SUSTAINABLE COMPETITIVE ADVANTAGE AT THE
NATIONAL OIL CORPORATION OF KENYA

BY

TOGOM SAMMY TIROP

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

This Research Project is my original work and has not been presented for examination in any other University.

Signed……………………………………    Date…………………

TOGOM SAMMY TIROP

D61/72392/2011

The Research Project has been submitted for examination with my approval as the University Supervisor.

Signed…………………………………..   Date…………………..

JEREMIAH KAGWE, MR.,

LECTURER, DEPARTMENT OF BUSINESS ADMINISTRATION,

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI.
ACKNOWLEDGEMENTS

I wish to acknowledge my supervisor Mr. Jeremiah Kagwe for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives. My profound appreciation to him. Thank you and God bless you.

To God I give Glory.
DEDICATION

I dedicate this work to my wife Lilian Jerotich and our children Winnie Jeptoo and Ian Kipkoech.
## TABLE OF CONTENTS

DECLARATION........................................................................................................................................... ii

ACKNOWLEDGEMENTS ............................................................................................................................... iii

DEDICATION.................................................................................................................................................. iv

LIST OF TABLES AND FIGURES ................................................................................................................ vii

ABREVIATIONS AND ACRONYMS .............................................................................................................. viii

ABSTRACT.................................................................................................................................................... ix

CHAPTER ONE: INTRODUCTION .................................................................................................................. 1

1.1 Background of the Study ......................................................................................................................... 1

1.2 Research Problem ................................................................................................................................ 8

1.3 Research Objectives ............................................................................................................................. 10

1.4 Value of the Study ................................................................................................................................ 11

CHAPTER TWO: LITERATURE REVIEW ..................................................................................................... 12

2.1 Introduction ............................................................................................................................................ 12

2.2 Theoretical Foundation .......................................................................................................................... 12

2.3 Challenges of Sustainable Competitive Advantage within the Industry ........................................... 14

2.4 Dealing with Challenges of Sustainable Competitive Advantage within the Industry ......... 18

2.5 The conceptual framework .................................................................................................................. 22
CHAPTER THREE: RESEARCH METHODOLOGY ................................. 23
3.1 Introduction ........................................................................................................ 23
3.2 Research Design .................................................................................................. 23
3.3 Data Collection .................................................................................................... 24
3.4 Data Analysis ........................................................................................................ 25

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION ....... 26
4.1 Introduction ........................................................................................................... 26
4.2 Survey Interviewees and Response Rate ............................................................... 26
4.3 Findings of the Study ............................................................................................ 27
4.4 Discussion ............................................................................................................. 35

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ... 39
5.1 Introduction ........................................................................................................... 39
5.2 Summary .............................................................................................................. 39
5.3 Conclusion ............................................................................................................ 41
5.4 Recommendations ............................................................................................... 42
5.5 Implication for Policy, Theory and Practice ......................................................... 43
5.6 Suggestions for further Research ........................................................................ 44

REFERENCES .......................................................................................................... 45

APPENDICES ............................................................................................................ i
Appendix I: Interview Guide ...................................................................................... i
LIST OF TABLES AND FIGURES

Table 1: Performance of National Oil Corporation................................................................. 7

Figure 1: Analysis of the oil Industry (Using Porter’s Five Forces Framework).................. 22
# ABREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERC</td>
<td>Energy Regulatory Commission</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning System</td>
</tr>
<tr>
<td>HFO</td>
<td>Heavy Fuel Oil</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
</tr>
<tr>
<td>LPG</td>
<td>Liquefied Petroleum Gas</td>
</tr>
<tr>
<td>NOCK</td>
<td>National Oil Corporation of Kenya</td>
</tr>
<tr>
<td>PPDA</td>
<td>Public Procurement and Disposal Act</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource Based View</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strength, Weakness, Opportunities and Threats Analysis</td>
</tr>
</tbody>
</table>
ABSTRACT

The main objective was to establish the competitive strategies used by NOCK in order to operate and remain competitive in the oil industry. Every business organization strives for competitive advantage by providing superior value to the market place which in turn enhances the profitability level of the firm. Specifically the study sought to the strategies adopted by NOCK in the competitive oil industry in Kenya and whether in the execution of those strategies there were any challenges encountered and how the same challenges were being mitigated by NOCK in order to remain competitive and remain relevant in the eyes of the consumer. The study was carried out as a case study focussing on NOCK among the oil firms in the Kenyan oil market and industry. Primary data was collected from senior management staff by use of interview guide and secondary data and information was picked from internal NOCK documents like strategic plan, industry analysis reports as well as observations. A total of 4 interview guides were sent out and administered out of which, 3 responded and 1 did not respond. All their responses were analyzed putting the study’s response rate at 75%. The data was analyzed using content analysis and information pertaining to the study objectives was presented. Research findings showed that NOCK had adopted strategies that enhanced its competitive advantage in the oil industry and that in the process of implementing the strategies to be competitive, NOCK encountered a number of challenges and the most among them was slow decision making process. Respondents showed that once a specific strategic direction had been identified, it was not adopted immediately but had to go through an elaborate bureaucracy hence lagging behind its competition. It was also determined that the NOCK had put in place mitigating strategies in dealing with challenges. Key among the strategies was the use of management tools like the balanced score card (BSC) to assist in aligning strategy to targets. Research findings indicated that the balanced score card approach had been implemented to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. The research recommends that NOCK should adopted a systematic thinking to guide the planning, implementation and follow-up of human resource up-skilling efforts in the company. With serious effort on its part, NOCK may be able to conduct systematic needs assessment procedures despite the expected difficulties originating from the absence of information about basic skill reservoir and career planning. This will empower unit managers and individual member staff which in turn will shorten the cycle time for decision making so as to allow anchoring of the competitive strategies and allow NOCK to stay ahead of its competition in the oil industry. The research findings therefore addressed the research question(s) under investigation and would be a practical tool to the practitioners of competitive business strategies as firms strive to maintain and sustain competitive advantage in a highly competitive industry like the oil industry in Kenya.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Every business organization strives for competitive advantage by providing superior value to the marketplace which in turn enhances the profitability level of the enterprise (Inyang, 2011). According to Wikipedia, (2012); Johnson, et al, (2009); Porter, (1998); and Grant, (2000) a firm possesses competitive advantage over its rivals within the same market when it earns or has the potential to earn a persistently higher rate of profit. To achieve this, Porter, (1998) argues that a firm can outperform rivals only if it can establish a difference that it can preserve, deliver greater value to customers or create comparable value at a lower cost or both. Therefore to succeed, businesses must adopt strategies that actively shape the game they play, not just playing the game they found (Adam & Barry, 1996).

Companies today therefore can no longer afford to pay attention only to their domestic markets, no matter how large they are. Oil industry operates in an open system that meets stiff competition not only by local producers but also from new entrants from the global markets who have lower cost and higher brand awareness (Kotler, 1984). The Resource Based theories suggest that a firm competitiveness arose from bundles of unique resources they have at their disposal to become industry leader by way of maximizing the opportunities arising from the industry and using their resources to achieve uniqueness within the same sector.
The increasingly competitive local oil markets call upon local firms to adopt open system approach where they become conscious of the environment upon which they operate in. For a firm to be competitive, environmental scanning is critical to evaluate the strength of new entrants in the industry.

National Oil Corporation of Kenya (NOCK) is a state corporation under the Ministry of Energy and Petroleum operating in Kenya Oil industry since 1984 and charged with participation in all aspects of the petroleum industry. The Company is operating in an increasingly competitive market environment in Kenya’s rapidly expanding retail networks from both international and national players. (Petroleum Insight July-December 2013). With petroleum envisaged to play a central role as infrastructural enabler of Vision 2030, NOCK has a key role to play towards attainment of the Vision and ensuring access to affordable petroleum products in the highly competitive market.

1.1.1 Sustainable Competitive Advantage

According to Barney, (1991) a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when this other firms are unable to duplicate the benefits of this strategy (pp.102). In the past NOCK had adopted various strategies to enhance her competitiveness within the industry such as scaling up retail networks, securing government to government supply chains, active participation in petroleum explorations and positioning Kenya as petroleum regional hub.
Achieving competitive advantage strengthens and positions a business better within the business environment. Porter, (1998), noted that businesses should pursue policies that create high-quality goods to sell at high prices in the market. The key challenge facing the firms therefore is to build that advantage, extend the advantage, organize for advantage, sustain and renew the advantage. This creates a prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with their inability to duplicate the benefits of this strategy (Hoffman, 2000).

In sustaining competitive advantage a company could adopt three generic strategies that are geared towards increasing market share at the expense of competitors within the industry. These are low cost leadership, differentiation and focus strategy (Porter, 1985). An organization pursuing low-pricing may be prepared to accept the reduced margin either because it can sell more volume than competitors or it can cross-subsidize that business unit from elsewhere in its portfolio hence become an industry cost leader. On the other hand differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition.
Thus the value added by the uniqueness of the product may allow the firm to charge a premium price for it and by doing so the firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Due to the product's unique attributes, if suppliers increase their prices the firm will be able to pass along the costs to its customers who cannot find substitute products easily (Porter, 1985).

Focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it thus a firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly (Porter, 1985).

1.1.2 The Oil Industry in Kenya
The oil and gas industry in Kenya are key drivers in the growth of economy and source of commercial energy. According to the Kenya Pipeline Company, (2006), petroleum fuels are imported in form of crude oil for domestic processing and also as refined products, and mainly used in the transport, commercial and industrial sectors. The industry is regulated by the Ministry of Energy and the Energy Regulatory Commission (ERC) in reference to the Constitution 2010. In the structure of this industry, NOCK acts as the agent of Government in relation to the compilation of national energy data, running petroleum laboratories, importation of crude oil and the development of alternative fuels.
The oil industry in Kenya is governed by laws that cover various operations from crude importation, refining and retailing. There are about twenty six (26) oil marketers in the industry although majorly dominated by major multinationals of Total Kenya, Kenol Kobil, and Shell. The industry is characterized by competitive price controls, product differentiation, and a strict taxation structure within an economy that is liberalized thus requiring pursuit of competitive strategies within the market.

1.1.3 The National Oil Corporation of Kenya

National Oil is a State Corporation under the Ministry of Energy incorporated in April 1981 and charged with participation in all aspects of the petroleum industry and became operational in 1984. National Oil Corporation of Kenya is 100% owned by Kenya. Its initial operations were limited to exploration activities delegated from the Ministry of Energy. In 1988, National Oil went downstream and actively started participating in the importation and sale of petroleum products including crude oil, white fuels, lubricants and LPG.

In the lead up to the last general election in Kenya in 2012 – to March 2013, the Company experienced decline in petroleum consumption but began to pick up during the first quarter and gained momentum in the second quarter of 2013/14 with increased volume of productions. Although the Company has continued to realize both upstream and downstream projects improvement, a number of challenges have been realized among them inadequate financing for its aggressive growth plan with a total assets shortfall of 8 billion in 2013/14.
Other challenges standing in the sustainable advantage of the corporation include, constrained and aged national distribution infrastructure, periodic petrol importation supply through spot arrangements which expose the industry to supply shocks. These constraints are also compounded by other factors of legislative framework, public procurement process and inadequate technical skills.

Currently, NOCK is implementing its 2013-16 strategic plans which aims to lay a robust foundation for a world class fully integrated national oil company as along range focus (Petroleum quarterly, 2013). The blue print aims to achieve 10% global market share by 2016 and developing a world class petroleum infrastructure among other strategies. The Competitive Advantage of any organization is embedded in the capabilities to analyze the business environment and being able to interpret and analyze all identified changes taking place, a process that involves a constant SWOT analysis of the firm, re-engineering strategy and a learning organization experience and strategy.

However, according to the company Board Paper No.02/2013, (May, 2013), the Corporation recorded an overall short fall of 23% of the projected revised budget for financial year 2012-13, when contrasting actual sales turnover of KES 181,483,454 against projected sales of KES 236,820,953. The company products performance when compared between the two period shows that only two products LPG 107% and LUBES 21% recorded a positive growth with HFO recording a major decline of (69%) within the period as shown in the table below. The table below shows performance of National Oil Corporation.
Table 1: Performance of National Oil Corporation

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>JUL – DEC</th>
<th>PMS</th>
<th>AGO</th>
<th>IK</th>
<th>LPG</th>
<th>HFO</th>
<th>LUBES</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td></td>
<td>64,224</td>
<td>95,651</td>
<td>9,851</td>
<td>2,044</td>
<td>9,286</td>
<td>422</td>
<td>181,477</td>
</tr>
<tr>
<td>2011-12</td>
<td></td>
<td>71,644</td>
<td>115,281</td>
<td>16,532</td>
<td>988</td>
<td>30,380</td>
<td>347</td>
<td>235,172</td>
</tr>
<tr>
<td>GROWTH</td>
<td></td>
<td>(7,420)</td>
<td>(19,631)</td>
<td>(6,681)</td>
<td>1,056</td>
<td>(21,093)</td>
<td>74</td>
<td>(53,695)</td>
</tr>
<tr>
<td>% CHANGE</td>
<td></td>
<td>(10%)</td>
<td>(17%)</td>
<td>(40%)</td>
<td>107%</td>
<td>(69%)</td>
<td>21%</td>
<td>(23%)</td>
</tr>
</tbody>
</table>

Source; Board Paper No.02/2013

Across the industry however, the company LPG that recorded a remarkable growth of 107% in its sales turnover, compared to other industry champions, the National Oil Corporation only hold 3.6% of the LPG market share against Total (24.5%), Oil Libya (17.8%), VIVO Energy (14.8%), Kenol Kobil (13.7%) and Harshi (13.5%)(Petroleum Insight, 4th Quarterly Report, 2013). Some of the most recognized challenges NOCK has experienced in expanding her market share therefore include Price wars among competitors, Reduced Margins that do not allow mounting of elaborate and sustained market aggression, Competition from new entrants, Illegal filling, Changes in buyer behaviour and additional costs/expenses on acquiring new markets (Board Paper No.02/2013, May, 2013).
1.2 Research Problem

A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player (Clulow et al., 2003). Competitive advantage signifies the ability of a firm to stay ahead of present or potential competition, thus ensuring superior market leadership. It also provides the understanding that resources held by a firm and the business strategy have a profound impact on generating competitive advantage. According to Powell, (2001) business strategy is a tool that manipulates the resources and creates competitive advantage; hence, viable business strategy may not be adequate unless it possess control over unique resources that has the ability to create such a unique advantage.

National Oil Corporation company has continued to realize both upstream and downstream projects improvement, a number of challenges have been realized among them inadequate financing for its aggressive growth plan with a total assets shortfall of 8 billion in 2013/14. Other challenges standing in the sustainable advantage of the Corporation include, constrained and aged national distribution infrastructure, periodic petrol importation supply through spot arrangements which expose the industry to supply shocks.

While the Petroleum Insight, 4th Quarterly Report, (2013), observed that, the role of NOCK in realization of national development agendas was becoming more pronounced in the emerging economies especially in Kenya. With increased competition in the oil industry, NOCK, needed to remain focused. In a nutshell, competitive advantage is a key
determinant of superior performance and ensures survival and prominent placing of a firm in the market. Where superior performance was the ultimate desired goal of a firm, competitive advantage became the foundation highlighting the significant importance upon which competition is managed (Porter, 1998).

According to Johnson et al, (2009) this price war can be won if the organization has lower cost structures or it has ‘deeper pocket’ to finance short to medium term losses with the aim of driving out competitors in the long term. Gaya et al, (2013) did similar study on high performing motor service industry in Kenya, (Orry, 2011) on banks issuing credit card in Kenya and (Atieno, 2013) on large insurance companies, these studies however, were not context specific. Other studies include Owuor (2001), on alliances and that alliances have become an important tool for achieving sustainable competitive advantage. Strategic alliances enable firms to share costs, risks, and profits of business operation. For oil industry in Kenya, strategic partnerships have become central to competitive success in fast-changing global markets. This has been the case for Kenya shell and Mobil oil when they started a joint venture in March 2004 and now run a joint depot in the industrial area in Nairobi.

Also Kenol Kobil, Total and Caltex went into this arrangement and have over the time managed to strengthen it; Kosom, (2011) on the competitive strategies employed by National Oil Corporation of Kenya showed that the company uses low cost strategy, differentiation, focus and resource based strategy in order to compete with other oil marketers.
In the US, QuikTrip Oil Company used a focused strategy to gain market share. By focusing solely on the marketing segment of the value chain, QuikTrip developed a superior retail offering distinguished by excellent customer service, competitive pricing and innovative merchandising techniques, (Shank et al, 1998). Fnape, (2014) on Nigerian Oil and Gas industry policy options and the National (Nov, 2013). None of the above studies were categorical on the sustainable competitive strategies that NOCK adopted. Moreover none of the studies looked at National Oil competitive strategies comprehensively and how to sustain them and the challenges faced in addressing those strategies hence this is the knowledge gap that this study intends to address. This then lends to the question. What are the strategies in place at NOCK that have sustained its competitive advantage in the oil industry?

1.3 Research Objectives

In general the researcher sought to establish competitive strategies used by NOCK in order to operate and remain determined competitive in the oil industry.

Specifically the researcher sought to;

i. To identify competitive strategies that had been adopted by NOCK to achieve sustainable competitive advantage

ii. To determine challenges that NOCK had faced in implementing strategies that enhanced its sustainable competitive advantage and methods of dealing with the challenges.
1.4 Value of the Study

The study would enhance capacities of policy makers in understanding challenges of sustaining competitive advantage within the Oil industry. This was to help develop appropriate policies that would not only encourage the growth of the sector but also deal with emerging regulatory challenges within the sector.

Secondly, the study was also to benefit practitioners in the sector by ways of developing relevant strategies that enhanced competitiveness of a firm within the oil industry. More so the study aimed at establishing best practices that re-enforced a firm’s position as industry champion that NOCK strived to achieve. Firms that were key players in the oil industry would find this study useful by providing insight into how to sustain the competitiveness and become market leaders and also how those strategies contributed to the future development of a firm.

Thirdly, the study was to add to the pool of knowledge that was useful to other researchers in reference to areas of competitiveness of a firm. It therefore sought to enrich the study of strategic management by way of building new theories or validating the existing ones with a perspective of informing the known norms or new ones regarding challenges of competition.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter dealt with the review of literature related to the study. Literature on the need for organizational product competitive strategy, challenges confronting such competitive strategy as discussed in Porter’s five forces model within the industry and strategies for managing sustainable competitive advantage. The chapter also looked at the theoretical framework for competitive advantage.

2.2 Theoretical Foundation
A firm’s competitive advantage must be linked to the original theoretical frameworks that made it more competitive within the industry. By explicitly outlining and understanding some form of theory, it became easier to explain the reasons why an intervention may work to induce planned change or otherwise not to. Various theories have been developed that explained what made a firm become competitively sustainable within the industry.

2.2.1 Resource Based View
RBV is a method of analysing and identifying a firm’s strategic advantages based on examining its distinct combination of assets, skills, capabilities, and intangibles as an organization. Its underlying premise is that firms differ in fundamental ways because each firm possesses a unique bundle of resources.
Each firm develops competencies from these resources and when done well, they become the source of the firm’s competitive advantage (Johnson et al., 2009). Once a firm’s bundle of resources has been identified, the RBV applies guidelines to determine which of those resources represent strengths or weaknesses that are core competencies for sustainable competitive advantage. These guidelines derive from the idea that resources are more valuable when they are critical to being able to meet a customer’s need better than other alternatives, are scarce, drive a key portion of a firm’s overall profits and are durable or sustainable over time (Barney, 1991; Porter, 1998).

2.2.2 Open System Theory

Competitive Strategy implementation can also be diagnosed from system perspective. System theory views organization as an open system in active exchange with environment. It denotes interdependency, interconnectedness, and interrelatedness among elements in a set that constitutes an identifiable whole Wendell & Cecil, (1999). According to Cole, (2004) define system as collection of parts which form some whole.

Drawing from Katz, Kahn and Hanna in (Wendell & Cecil, 1999), all open systems are input-throughput-output, they take from the environment in form of energy, information, money, people and raw materials and via throughput transforms or convert the input into final output that are exported to environment. A firm’s marketing policy is set in relation to their interaction with other firms within the industry. The system theory suggests that a firm competitive strength arise from three fundamental processes.
Thus sources of the firm inputs or supplies affect how they price their products for effective competition. It also look into firm transformational process that will produce high quality goods that attract customers and finally it looked at the market for the finally products and whether a firm has capability to consolidate that market for their products.

2.3 Challenges of Sustainable Competitive Advantage within the Industry

In order to be able to understand the nature of competition within the industry, marketers must undertake industry analysis which is an orderly process that attempts to capture the structural factors that define the long-term profitability prospects of an industry, and to identify, and characterize the behaviour of the most significant competitors. According to Porter, (1998), industry analysis can be better undertaken using five Forces model.

The tool is useful in analyzing challenges within the industry. It is a simple yet powerful framework that identifies the strength of each of five market levers on an industry; Suppliers, Customers, Potential New Entrants, Substitutes, and existing rivals in the Industry. Knowing the strength of each force allows businesses to make wise decisions that minimize risk and maximize return in any industry.

2.3.1 Threat to New Entrants

Just like the California Gold Rush, as soon as an industry is seen as profitable the competitors will fly in, destroying profits. But there are ways to counter this. It is important to understand the barriers to entry that is what keeps or will keep other competitors from entering the industry (McKinney, 2008). For example, is there significant capital required to purchase machines and buildings?
Is proprietary knowledge or products required? Will entrants be at a disadvantage because they have no brand identity? Can customers switch easily to new entrants? Once the barriers are identified, a business must determine the strength of each barrier against potential entrants. Doing so makes it easy to develop tactics, such as branding, to leverage barriers against others (McKinney, 2008).

2.3.2 Rivalry within the Industry

Marketers must understand the industry itself and the strength of the variables that comprise it. How many competitors exist? Is it a growing industry? Is there legislation in effect or pending regarding the industry? Do competitors have strong brands? Are there any barriers to a weak competitor closing its doors? (McKinney, 2008). Using this knowledge, marketer would be able to do a thorough analysis of competitors within the industry.

Using the example of the businessman considering a restaurant as an example, some potential variables of the market might include, how many restaurants are there in the area? Are they chain restaurants or locals? What is their quality? What is their price? Where are they located? Who is their target market? How many “like” restaurants are there in the area? How strong is their business? This way Marketer then would be able to determine which of those variables are most important to him/her and the strength of the competition in each variable category to get an accurate representation of the market (McKinney, 2008).
2.3.3 Threat of Substitutes
Substitutes are similar to competitors in that they may compete for customers. When it comes to analyzing the force of substitutes, businesses must understand the difference in price between their product and the substitute product as well as the susceptibility for customers to use substitutes (Porter, 1998). Whereas people will readily substitute a product with another, they are less ready to substitute the bus for a used car, or substitute industrial parts due to the reengineering that might be involved. Again, identifying the substitutes is only half of the information a business needs to analyze. The impact of each variable on the industry is also important to understand (McKinney, 2008).

2.3.4 Bargaining Power of the Suppliers
Suppliers are those who provide resources to the business. It might be suppliers of raw materials or products for resale, the landlord, or employees who provide the human resources for a business to run. Businesses determine the force that suppliers have by compiling all the variables of the supplier market and rank each for impact on the business. Many organizations are now able to tie suppliers into their Enterprise Resource Planning (ERP) system. Indeed many manufacturers have actively sought out suppliers who are able to collaborate to become accredited suppliers (Johnson et al., 2009).
A firm strength to manage competition depends on how they can control and secure cheap source of raw materials. According to Johnson et al., (2009), for many years the power and profitability of pharmaceutical companies were aided by fragmented nature of the buyers thus the individual doctors, but now many governments have promoted collaboration between doctors and centralized government drug agencies result of which is more coordinated buying power and reducing the cost of drug supplies.

2.3.5 Bargaining Power of the Consumers

Customers are simply potential buyers, and using Porter’s Five Forces framework businesses can determine how much control they will exert on the industry. For example, customers in the luxury market may be fewer in number and more demanding but more willing to pay higher prices, whereas customers of a more common market may comprise a larger market, be less demanding but more thrifty (McKinney, 2008).

The questions marketer must continue asking then are customers fickle or steady? Will they pay on credit or at the time of delivery? How strong are they financially? Once they make a purchase decision, how likely are they to do business with others? What are other key characteristics of customers and potential customers? And how important is each characteristic to the success of the industry? Knowing the answer to these questions help a business determines not only whether a market is profitable, but provides additional useful information for pricing, marketing, and product offerings (McKinney, 2008).
2.4 Dealing with Challenges of Sustainable Competitive Advantage within the Industry

Competitive strategies consist of moves and approaches that a firm has and is taking to attract buyers, withstand competition and improve on their market share (Thomson and Strickland, 2007). It is based on what a firm is doing to gain competitive advantage. Porter (1998) outlines three approaches as cost leadership, Differentiation and focus strategies.

2.4.1 Cost Leadership Strategy

This is a generic strategy that calls for being the low cost producer in an industry for a given level of quality. In supporting this position Johnson et al, (2009) observed that an organization pursuing low-pricing strategy may be prepared to accept the reduced margin either because it can sell more volume than competitors or it can cross-subsidize that business unit from elsewhere in its portfolio hence become an industry cost leader. This price war can be won if the organization has lower cost structures or it has ‘deeper pocket’ to finance short to medium term losses with the aim of driving out competitors in the long term.

For an organization to achieve low cost leadership therefore control of cost drivers is key but more so it must have the ability to realize economies of scale, gains from learning/experience curve, better manage linked cost, Adopt vertical integration, manage cross functional co-ordination, pay attention to the timing of the strategic moves and increase the percentage of capacity utilization Barney, (1991).
It can also attain low cost leadership by re-vamping the value chain through simplifying the product design, cutting out extra benefit or services, relocating closer to suppliers or customers, reengineering core business processes, using Information and Communication Technology to achieve efficiency and effectiveness and engendering a cost-aware culture within the industry.

Cost leadership therefore focuses on the firm’s ability to adopt efficient scale, standardization, design for low production cost, control of overheads and constant Research and Development as well as avoiding marginal customers (Porter, 1998). Low costs leadership strategy work well in a situation where customers are price sensitive, standard products in the market, few ways of achieving product differentiation, product with a common use, buyers incur low switching costs and where buyers are large and powerful.

2.4.2 Product Differentiation Strategy

Differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. Thus the value added by the uniqueness of the product may allow the firm to charge a premium price for it and by doing so the firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Due to the product’s unique attributes, if suppliers increase their prices the firm will be able to pass along the costs to its customers who cannot find substitute products easily (Porter, 1998).
Differentiation yields a longer-lasting and more profitable edge when based on technological superiority, quality, reliability and customer service. According to Porter (1998) firms that succeed in a differentiation strategy often have the following internal strengths; access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation.

Differentiation can be achieved through premium pricing or brand loyalty. It occurs when a firm lower cost of using a product, raised performance or service buyers get from the product and attaching intangible and noneconomic benefits to a product. An effective differentiation strategy can be realized when a firm takes advantages of the opportunities arising from the value chain such as purchasing, product research and development (R&D), production R&D, outbound distribution/logistic on one hand and marketing, sales and customer service on the other hand (Johnson et al., 2009).

### 2.3.3 Focus Strategy

Focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise of this strategy is that the needs of the group can be better serviced by focusing entirely on it thus a firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly (Porter, 1998).
Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers, however, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist.

Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well (Porter, 1998). Sustainable competitive advantage can be realized through high quality products, superior customers care, being able to charge at the lowest costs, better geographic location, technical expertise possessed by the firm, efficient and effective supply chain management, brand image and reputation of the firm. According to Johnson et al., (2009), sustaining bases of competition is likely to require a linked set of organizational competencies which competitors find difficult to imitate and/or the ability to achieve a lock-in position to become the “industry standard” recognized by the buyers and suppliers.
2.5 The conceptual framework

*Source: Robert McKinney Strategic Management Consulting, (2008).*

**Figure 1:** Analysis of the oil Industry (Using Porter’s Five Forces Framework)

Knowing the strength of each of the five forces allows businesses to make wise decisions that minimize risk and maximize return in any industry (McKinney, 2008).
3.1 Introduction

This chapter describes the research design, data collection and the various techniques for data analysis used in the study. It explains the research design, population of the study, data collection method and data analysis and interpretation.

3.2 Research Design

The study was modeled as a case study design. According to Kothari (1990) a case study is a form of qualitative analysis which involves a careful and complete observation of a social unit which can be a family, a person, a cultural group, or an entire community or institution. The study objectives were to establish the competitiveness strategies adopted by NOCK in getting their products in the domestic market and the challenges faced by NOCK. The results were expected to provide an insight on how the firm needed to improve in order to remain competitive in the current turbulent and sometimes hostile environment.

Mugenda and Mugenda (2003), also points out that a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. It is a method of study in in-depth rather than breadth and lays more emphasis on a limited number of events and other interrelations. Previous studies of similar nature have successfully used this method (Atandi 2010).
3.3 Data Collection

The data was collected using an interview guide. The instrument consisted of open ended questions to elicit specific responses for qualitative content analysis. The study used both primary data and secondary information. The primary data was collected by use of face to face interview guides between the researcher and respondents while the secondary data that was picked from management reports, industry analysis reports held at NOCK offices.

The respondents were randomly picked from management staff of NOCK particularly from marketing and sales, customer relation, procurement and finance departments who were knowledgeable on the industry upon which the company operated in. Primary data was supplemented with secondary data obtained from organizational documents such as strategic plans, audit reports; sales turn over reports and annual reports. The interview guide consisted of both open ended questions that elicited specific responses for qualitative analysis.
3.4 Data Analysis

Data obtained was qualitatively analyzed using content analysis technique. Mugenda and Mugenda (2003) pointed out that the best content-analytical studies use both qualitative and quantitative methods. The information was analyzed and evaluated to determine its usefulness, credibility, consistency and adequacy.

Content analysis technique was used because it was to assist in making inferences by objectively identifying specific information and relating the same to occurrence trends. With the aid of appropriate software analytical packages data will be keyed into computer and analyzed to give out production analyzed using frequency distribution, mean scores and standard deviation.
CHAPTER FOUR
DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

In this chapter, data from management staff of NOCK at the headquarter was collected to find out the competitive strategies adopted by NOCK in getting their products into the market and get inferences to the challenges NOCK faces as they carry out their business and how those challenges were dealt with.

The study was conducted among management staff at NOCK with the main focus being the marketing and sales, customers’ relation, procurement and finance departments. After the interviews had been conducted, data collected from various respondents were compared against each in order to get more revelation on the issues under study by use of the conceptual analysis.

4.2 Survey Interviewees and Response Rate

The interviewees of this study were management staff of NOCK drawn from marketing and sales, customer relation, procurement and finance departments who were deemed knowledgeable on the industry upon which the company operated in. Those interviewed were the heads of the respective departments. The data was recorded by writing the responses as provided by respondents. Out of the targeted four study units of analysis, three were available for interviews. All their responses were analyzed putting the study’s response rate at 75%.
This was a high response rate. First an introductory letter that briefly explained the purpose of the study accompanied the interview guide assuring anonymity of the responses provided. In addition, phone calls and emails were used so as to secure appointments for interview to enable enough responses for analysis and validity.

4.3 Findings of the Study

The following are the results of the analysis of primary data and secondary information gathered from the management staff of NOCK in various positions so as to address the study objectives. In order to be able to understand the nature of competition within the industry, marketers must undertake industry analysis which was an orderly process that attempts to capture the structural factors that defined the long-term profitability prospects of an industry, and to identified, and characterized the behaviour of the most significant competitors. According to Porter, (1998), industry analysis can be better undertaken using five Forces model. The tool is useful in analyzing challenges within the industry.

Porter’s five forces model is a simple yet powerful framework that identified the strength of each of five market levers on an industry; suppliers, customers, potential new entrants, substitutes, and existing rivals in the industry. This section presented the analysis of the responses given on the attractiveness of the Kenyan oil industry. This section was divided into five main parts: degree of rivalry within the oil industry, threat of new entrants into this industry, bargaining power of the suppliers, bargaining power of the buyers and threat of substitutes for NOCK’s own products.
With regard to the degree of rivalry within the oil industry, the results showed that competition in this industry was fierce with sustainability manifested through aggressive marketing by other firms, product differentiation such as the Shell’s fuel save campaign as well as re-branding by other firms as demonstrated and done by Total and Shell service stations all the towns and counties across the entire country.

When asked to assess the likelihood of new entrants into this industry, respondents reported that entry into the oil market in Kenya was easy because Kenya is a free market. An analysis of the responses confirmed that the requirement of setting up a business in the oil and gas was open to the interested business investors. For instance, the industry had seen other payers such as Gulf, Hash Energy, Green Energy and Lake Energy among other players enter into the industry cutting down on the profits of the existing firms.

Despite the fact that there was significant capital investment required to purchase machines and buildings for startups, proprietary knowledge or products required and that new entrants were at a disadvantage because they had no brand identity, this industry was attractive enough because of the existing opportunities in petroleum products distribution. This was against assertions by McKinney (2008) who argued that an industry was unattractive when there was significant capital required to purchase machines and buildings for startups, proprietary knowledge or products required and that entrants would be at a disadvantage because they had no brand identity and loyalty following by customers.
Suppliers are those who provide resources to the business. This study sought to establish whether NOCK’s main suppliers had a high or low bargaining power. From the research findings, NOCK’s main suppliers had a high bargaining power. Analysis of the responses showed that NOCK purchases products from suppliers who have storage facilities at Mombasa seaport which NOCK does not have. The results also show that NOCK’s suppliers have trading relationship with global oil traders.

When asked about the bargaining power of customers, respondents reported that commercial customers, industry customers and LPG consumers have high bargaining power as they have options to purchase from many other suppliers at lower prices since there was low product differentiation hence low brand loyalty. Respondents reported high bargaining power were also as a result of price wars, low brand loyalty, availability of substitutes, loyalty cards and discounts offered by other players in the industry. However, it was established that NOCK’s station dealers have low bargaining powers due to contractual obligations.

When it came to analyzing the force of substitutes, businesses must understand the difference in prices between their product and the substitute products as well as the susceptibility for customers to use substitutes (Porter, 1998). When asked about the threat of substitutes for NOCK, respondents reported that the threat was very strong and that aggressive marketing by multinationals threaten NOCK’s business. There seemed to be an agreement among the respondents that fuel is the same across the industry.
As such the differentiation is on level of service, customer value proposition, cost effective and efficient distribution models, level and quality of promotions, level of motivation and attitude of staff. Analysis of the responses indicated that brand loyalty was weak and that players in this industry served well informed customers courtesy of the existing media in which car drivers are well informed of running campaigns. Presents of many other layers coupled with weak and loyalty with less switching costs made the threat of substitutes to NOCK very strong.

4.3.1 Objective One: Competitive Strategies Adopted by NOCK
The first objective of this study was to identify competitive strategies that have been adopted by NOCK to achieve sustainable competitive advantage. From the responses, NOCK had managed to create and sustain a competitive position in Kenya’s oil industry through various ways as discussed in this section.

4.3.1.1 Sustain a Competitive Position in Kenya’s Oil Industry
It was established that NOCK had adopted aggressive marketing strategies enabling market share growth from 2% to 5% in the Kenyan market. Respondents reported that NOCK had managed to create and sustained a competitive position in Kenya’s oil industry through offering wide range of quality products leading to brand strength and recognition, insisting on top notch customer service, adopting an expanded retail distribution network to every part of the country and leveraging on the political leadership from country leadership that bolsters the company’s operations.
4.3.1.2 Porter’s Generic Strategies

As noted in the literature review, generic competitive strategies consisted of moves and approaches that a firm had and was taking to attract buyers, withstand competition and improve on their market share (Thomson and Strickland, 2007). It was based on what a firm was doing to gain competitive advantage. Porter (1998) outlined three approaches as cost leadership, differentiation and focus strategies. Analysis of the responses showed that NOCK pursued both cost leadership, product differentiation strategies to create and sustain a competitive position in Kenya’s oil industry.

4.3.1.3 Cost leadership

This was a generic strategy that called for being the low cost producer in an industry for a given level of quality. From the responses, packaging of lubes and LPG is done at low cost as agreed by suppliers. In addition, respondents reported that NOCK had lease agreements with land owners to build new stations that were low cost stations which had seen it offer strong brands through increased business outlets all over the country (34 outlets in 2008 to 100 in 2014). Respondents reported that due to expansion of the low cost but valuable oil and gas infrastructure, NOCK had expanded the LPG market share from 2% to 5%.

Findings that NOCK had lease agreements with land owners to build new stations of low cost stations that had seen it offer strong brands through increased business outlets all over the country lend support to Porter (1998) who noted that a firm can also attain low cost leadership by re-vamping the value chain through simplifying the product design, cutting out extra benefit or services, relocating closer to suppliers or customers.
4.3.1.4 Differentiation

Differentiation strategy called for the development of a product or service that offered unique attributes that were valued by customers and that customers perceived to be better than or different from the products of the competition. Respondents indicated that all NOCK lubes and LPG brands have been differentiated to offer such brands as supa lubes and supa gear which gives NOCK an edge over other players in the oil industry.

4.3.1.5 Core Competencies for Sustainable Competitive Advantage

When asked about the core competencies for sustainable competitive advantage, respondents reported that NOCK’s core competence was being a price stabilizer in the Kenyan oil industry. It emerged that NOCK being 100% public owned firm, gives it public good will and thus a unique position in the market as it mitigated the public against exploitation by multinationals. Respondents also reported that NOCK rides on the proposition of the best offers through tendering for products and services in compliance to PPDA which other players in oil and gas do not.

Other than being a price stabilizer and operating in compliance to PPDA which other players in oil and gas do not, NOCK has physical, human and financial resources which are valuable, rare, difficult to imitate and substitute that creates sustainable competitive advantage. It was established that NOCK had its own leading depot riding on advanced technology, leverages on unique government backing which gives it good will as well as the strategic location of Nairobi national terminal that also served shippers.
In terms of human resources, respondents reported that NOCK’s core competencies for sustainable competitive advantage emanate from the unique technical skills acquired over the time, local and international training of staff and experienced and multi-skilled staff with ICT capacity. In terms of financial resources, respondents reported that NOCK’s core competencies for sustainable competitive advantage emanate from the firm’s ability to arrange for credit from suppliers as a result of its financial position. It was established that as a result of the firm’s financial position banks provided credit facilities for running business as well as acquiring capital assets.

4.3.2 Objective Two: Challenges faced in Implementing for Sustainable Competitive Advantage

The second objective was to determine challenges that NOCK had faced in implementing strategies that enhanced its sustainable competitive advantage. Research findings indicated a number of challenges. First, it was reported that there was slow decision making process. Respondents showed that once a specific strategic direction had been identified, it was not adopted immediately but had to go through an elaborate bureaucracy. Secondly, it was established that there were resource constraints both human and capital to enable the firm effect desired strategic intents.
Other challenges reported included dynamic competition that requires innovative strategic directions, conflict of interest in the management team, technical challenges, infrastructural challenges, failure by exchange pool members to pay on time for LPG supplies, high cost of doing business in Kenya, long tendering procedures and difficulties in staff retention.

4.3.2.1 Mitigation against Challenges to attaining Sustainable Competitive Advantage

Within the second objective was also to establish how NOCK was dealing with those challenges. It was established that NOCK had adopted the balanced score card to assist in aligning strategy to targets. Research findings indicated that the balanced score card approach had been implemented to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. Respondents reported that there was strategic planning that took into consideration the tendering process.

It was also reported that NOCK was keen on establishing good relationship with stakeholders to enable it build sustainable competitive advantage in the oil industry. Other measures identified were staff motivation through attention to staff welfare schemes and skill upgrading, regular training and development, continuous communication on adopted strategy that is shared through all management levels and staff, strategic staff resource and infrastructure development, staff retention, team building, investing in LPG filling plant, price changes and constructing new stations.
4.4 Discussion

It is worth noting that competition in this industry is fierce with sustainability manifested through aggressive marketing by other firms, product differentiation as well as rebranding. It emerged that various approaches are used at the firm create and sustain a competitive position is Kenya’s oil industry. For instance, it emerged that NOCK leverages on its physical, human and financial resources to create and sustain a competitive position is Kenya’s oil industry.

These results are consistent with Resource Based View Theory of a Firm which indicated that each firm develops competencies from these resources and when done well, they become the source of the firm’s competitive advantage (Johnson et al., 2009). Once a firm’s bundle of resources has been identified, the RBV applies guidelines to determine which of those resources represent strengths or weaknesses that are core competencies for sustainable competitive advantage.

These guidelines derive from the idea that resources are more valuable when they are critical to being able to meet a customer’s need better than other alternatives, are scarce, drive a key portion of a firm’s overall profits and are durable or sustainable over time (Barney, 1991; Porter, 1998). It was established that NOCK had its own leading depot riding on advanced technology, leverages on unique government backing which gives it good will as well as the strategic location of Nairobi national terminal that also served shippers.
In terms of human resources, respondents reported that NOCK’s core competencies for sustainable competitive advantage emanate from the unique technical skills acquired over the time, local and international training of staff and experienced and multi-skilled staff with ICT capacity. The skilled personnel enabled NOCK to create and sustain a competitive position in Kenya’s oil industry through offering wide range of quality products leading to brand strength and recognition, insisting on top notch customer service in order to attract more customers.

The oil products in the country and across the industry world over were hardly differentiable. Respondents reported that commercial customers, industry customers and LPG consumers have high bargaining power as they have options to purchase from many other suppliers at lower prices since there was low product differentiation hence low brand loyalty. This makes it hard for marketers like NOCK to differentiate its products.

NOCK in the existing oil industry given its stiff competition had to remain innovative in order to beat competition. Respondents showed that NOCK pursued both cost leadership, product differentiation strategies to create and sustain a competitive position in Kenya’s oil industry. Thomson and Strickland, (2007) argues that a firm generates generic competitive strategies that consisted of moves and approaches that a firm had and was taking to attract buyers, withstand competition and improve on their market share.
From the analysis of the responses it was revealed that NOCK pursued both cost leadership and differentiation strategies in order to create and sustain a competitive position in Kenya’s oil industry. From the responses, packaging of lubes and LPG is done at low cost as agreed by suppliers. In addition, respondents reported that NOCK had lease agreements with land owners to build new stations that were low cost stations which had seen it offer strong brands through increased business outlets all over the country (34 outlets in 2008 to 100 in 2014). Respondents indicated that all NOCK lubes and LPG brands have been differentiated to offer such brands as supa lubes and supa gear which gives NOCK an edge over other players in the oil industry.

When asked about the core competencies for sustainable competitive advantage, respondents reported that NOCK’s core competence is being a price stabilizer in the Kenyan oil industry. It emerged that being 100% public owned gives it public goodwill and thus a unique position in the market as it mitigates the public against exploitation by multinationals.

Respondents also reported that NOCK rides on the proposition of the best offers through tendering for products and services in compliance to PPDA which other players in oil and gas do not. Other than being a price stabilizer and operating in compliance to PPDA which other players in oil and gas do not, NOCK has physical, human and financial resources which are valuable, rare, difficult to imitate and substitute that creates sustainable competitive advantage.
It was established that NOCK has its own leading depot riding on advanced technology, leverages on unique government backing which gives it good will as well as the strategic location of Nairobi National terminal that also serves shippers. In terms of human resources, respondents reported that NOCK’s core competencies for sustainable competitive advantage emanate from the unique technical skills acquired overtime, local and international training of staff and experienced and multi-skilled staff with ICT capacity.

In terms of financial resources, respondents reported that NOCK’s core competencies for sustainable competitive advantage emanate from the firm’s ability to arrange for credit from suppliers as a result of its financial position. It was established that as a result of the firm’s financial position banks provide credit facilities for running business as well as acquiring capital assets.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
The objectives of the study were to identify competitive strategies that had been adopted by NOCK to achieve sustainable competitive advantage; to determine challenges that NOCK had faced in implementing strategies that enhances its Sustainable Competitive Advantage; and to establish how NOCK was dealing with those challenges. This chapter presents the summary of the findings, conclusions and recommendations drawn in relation to the study objectives.

5.2 Summary
The study was a success since the underlined objectives were achieved. Out of the targeted four study units of analysis, three were available for interviews. All their responses were analyzed putting the study’s response rate at 75%. In order to get diverse opinions and perceptions of different sustainable competitive advantage strategies employed by NOCK to gain competitive advantage in the oil industry in Kenyan, the researcher requested the respondents to indicate their departments, gender, years of Service as well as the departmental goal.

This research used a case study design whose target population consisted of heads of the respective departments ranging from the marketing and sales, administration, information and communication technology and production departments. Of the four targeted
respondents, three were available for interviews. The study used primary data, which was
gathered from respondents. The data was recorded by writing the responses as provided
by respondents after which the responses were compared against other in order to get
more revelation on the issues under study by use of the conceptual analysis.

In general, the researcher sought to establish strategies that NOCK had adopted in
achieving competitiveness in the oil industry. From the analysis, it was established that
NOCK has adopted aggressive marketing strategies enabling market share growth from
2% to 5% in the Kenyan market. Respondents reported that NOCK has managed to create
and sustain a competitive position is Kenya’s oil industry through offering wide range of
quality products leading to brand strength and recognition, insisting on top notch
customer service, adopting an expanded retail distribution network to every part of the
country and leveraging on the political leadership from country leadership that bolsters
the company’s operations.

In addressing the second objective which was to determine challenges that NOCK had
faced in implementing the competitive strategies that enhanced its sustainable
competitive advantage, first, it was reported that there was slow decision making process.
Respondents showed that once a specific strategic direction had been identified, it was
not adopted immediately but has to go through an elaborate bureaucracy. Secondly, it
was established that there were resource constraints both human and capital to enable the
firm effect desired strategic intents.
Other challenges reported included dynamic competition that requires innovative strategic directions, conflict of interest in the management team, technical challenges, infrastructural challenges, failure by exchange pool members to pay on time for LPG supplies, high cost of doing business in Kenya, long tendering procedures and difficulties in staff retention. It was also established that NOCK was dealing with those challenges by use strategic management tools such as the balanced score card (BSC) to assist in aligning strategy to targets.

Research findings indicated that the balanced score card had been implemented to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goal. Others measures identified were staff motivation through attention to staff welfare schemes and skill upgrading, regular training and development, continuous communication on adopted strategy that is shared through all management levels and staff, strategic staff resource and infrastructure development, staff retention, team building, investing in LPG filling plant, price changes and constructing new stations.

5.3 Conclusion

While the Petroleum Insight, 4th Quarterly Report, (2013), observed that, the role of NOCK in realization of national development agendas is becoming more pronounced in the emerging economies especially in Kenya, this company faces various challenges in creating and sustaining competitive advantage. As a result the company has adopted various measures to address those challenges.
From the findings, NOCK is performing some aspects of the sustainable competitive advantage in a way consistent with Resource Based View Theory of a Firm. However, the absence of the Focus strategy may have survived and persisted in the past but the new economic and social realities in Kenya, with relatively smaller funds, increased awareness of resource utilization and increased service demands make these traditional generics strategies vulnerable.

5.4 Recommendations

According to the resource-based firm theory, when an employee's skills and knowledge are specific to the organization, his mobility and external transfer possibilities are reduced, increasing his value to the firm and his replacement costs (Wright et al., 1994; Grant, 1996). Thus, development in specific skills creates a greater potential for competitive advantage, since these skills are rare, more valuable and more difficult to imitate (Hamel and Prahalad, 1994).

Hence, it is suggested that systematic thinking should guide the planning, implementation and follow-up of human resource up-skilling efforts in the company. With serious effort on its part, NOCK may be able to conduct systematic needs assessment procedures despite the expected difficulties originating from the absence of information about basic skill reservoir and career planning.
5.5 Implication for Policy, Theory and Practice

The policy and legislative framework governing oil, gas and petroleum products in the country will need to be focused. The policy and regulation teams will need to provide an enabling environment that encourages participation and involvement of all players without showing due favour or discrimination. Improved accountability too between policy makers and government agents will enable oil marketers thrive in the business knowing very well the bounds of their work, costs involved and obligations. This will enhance fully disclosures and participation by oil players and investors.

It emerged that NOCK leverages on its physical, human and financial resources to create and sustain a competitive position is Kenya’s oil industry. For policy and practice, NOCK will have to optimize resource utilization to enhance professionalism. Further, the Kenyan government will have to review legislation governing participation of public entities in tendering processes to shorten the decision making process.

In addition, NOCK should adopt an open policy framework that enhances staff participation processes in charting the way forward for NOCK. Other practitioners/players in the oil industry will learn from these aspects of competitive advantage by NOCK and strive to improve their businesses
The academia world may use this report as reference given its contribution to the body of knowledge. While carrying out their day to day operations, oil and gas marketers in the oil industry in Kenya are advancing the open system theory and resource based views. Students and other researchers may use these findings for comparison and better understand sustainable competitive advantage in highly competitive oil industry.

5.6 Suggestions for further Research

Research findings indicated that the balanced score card has been implemented to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goal. In the service industry such as the oil industry in which NOCK is, the human capital is a critical element of service provision. For human resource practitioners and researchers, further research is recommended to establish the extent to which the scorecard is integrated into the organization’s human resource incentive programmes as an effort to sustain service quality for enhanced competitive advantage.
REFERENCES


APPENDICES

Appendix I: Interview Guide

SECTION A: GENERAL INFORMATION

1. Name of the department………………………………………………………………………………

2. Gender of the respondent  Male ☐  Female ☐

3. Years of service to company 1-3 ☐ 4-5 ☐ 6-10 ☐ over ☐

4. Which of the following describe your Departmental goal

☐ Overall growth  ☐ Customers satisfaction  ☐ Product innovation

☐ Cost leadership  ☐ Market share growth  ☐ Quality leadership

5. Does NOCK consider competitive advantage a priority?

___________________________________________________ _____________________

___________________________________________________ _____________________

___________________________________________________ _____________________

6. Would you argue, that NOCK has managed to create and sustain a competitive position is Kenya’s oil industry?

___________________________________________________ _____________________

___________________________________________________ _____________________

___________________________________________________ _____________________

7. How would you assess the degree of rivalry within the oil industry?

___________________________________________________ _____________________

___________________________________________________ _____________________

___________________________________________________ _____________________
8. How would you assess the likelihood of new entrants into this industry?

___________________________________________________

___________________________________________________

___________________________________________________

___________________________________________________

9. Do NOCK’s main suppliers have a high or low bargaining power? How?

___________________________________________________

___________________________________________________

___________________________________________________

___________________________________________________

___________________________________________________

10. Do NOCK’s customers have a high or low bargaining power? How?

___________________________________________________

___________________________________________________

___________________________________________________

___________________________________________________

___________________________________________________

11. How strong do you consider the threat of substitutes for NOCK?

___________________________________________________

___________________________________________________

___________________________________________________

___________________________________________________

___________________________________________________

12. In relation to Porter’s generic strategies i.e. Cost leadership, Differentiation or Focus, which one has NOCK pursued to differentiate itself from competitors?

___________________________________________________

___________________________________________________

___________________________________________________
13. Using the adopted generic strategy, how has NOCK managed to sustain their position in Kenya’s oil industry in spite of the increase in competition

14. If we define NOCK’s physical resources as e.g. plant and equipment, geographic location, access to raw materials etc.: Could you mention physical resources of NOCK which are valuable, rare, difficult to imitate, difficult to substitute?

15. Concerning NOCK’s human resources, i.e. intangible assets include the training, experience, judgment, intelligence, relationships, and insight of individual managers and workers in the firm: Could you mention human resources in the company, which are valuable, rare, difficult to imitate, difficult to substitute?

16. Concerning NOCK’s financial resources, how big a role would you argue that the NOCK’s financial resources have played in its ability to pursue their competitive position in Kenya’s oil industry?
17. Does NOCK possess a core competence? If yes, could you describe, what NOCK’s core competence is?
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
18. Has NOCK changed business strategy since its foundation? If yes, when did NOCK change strategy? And for how many years did NOCK keep the same strategy?
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
19. Would you argue that NOCK’s has managed to establish and preserve a difference from its rivals, which has allowed the company to outperform competitors?
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
20. Does NOCK’s relationship with suppliers contribute positively to its low-cost strategy? Explain
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
21. Does NOCK share business risks with suppliers? Explain
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
22. Would you agree that NOCK has an active relationship with both suppliers and partners, and constantly works to obtain the most cost-effective agreements?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

23. Does NOCK’s relationship with its business partners facilitate its pricing levels?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

24. Does NOCK change business partners often?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

25. What are the challenges faced by NOCK in implementing strategies that enhances its sustainable competitive advantage?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

26. How well does NOCK respond to challenges of its sustainable competitive advantage?

________________________________________________________________________

________________________________________________________________________
27. What measures has NOCK developed to deal with challenges of building sustainable competitive advantage in the oil industry?

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

28. What are some of the strategies you recommend for NOCK to improve on developing its sustainable competitive advantage?

__________________________________________________________________________

__________________________________________________________________________