil marketing companies in Kenya.

4.2.4 Position held in the company

In order to establish the strategic response of oil companies in a dynamic economic environment in Kenya, the study sought responses from top managers in these organizations. Figure 4.4 provides a summary of the study findings with regards to the respondents' position in their respective organizations.

Figure 4.4 Position Held in the Company



Source: Author 2014

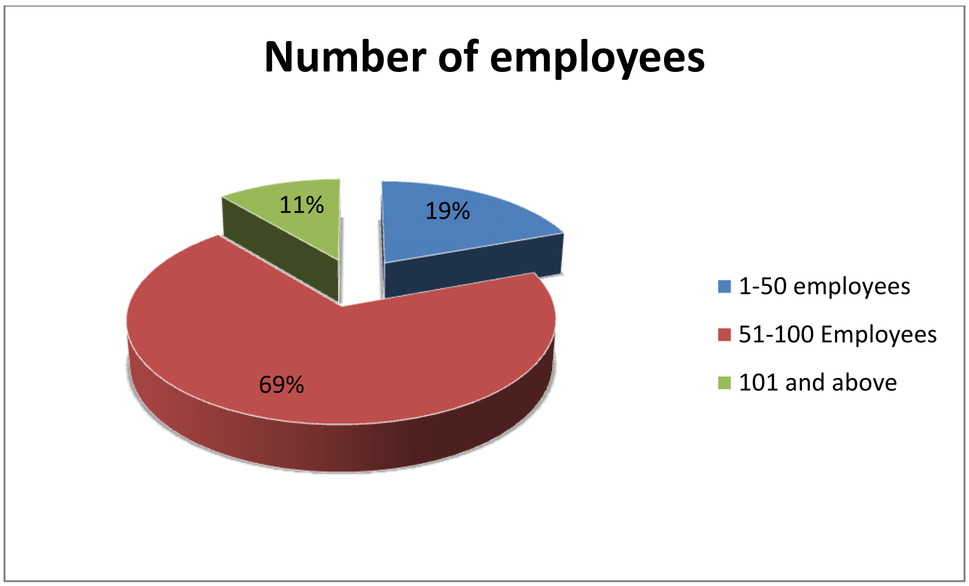
Whereas 77 percent of the respondents were in the top management only 23 percent of the respondents were either line or section managers in their respective organizations but who had delegated authority. In fact these line managers were directly involved in implementation of the strategic responses in their departments and stood a good chance of giving appropriate and timely response on changes in the market. None of the respondents were from the remaining categories.

The study findings show that indeed, over 77 percent of the respondents were directly involved in the strategic decision making by these organizations and therefore likely to provide first-hand information as far as the strategic response adopted to environmental challenges is concerned. This help support the data provided as a clear picture of how the small oil marketing companies in Kenya respond to the environment related challenges by formulating and implementing strategies that react to environmental changes.

4.2.5 Number of employees in the company

Figure 4.5 below shows the number of employees in the company. The respondents indicated that 19 percent of the companies had between 1 to 50 employees while 69 percent of the companies had between 51 to 100 employees and 11 percent of the companies had more than 100 employees.

Figure 4.5 Number of employees in the company

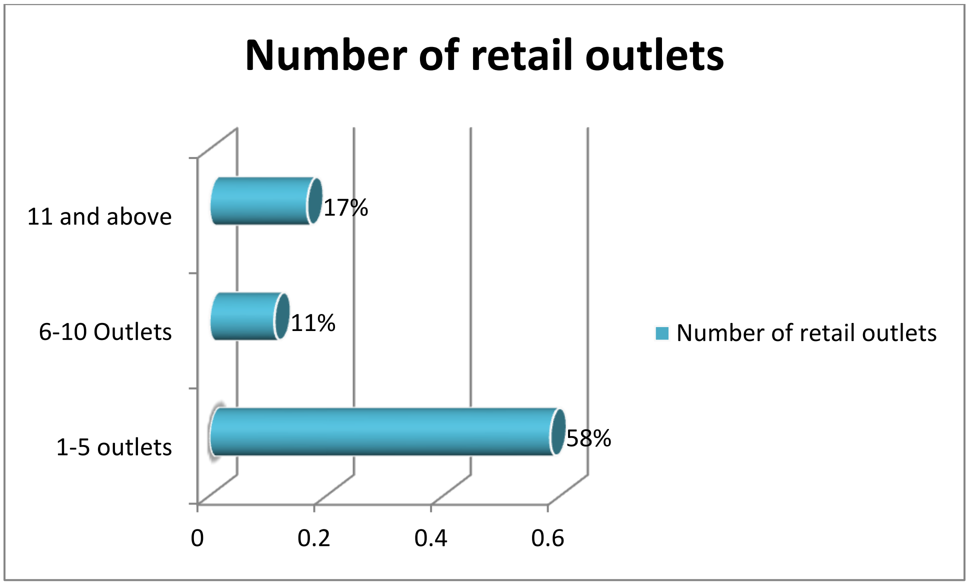


Source: Author 2014

4.2.6 Number of retail outlets

The number of retail outlets is likely to have an impact on the strategic response to environmental challenges by oil marketing firm. The results presented in the figure below show the number of retail outlets that the company has. The respondents indicated that 58 percent of the companies had between 1 to 5 retail outlets while 11 percent of the companies had between 6 to 10 retail outlets and 17 percent of the companies had more than 10 retail outlets.

Figure 4.6 Number of retail outlets



Source: Author 2014

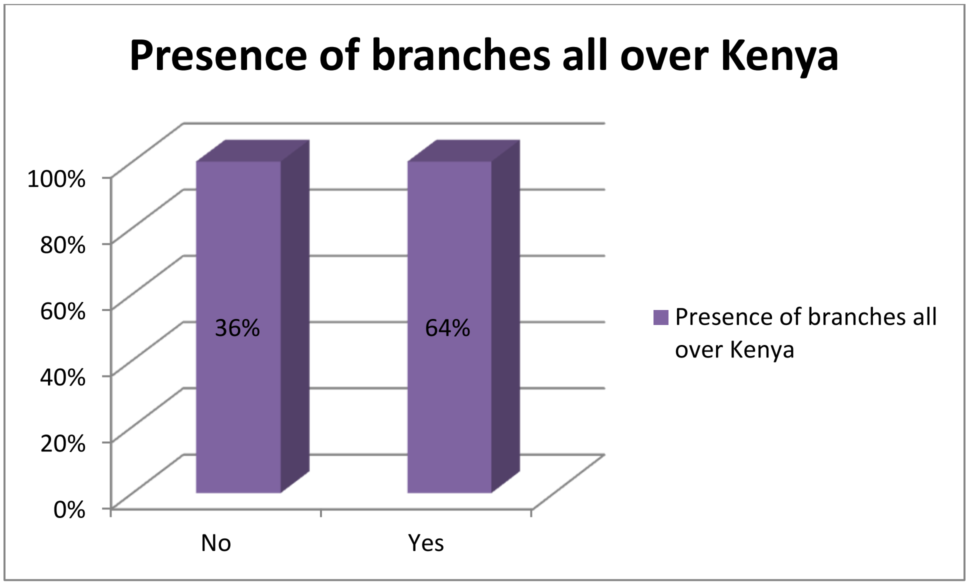
As seen in the figure, majority of the respondents said that they were aware of their companies having retail outlets all over the country. However, the result indicate that most of the small oil marketing firms in Kenya have a few retail outlets compared to other players in the industry such multinationals and regional oil marketing companies. This in effect had an impact in strategic response by these companies in terms price completion and brand awareness of the respective small oil marketing firm.

4.2.7 Presence of Branches all over Kenya

Figure 4.1 provides the respondents view with regards to their knowledge on whether their respective companies had branches all over Kenya.

The results presented in the figure below shows the presence of branches all over Kenya. The respondents indicated that 64 percent of the companies had branches all over Kenya while 36 percent of the companies did not have branches all over Kenya.

Figure 4.7 Presence of Branches all over Kenya



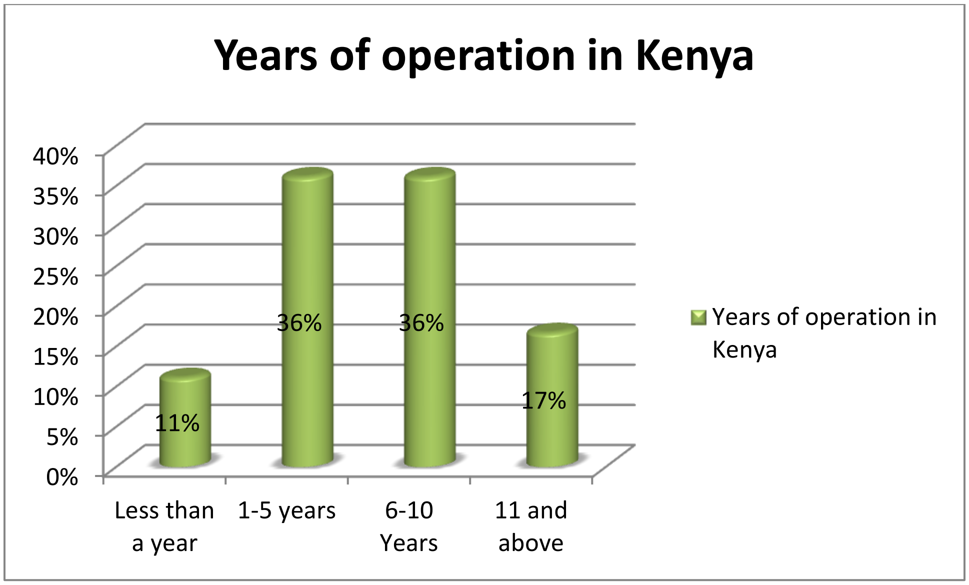
Source: Author 2014

Majority of the respondents said that they were aware of their companies having branches all over Kenya. The results indeed indicate that most oil marketing companies in Kenya have a wide branch network in the country. This in effect had an impact in strategic response by these companies as would be country wide.

4.2.8 Number of years of operation in Kenya.

Years of operation of the company in Kenya was considered as a key variable in the strategic response to environmental challenges. This is because oil companies who have been operating in Kenya for longer periods are well versed with the market dynamics in Kenya and therefore the way they respond to the environment will be influenced by their experience in the country. The respondents' responses in terms of years of operation of the company in Kenya are summarized in Figure 4.8

Figure 4.8 Presence of Branches all over Kenya



Source: Author 2014

The results presented in the figure above shows the number of years the companies has operated in Kenya. The respondents indicated that 11 percent of the companies had been operating in Kenya for a period less than a year, 36 percent of the companies had been operating in Kenya for a period of between 1 and 5 years and 36 percent of the companies had been operating in Kenya for a period of between 6 to 10 years. Seventeen percent of the companies had been operating in Kenya for a period of 11 years and above.

4.3 Response Strategies to Environmental Challenges

In order to access the response strategies to environmental challenges by companies, respondents were asked to choose the strategies that there companies pursue in response to the environmental challenges in Kenya. The means of the response strategies were ranked in order to establish their order of importance. The highest rank (for instance Rank 9) in the table 4.9 below implies that respondents were neutral in the assertion that the response strategies identified had been implemented in case of environmental challenges while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that response strategies identified had been used as response strategy to environmental challenges in Kenya. Specifically, the results indicate that the most important response strategy to environmental challenges; focus market (mean = 0.67), Cost leadership (mean = 0.64), Strategic alliances (mean = 0.47), and lastly corporate social responsibility (mean = 0.41), while the least pursued response strategies to environmental challenges was acquisition and mergers (mean = 0.03), Lobbying the government (mean = 0.15) as indicated by the rank results in Table 4.9.

Table 4.1 Response Strategy to Environmental Challenges

Statement	**Mean**	**Rank**
Focus market	0.67	1
Cost leadership	0.64	2
Strategic alliances	0.47	3
Corporate social responsibility	0.41	4
Product differentiation	0.25	5
Joint venture	0.19	6
Venture Integration	0.17	7
Lobbying the government	0.15	8
Acquisition and mergers	0.03	9

Source: Author 2014

4.4 Extent of Use of Response Strategies to Environmental Challenges

In order to access the extent to which the companies use the response strategies to environmental challenges by companies, respondents were asked to rate the factors on a scale of 1 to 5; (1; very low extent , 2; low extent, 3; moderate extent, 4; great extent, 5; very great extent).. The means of the extent of use of response strategies were ranked in order to establish their order of importance. The highest rank (for instance Rank 9) in the table 4.10 below implies that respondents were neutral in the assertion that some extent of the identified response strategies had been used in case of environmental challenges while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that some extent of the identified response strategies had been used as a response strategy to environmental challenges in Kenya. Specifically, the results indicate that the most used response strategy to environmental challenges to a large extent; focus market (mean = 4), cost leadership (mean = 3.84), corporate social responsibility (mean = 3.39), and lastly strategic alliances (mean = 2.62), while the used response strategies to a small extent to environmental challenges was acquisition and mergers (mean = 1.46), lobbying the government (mean = 2.35) as indicated by the rank results in Table 4.10.

Table 4.2 Extent of Use of Response Strategies to Environmental Challenges

Statement	Mean	Rank
Focus Market	4	1
Cost leadership (Low Cost)	3.84	2
Corporate social responsibility	3.39	3
Strategic Alliances	2.62	4
Product Differentiation	2.53	5
Joint Venture	2.41	6
Vertical Integration	2.38	7
Lobbying the government	2.35	8
Acquisitions and Mergers	1.46	9

Source: Author 2014

4.5 Impact of Response Strategies to Environmental Challenges

In order to access the impact of the response strategies to environmental challenges by companies, respondents were asked to rate the factors on a scale of 1 to 5; (1; never, 2; low, 3; moderate, 4; high, 5; very high). The means of the impact of use of response strategies were ranked in order to establish their order of importance. The highest rank (for instance Rank 9) in the table 4.11below implies that respondents were neutral in the assertion that the impact that the identified response strategies had been felt in cases of environmental challenges while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that the impact of the identified response strategies had been felt in cases of environmental challenges in Kenya. Specifically, the results indicate that the most felt response strategy with a high impact to environmental challenges; corporate social responsibility (mean = 3.61), cost leadership (mean = 3.48), strategic alliances (mean = 3.3), and lastly focus market (mean = 3.26), while the least pursued response strategies to environmental challenges was acquisition and mergers (mean = 2.27), vertical integration (mean = 2.65) as indicated by the rank results in Table 4.10.

Table 4.2 Impact of Response Strategies to Environmental Challenges

Statement	Mean	Rank
Corporate social responsibility	3.61	1
Cost leadership (Low cost)	3.48	2
Strategic Alliances	3.3	3
Focus Market	3.26	4
Lobbying the government	2.97	5
Joint Venture	2.9	6
Product Differentiation	2.74	7
Vertical Integration	2.65	8
Acquisitions and Mergers	2.27	9

Source: Author 2014

4.6 Strategic Combinations for the Small Oil Marketers Companies in Kenya

In order to access the strategic combinations to environmental challenges by companies, respondents were asked to indicate the strategic combinations to environmental challenges. The count of the responses to their preferred strategic combinations was ranked in order to establish their order of importance. The highest rank (for instance

Rank 6) in the table 4.12 below implies that respondents were neutral in the assertion that the strategic combinations to environmental challenges best suit the small oil marketing companies in Kenya while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that strategic combinations to environmental challenges best suit the small oil marketing companies in Kenya. Specifically, the results indicate that the strategic combinations that best suit the small oil marketing companies in Kenya response strategy with a high impact to environmental challenges: differentiation and low cost leadership (count = 11) and differentiation and market focus (count = 11), while the strategic combinations that least suit the small oil marketing companies in Kenya least ware corporate social responsibility and lobbying the government (count = 0) and corporate diversification and acquisitions and mergers (count = 0) as indicated by the rank results in Table 4.12.

Table 4.4 Strategic Combinations for the Small Oil Marketers Companies in Kenya

Strategic combination	Count	Rank
Differentiation and Low cost leadership	11	1
Differentiation and market focus	11	1
Strategic Alliances and Joint Ventures	6	3
Cost leadership and Vertical Integration	4	4
Mergers and Acquisition and Strategic alliances	1	5
Corporate Diversification and Acquisitions and Mergers	0	6
Corporate social responsibility and lobbying the government	0	6

Source: Author 2014

4.7 Chapter Summary

In this chapter the researcher has provided the findings with regards to the information issued by the respondents. The initial section provides the results in terms of the respondent's background, which is followed by the strategic response adopted by the small oil marketing firms to environmental challenges. The next chapter offers the summary, conclusion as well as the recommendations.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

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

5.2 Summary

The objective of the study was to establish the response strategies adopted by Small Oil marketing companies in Kenya to environmental challenges. In order to achieve the above, the study adopted a cross-sectional survey research design in order to obtain the data that is necessary, which in essence facilitated the collection of the primary data as a way of getting into the research objectives. The population under study was thirty six (36) Small oil marketing firms in Kenya. The census survey technique was used, because it has an advantage in that it will obtain data from each of the companies which will provide greater accuracy and reliability. The collection of the primary data was done using structured questionnaires .The coding of the data was done with the use of Microsoft Excel as well as SPSS in order to generate the descriptive statistics for instance frequencies and percentages. The presentation of the results was in form of figures, tables as well as cross tabulations.

5.2.1 Response Strategies to Environmental Challenges

The study examined response strategies to environmental challenges by small oil marketing companies. From the results, the study finds that response strategies considered in the event of environmental challenges were; focus market (mean = 0.67), cost leadership (mean = 0.64), strategic alliances (mean = 0.47) and corporate social responsibility (mean = 0.41) while acquisition and mergers (mean = 0.03) lobbying the government (mean = 0.15) were least pursued response strategies to environmental challenges.

5.2.2 Extent of Use of Response Strategies to Environmental Challenges

The study also examined the extent to which the companies used the response strategies to environmental challenges by small oil marketing companies in Kenya. From the results, the study finds that response strategies used to a large extent in the event of environmental challenges were; focus market (mean = 4), cost leadership (mean = 3.84), corporate social responsibility (mean = 3.39) and strategic alliances (mean = 2.62) while acquisition and mergers (mean = 1.46) lobbying the government (mean = 2.35) were used to the least extent in the event of environmental challenges.

5.2.3 Impact of Response Strategies to Environmental Challenges

The study also examined the impact of the response strategies to environmental challenges by small oil marketing companies in Kenya. From the results, the study finds that the most felt response strategies with a high impact to environmental challenges were; corporate social responsibility (mean = 3.61), cost leadership (mean = 3.48), strategic alliances (mean = 3.3) and focus market (mean = 3.26) while acquisition and mergers (mean = 2.27) and vertical integration (mean = 2.65) have the least impact in the event of environmental challenges.

5.2.4 Strategic Combinations for the Small Oil Marketers Companies in Kenya

The study examined the impact of strategic combinations that best suit the small oil marketing companies in Kenya. From the results, the study finds that the strategic combinations that best suit the small oil marketing companies were; differentiation and low cost leadership (count = 11), and differentiation and market focus (count = 11) while the strategic combinations that least suit the small oil marketing companies were corporate social responsibility and lobbying the government (count = 0) and corporate diversification and acquisitions and mergers (count = 0).

5.3 Conclusion

The research sought to answer the question of response strategies adopted by Small oil marketing firms in Kenya to environmental challenges. The study examined environmental challenges affecting these companies and how they responded to those challenges. The response to these challenges were through employing corporate strategies, business strategies and functional strategies. This enabled the organization survive and grow in this volatile oil industry.

In line with the above findings the study concluded that response strategies play a very crucial role in environmental challenges and more specifically, it was concluded that among the response strategies that affected strategy implementation were focus market, cost leadership, strategic alliances and corporate social responsibility.

Secondly, the study concluded that extent to which the companies used the response strategies also affected environmental challenges faced by small oil marketing companies in Kenya. These factors as evidenced in the study are therefore factors to consider when faced with to environmental challenges among small oil marketing companies. The study also concludes that corporate social responsibility, cost leadership, strategic alliances and focus market are the key factors that affected environmental challenges faced by small oil marketing in Kenya. In addition, the study also concluded that the companies pursed the following strategic combinations when faced with environmental challenges; differentiation and low cost leadership and differentiation and market focus.

5.4 Limitations of the Study

A study however comprehensive is bound to have limitations. The study focused on a very sensitive area of Strategy in a turbulence oil market environment limiting the extent of information provided by respondents. The study focused on strategic response which meant that the respondents needed to be at senior management level that in some cases was unavailable delegating their responsibility a case which limited the extent of information availed to researcher. Some organization viewed the information as competitive in nature and their internal procedures did not allow them to provide information supported by numbers. This meant that in some cases information provided could not be independently verified.

Time was a key limitation and as such a cross-sectional survey was used. This method by itself has limitation in that it is confined to a specific point in time. Since in firm's strategic responses constantly change overtime, cross-sectional surveys for such situations may not reflect the actual situation A Longitudinal study would be useful in order to compare the strategic response of different oil marketing companies over a long period of time.

Time was also a key limitation during data collection and analysis. There were cases of travelling constraints as the researcher had to travel to several towns in the country during the study resulting in lengthy period of data collection, data analysis and discussions on findings. However the researcher felt that information provided did provide an accurate picture of the Small oil marketing company's strategic response to environmental challenges in Kenya.

5.5 Recommendations for Policy and Practice

The purpose of the study was to add value to theory, practice and used by policy makers to maintain caution when engaging strategic responses to the oil sector in Kenya. The Kenya oil market has in the recent past seen exit by large multinationals in Kenya following regulatory and economic change and this has negative effective in the stability of this crucial part of the Kenya economy.

After considering the results of this study, recommendations are suggested that organizations should conduct environmental scanning to be aware of different challenges. Organizations should also apply corporate strategies, business strategies and functional strategies in response to environmental challenges.

5.6 Recommendations for Further Study

Future studies should address the potential relationships between oil marketing and strategy implementation challenges as well as strategic responses. In addition, it may be important to investigate the strategic responses in line with the typology advocated for by Kinuu, (2007).

Studies on response strategies should also be conducted on entry of oil drilling firms as well as the government. It is important for such a study to establish the overall impact of the environment to this key part of the economy and how this will influence the future of oil industry in Kenya.

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APPENDICIES

Appendix I: Questionnaire

Please Tick √ as appropriate

PART A: General Information

1. Please indicate name of your organization (optional) ___________________________

2. Gender:

a) Male [ ]
b) Female[ ]

3. Please indicate your level of education

a. Diploma [ ]

b. Bachelor [ ]

c. Masters [ ]

d. Doctorate [ ]

e. Other (Please specify) ____

4. How long have you been working in the oil industry**?**

a. Less than 2 year [ ]

b. 3 – 5 years [ ]

c. 6 – 9 years [ ]

d. 10 years and above [ ]

5. What is your position in the company**?**

a. Board Member [ ]

b. Senior Management [ ]

c. Middle Management [ ]

c. Other (Please specify) ____

6. Please indicate number of employees working in this company

1 - 50 [ ] 51 - 100 [ ] 101 - Above [ ]

7. Please indicate number of retail outlets

1 - 5 [ ] 6 - 10 [ ] 11 - Above [ ]

8.Does your company have branches all over Kenya**?**

a. Yes [ ]

b. No [ ]

c. Don't Know [ ]

9. Years of Operation of the company in Kenya

a. Less than a year [ ]

b. 1 – 5 [ ]

c. 6 – 10 [ ]

d. 11 – and above [ ]

10. Which other features/ characteristics of your company do you know that differentiate it from the rest? Please list them below:

____

____

____

____

____

____

PART B: Response Strategies to Environmental Challenges

11. Which of these strategies does your company pursue in responses to environmental challenges in Kenya?(tick all that apply)

a) Cost leadership (Low cost)[ ]

b) Product Differentiation[ ]

c) Focus Market (Niche Market)[ ]

d) Vertical Integration[ ]

e) Joint Venture[ ]

f) Acquisitions and Mergers[ ]

g) Strategic Alliances [ ]

h) Lobbying the government [ ]

g) Corporate social responsibility [ ]

12. To what extent does your company use these strategies response to environmental challenges.(Tick only one box for each attribute, where 1=

very small extent, 2= small extent, 3 = moderate extent, 4 = larger extent 5 = very

large extent)

Strategic Response	**1**	**2**	**3**	**4**	**5**
Cost leadership (Low)					
Product Differentiation					
Focus Market					
Vertical Integration					
Joint Venture					
Acquisitions and Mergers					
Strategic Alliances					
Lobbying the government					
Corporate social responsibility					

13. What is the impact of these strategies when adopted in response to environmental challenges by small Oil Marketing Companies in Kenyan?.(Tick only one box for each attribute, where 1=

never, 2= low , 3 = moderate , 4 = high 5 = very high)

Strategic Response	**Very High**	**High**	**Moderate**	**Low**	**Never**
Cost leadership (Low)					
Product Differentiation					
Focus Market					
Vertical Integration					
Joint Venture					
Acquisitions and Mergers					
Strategic Alliances					

Lobbying the government					
Corporate social responsibility					

14. Which of these strategic combinations would best suit the small oil marketers companies in Kenya?(tick only one)

a) Differentiation and Low cost leadership

b) Differentiation and market focus

c) Cost leadership and Vertical Integration

d) Strategic Alliances and Joint Ventures

e) Mergers and Acquisition and Strategic alliances

f) Corporate Diversification and Acquisitions and Mergers

g) Corporate social responsibility and lobbying the government

h) Other Specify...

15. Which other Strategies are adopted by your company in response to environmental challenges.

16. In your opinion, what response strategies would you recommend to be put in place to align your organization to the general environment of the oil marketing business in Kenya? Please list.

Thank you for your participation

Appendix II: List of Small Oil Marketing Companies

January - June 2014 Market shares		
1.	REGNOL	1.46
2.	ESSAR	0.99
3.	MGS	0.95
4.	GLOBAL	0.64
5.	RH DEVANI	0.60
6.	Royal	0.58
7.	EAGOL	0.55
8.	BANODA	0.53
9.	TRADIVERSE	0.50
10.	TROJAN	0.48
11.	RANWAY	0.47
12.	TOSHA	0.43
13.	TIBA	0.38
14.	OLYMPIC	0.35
15.	AL-LEYL	0.32
16.	ORYX ENERGIES	0.28
17.	TOWBA	0.27
18.	TOPAZ	0.26
19.	AFRI-OIL	0.20
20.	DALBIT	0.19
21.	OILCOM	0.16
22.	OILCITY	0.13
23.	OCEAN ENERGY	0.13
24.	CAPE SUPPLIERS	0.10
25.	FAST ENERGY	0.09
26.	MULOIL	0.09
27.	AINUSHAMSI	0.09
28.	KEROKA	0.08
29.	INTOIL	0.07
30.	KENCOR	0.06
31.	JADE	0.03
32.	PREMIUM	0.02
33.	Finejet	0.01
34.	OILPOINT	0.01
35.	ULTRA	0.00
36.	PRIME REGIONAL	0.00