THE CHALLENGES OF THE IMPLEMENTATION OF EXPANSION STRATEGY AT THE HASHI ENERGY LTD-KENYA

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DECLARATION

This research project is my original work and has not been presented to any other institution or university.

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This research project has been submitted for examination with our approval as the university supervisors.

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DEDICATION

I wish to dedicate this project to my entire family.

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To my almighty God for seeing me through the entire MBA programme, without the help of God I would not have made it. His grace was sufficient all through, Glory and Honor to him.

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ABSTRACT

The purpose of the study was to investigate the challenges of the implementation of expansion strategy at Hashi Energy ltd-Kenya. International expansion of business has taken on many facets in terms of trade, investment & ownership, manufacturing & sourcing, markets & customers, finance and technology. International expansion has also resulted in the creation of integrated world markets, in the areas of auto motives supplies and equipment including ICTs. The literature is mainly on the international expansion in energy industry and challenges of international expansion in oil industry. The research design was a case study of Hashi Energy ltd in Kenya. The primary data was collected through interview guide which was targeted at senior-level managers. Secondary data on strategic plans was obtained from the records of Hashi Energy in Kenya. The study found that internationalization process is very complex - first to discover the most attractive target market, then, to form a successful marketing strategy with which to enter this market, and also, to form a well working organization which supports the marketing strategy. The study contributes to Internalization expansion theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences. The management of Hashi Energy found this study an important insight into the strategies the company has been using in responding to the challenges of international expansion The study concludes that to respondent effectively to strategic changes in globalization, Hashi Energy needs to plan a successful strategy for internationalization the company has to know the current situation of the company itself as well as the situation in the target market. This can be done by carefully analyzing the company itself and the target market. The study recommends that when a strategy is being formulated the company should first develop a mission statement that attempts to clarify an organization's values, purposes, and directions.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

According to Thompson and Strickland (2003), expansion strategy refers to the integration of economies throughout the world by means of trade, financial and technological flows, exchange of technology and information and movement of people, goods and services. The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Bhagwati, 2004). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations now realize that their services and products, regardless of how good they are, simply do not sell themselves. International expansion here refers to international business expansion and primarily your international expansion strategy.

According to international business theory each country can be characterized by specific economic, institutional and cultural barriers to business. According to the agency and the resource based view, institutional and cultural barriers to business are often analyzed in terms of psychic and cultural distance and are considered important obstacles for a firm planning its foreign market entry (Brassington and Pettitt, 2010). The internationalization of industrial firms with aid of the network model, which describes markets as networks of relationships between players. The authors claim that this approach is superior to transaction cost based internalization theory. According to the network theory, high internationalization level and consequently high level of international knowledge influence the speed of establishment of new sales subsidiaries, and it becomes very important to coordinate efficiently all the activities (Thompson and Strickland, 2003).

Hashi energy Ltd has an open system which is strongly influenced by the environment in which it operates (Musyoka, 2011). Hashi energy Ltd interacts with the surrounding environment to secure the resources needed for survival, adaptation and growth. Managers in Hashi energy Ltd deal with government restrictions on international trade and investment and therefore they must develop strategies and policies for dealing with such interventions. Cross-border transactions also require that money be converted from the firm's home currency into a foreign currency and vice versa. Since currency exchange rates vary in response to changing economic conditions, an international business must develop policies for dealing with exchange rate movements (Musyoka, 2011).

1.1.1 Concept of Strategy

A strategy is the outcome of some form of planning, organized process for anticipating and acting in the future in order to carry out an organization’s mission (Baker, 2007). The people who drive strategy in organizations are seen to be visionaries, the entrepreneurs and innovators. They are those who take risks and try new ways of doing things. Strategy refers primarily to business strategy; which specifies how a business unit will achieve and maintain competitive advantage within an industry. Therefore, one element that we consider is the competitive capabilities (Stock, 2009). A strategy is a game plan that a firm adopts to gain competitive advantage. Without a strategy, decisions made today could have negative impact on future results. Strategy is a tool, which offers significant help for coping with turbulence confronted by business firms (Ansoff and Mc Donnel, 2000).

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences to meet the needs of markets and to fulfill stakeholder expectation (Johnson et al., 2005). The formulation of competitive strategy in any industry involves first the comprehension of the fundamental determinants of competition. Competition is defined as the fight for market share between two or more firms. An understanding of competition helps the strategy makers in evaluating whether the degree of competition in an industry offers scope for good profitability. It promotes sound strategic thinking about how to develop the overall competitive strategy for the company. Development of competitive position helps the firm to more accurately forecast both short and long term growth and its profit potentials (Pearson and Robinson, 2007).

It can be argued that a sense of direction is very important for an organization, and strategy gives a framework to place this sense of direction in. If there is an over-emphasis on strategic planning as opposed to implementation it can also in my opinion kill creativity as the focus goes away from doing to thinking about doing. Aptly put by Macmillan and Tampoe (2000) that good strategic choices have to be challenging enough to keep ahead of competitors but also have to be achievable.

Expansion strategy may take the form of global sourcing, exporting or investment in key markets abroad. According to Sullivan (2006), the more proactive firms seek simultaneous presence in all major trading regions. They concentrate their activities in those countries where they can achieve and sustain competitive advantages. Firms internationalize value-chain activities to reduce the cost of research and development & production, and to gain closer access to customers (Li, 2004).

1.1.2 Expansion Strategy

Expansion strategy of a company can be defined as the process of increasing involvement of a company in international market external to the traditional environment of the company. A business growth strategy starts with market insights. While research firms and strategic marketing consultants can bring these insights to bear on an ad-hoc basis, companies committed to growth will develop systems and processes to ensure a continuous flow of market insights into their business (Patrick, 2009). Perhaps the most obvious source of growth or revenue maintenance is the development of New Product/Service Strategy Development to your existing customer base. Staying close to emerging customer requirements is straight forward when there is good communication from sales and support teams. Keeping customers involved in reviewing product roadmaps and helping to prioritize features as well as confirming value and appeal are keys to the process.

Market expansion strategy is a market opportunity analysis can be used to flesh out potential ideas. The very notion suggests that a company is more interested in a market perspective than its own often-assumptive perspective. The scope of such analysis can range from straight forward and short-term, to expansive and longer term. An initial sense of what's at stake may call for patience in conducting the more comprehensive study (Martha, 2010). Or, competitive pressures may drive a company to quickly complete its assessment. The outcome should include: target markets (by type and geography), current solutions assessments (how problems are being solved today), an extrapolation of solutions scenarios (often driven by forecasting the impact of technology and other economic drivers).

In a crowded market (some refer to this as a red ocean), competitive intelligence is critical to both operational and strategic decision making. A rigorous and regular approach to competitive position, direction, and strengths and weaknesses can help senior executives identify gaps and opportunities. The implications and usages for such learnings can be highly strategic (what new markets or segments should be pursued) to very tactical (what messaging will better position our offerings in our on-going promotional activity (Sullivan, 2006).

Segmenting markets, targets and opportunities can yield greater clarity and more specific relevance for a company and its offerings. In some cases the same product can be repositioned to be made more relevant to a segment. In other cases, a solid market segmentation strategy will help justify new market entries and product development. This activity always leads to greater insights and clarity for how a company can serve its current and potential markets (Patrick, 2009).

1.1.3 Challenges of Strategy Implementation

The activity performed according to a plan in order to achieve an overall goal (Thompson and Strickland 2003; Arumonyang, 2009). For example, strategic implementation within a business context might involve developing and then executing a new marketing plan to help increase sales of the company's products to consumers (Bhagwati, 2004). Strategic implementation is critical to a company's success, addressing the; who, where, when, and how of reaching the desired goals and objectives. It focuses on the entire organization. Implementation occurs after environmental scans, SWOT analyses, and identifying strategic issues and goals. Implementation involves assigning individuals to tasks and timelines that will help an organization reach its goals.

Strategy formulation entails heavy doses of vision, analysis, and entrepreneurial judgment, successful strategy implementation depends on the skills of working through others, organizing, motivating, culture-building, and creating stronger fits be-teen strategy and how the organization operates Ingrained behavior does not change just because a new strategy has been announced (Sullivan, 2006).

A successful implementation plan will have a very visible leader, such as the CEO, as he communicates the vision, excitement and behaviors necessary for achievement. Everyone in the organization should be engaged in the plan. Performance measurement tools are helpful to provide motivation and allow for follow-up. Implementation often includes a strategic map, which identifies and maps the key ingredients that will direct performance. Such ingredients include finances, market, work environment, operations, people and partners. To successfully implement a strategy, several items must be in place. The right people must be ready to assist with their unique skills and abilities. There should be resources, which include time and money, to successfully implement the strategy. The structure of management must be communicative and open, with scheduled meetings for updates (Bhagwati, 2004). Management and technology systems must be in place to track the implementation, and the environment in the workplace must be such that everyone feels comfortable and motivated.

A very common mistake in strategic implementation is not developing ownership in the process. Also, a lack of communication and a plan that involves too much are common pitfalls. Often a strategic implementation is too fluffy, with little concrete meaning and potential, or it is offered with no way of tracking its progress. Companies will often only address the implementation annually, allowing management and employees to become caught up in the day-to-day operations and neglecting the long-term goals. Another pitfall is not making employees accountable for various aspects of the plan or powerful enough to authoritatively make changes (Arumonyang, 2009).

1.1.4 Energy Sector in Kenya

Before the liberalization of petroleum sector in Kenya, the tariff structure adopted by the government was led by two primary objectives of ensuring revenue maximization and to put in place a tax structure that allowed for subsidization of some products by others (Musyoka, 2011). The pump prices of petroleum fuels reflect the heavy taxation that the products undergo despite the policy of partial subsidization by others.

Liberalization led to the entry of small independent fuel retailers. These outfits offered price discounts to gain market share. Price became a major strategy for competition while quality and service were sidelined resulting in the emergence of illegal outlets, dumping of petroleum products meant for the export market which resulted in unfair competition (Chepkwony, 2001). On the legislation front Kahira (2006), observed that the Kenyan government made various changes in legislations governing the oil industry. In May 2003, legislation requiring oil firms to maintain specific levels of stock was passed while in November 2003 two legislations, the first to introduce the central tender system (now called the Open Tender System – OTS) for Purchasing crude oil and the other directing oil firms to receive all their imported products at the Kenya Pipeline Company (KPC) depot in Mombasa only. In 2005, a directive requiring oil firms to pay custom taxes on imported products in advance was passed. In December 2010 the government introduced price controls at the retail outlets aimed at cushioning the customers against rising cost of petroleum products and bring about order in the petroleum industry (Kahira, 2006).

1.1.5 Hashi Energy Ltd-Kenya

Hashi Energy Ltd was founded in Kenya in 1991 by Mr & Mrs. Hashi. The company was known as Hashi Empex Ltd before undergoing corporate re-branding in 2008. Hashi Energy Ltd started out as a Kerosene distributor for Chevron Kenya Ltd then known as Caltex Oil Kenya Ltd (Arumonyang, 2009). The Company engaged in filling Kerosene Jerricans in Mombasa and distributing to Rwanda and DRC markets. These markets were challenging, with unfavorable terrains and political instability. In the mid-1990s Hashi Energy acquired depots in Eldoret and Kisumu and used these facilities to supply

Kerosene to the western Kenyan market and to export to DRC, Rwanda and Burundi. In 1996 Hashi Energy Uganda Ltd was incorporated. The company began selling bulk fuel to customers in Uganda and DRC. In 2001 the company acquired a depot in Jinja which was used as an operational hub for the Uganda market. Thereafter the company acquired several service stations and mini depots in Jinja, Kampala and its neighboring towns. In 2007 Hashi Rwanda SARL was formed in Kigali, 2 years later the company acquired 2 service stations in Kigali.

The mission of the company is to promote entrepreneurs to drive innovation within a business in order to revitalize and diversify the business as a key driver for our growth. It engages in the importation, distribution, and marketing of petroleum products in the East and Central African region. Its products include premium motor spirit, diesel, kerosene, fuel oil, liquefied petroleum gas, and lubricants (Musyoka, 2011). The company was incorporated in 2001 and is based in Nairobi, Kenya with additional offices in Mombasa, Eldoret, Kisumu, and Nakuru, Kenya; Kampala, Uganda; Lumbubashi, DRC; Ndola, Zambia; and Kigali, Rwanda. It has retail stations in Uganda, Rwanda, DRC, Zambia and Kenya.

Over the years the company has grown to become a major player in the Oil business supplying over 240 million Litres of petroleum products annually to the East African region. The company has a capacity to supply 360 million litres per year (Musyoka, 2011). Hashi Energy markets and distributes petroleum products; bulk Unleaded Premium Mogas, Automotive Gasoil, Illuminating Kerosene, Jet A1, Fuel Oil, Liquefied

Petroleum Gas, the company has recently ventured into the Lubricants sub sector and is a licensed local distributor of Eni Oil lubricants. Hashi Energy Ltd has the second largest LPG facility in Kenya. The facility is located in Mombasa- Kenya. The facility receives LPG through direct imports and the refinery. Hashi markets its LPG under the brand name Hashi Gas (Musyoka, 2011).

1.2 Research Problem

International expansion of business has taken on many facets in terms of trade, investment & ownership, manufacturing & sourcing, markets & customers, finance and technology. The abolition of distance, through improved technology, tended to generate a “uniform distance-less” called globalization in which fundamentally distinct objects became part of a homogeneous experiential mass (Musyoka, 2011). The effects have been multidimensional In as much as international expansion has opened up economies worldwide and eased trade beyond borders, companies in developing national such as Kenya have felt both the positive and negative brunt of international expansion.

International expansion on Hashi Energy Ltd in Kenya, mainly focusing on the promotion of entrepreneurs to drive innovation within a business in order to revitalize and diversify the business. The company operations are affected by the political, legal and organizational changes for the implementation of expansion strategy. As their organizations increasingly engage in cross-border trade and investment, it means managers need to recognize that the task of managing an international business differs from that of managing a purely domestic business in many ways. At the most fundamental level, the differences arise from the simple fact that countries are different.

Globally, a number of studies have been conducted related to challenges of the implementation of expansion strategy. Doherty, (2011) identified external environmental factors that hinder foreign/regional market entry as: management inexperience, unavailability of resources, weak organizations strategy & goals, internal competition, political instability, non-transparent legal atmosphere and in accessibility technological infrastructure. A study conducted by Koch (2001) in Australia found out that every international market expansion requires a detailed understanding of the foreign market in terms of economic, political, legal and cultural factors in general. Hollensen (2004) in his study identified major internal success factors as firm size, available resource, product brand strength, level of technology and innovation. He also identified main external success factors to be considered as being attractiveness of product, potential of international market, government regulations and trade barriers such as purposed administrative delays, local content requirements and assistance presented by local government. Kimata, (2003) established that infrastructure, political stability and economic growth potential of a country were major considerations in general without isolating specific challenges. Makori (2006) in his study on the challenges African airlines face in selecting and entering international markets, attempted to established some challenge to internationalization as inability to predict profitability, general risk and profitability of the potential market. All the aforementioned studies concentrated on the process of market selection, strategy, entry modes and success factor to be considered.

There are a number of studies that have been done in Kenya on how firms have responded to the challenges of international expansion. For instance, Arumonyang (2009), did a survey of strategy implementation challenges facing regional development authorities in Kenya, Patrick (2009), on challenges of strategy implementation at Kenya wildlife service, Njoki (2009), challenges of strategy implementation at oxfam great Britain-kenya. Musyoka, (2011) in his study of competitive strategies adopted by KenolKobil in developing sustainable competitive advantage focused mainly on success factors such as brand superiority, robust distribution channels, government support and available mass markets in the east African and COMESA regions but did not outline critical challenges facing internationalization of Kenokobil. Martha (2010), challenges of strategy implementation at the ministry of road and public works in Kenya. Aosa (2002), on an empirical investigation of aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya and Awino (2002), purchasing and supply chain strategy: benefits, barriers and bridges - an independent conceptual study paper in strategic management, school of business. The studies reveal that international growth is no easy task, yet it can offer ideal opportunities for growth. A number of challenges must be properly understood before expansion can take place. From local legislations, language and currency barriers to global company standards and location-specific risks, all pose a challenge for growing organizations. International considerations can all too often be underestimated, but managing the cultural implications of international expansion is a non-negotiable ingredient for its success.

No study has been done on the challenges of the implementation of expansion strategy at Hashi energy ltd-Kenya. This study therefore seeks to fill in this gap by answering the following question. What are the challenges of the implementation of expansion strategy at Hashi energy ltd-Kenya?

1.3 Research Objective

To investigate the challenges of the implementation of expansion strategy at Hashi energy limited Kenya

1.4 Value of the Study

The findings of the study will not only be useful particularly to Hashi energy, it will also be useful to other managers in other sectors. It would help them understand the challenges of strategy implementation and how to overcome them, it helps different firms achieve success better than others.

The findings will also help in enlightening the key decision makers in the energy sector in policies formulation and on how to successfully implement their strategies and how they could purpose to mitigate the challenges facing it. The study will in addition to the above, be useful to stakeholders, financiers, and investors in formulating and planning areas of intervention and support.

This study will add on to the growing body knowledge of strategic management and to Internalization expansion theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences. Internalization theory analyses the choices that are made by the owners, managers or trustees of organizations. Additionally, the study will be important in explaining the network theory of internationalization and to explain the challenges of implementation of expansion strategy through the use of different theories and theoretical concepts. Scholars often have different opinions about the criteria influencing the choice of entry mode. Different samples, different time period. Secondly, the research findings will be useful to potential investors in the sector. They will be informed on the challenges faced by the institutions already operating and therefore prepare themselves accordingly before entering the industry.

Finally, the study will provide additional knowledge to existing and future institutions on challenges to strategy implementation and provide information to potential and current scholars on strategic management in Kenya. This will expand their knowledge on strategy implementation and also identify areas of further study. The study will be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. The study will also highlight other important relationships that require further research; this may be in the areas of relationships between successful strategy implementation and firm's performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will review the entire literature related to expansion in strategy implementation. Focus will be given to major obstacles of expansion in strategy implementation experienced by firms as they make forays into the markets. Key challenges related to culture, politics, legal and the role played by regional economic blocks will be discussed in details. The chapter will outline the impact of these highlighted challenges and their overall effects on the process of expansion in strategy implementation with a view of forming a body of knowledge necessary for this research.

2.2 Theoretical Foundation

There are several important theoretical perspectives applicable to the challenges of the implementation of expansion strategy. This research will be guided by the game theory and the resource-based view of the firm (RBV). The two are discussed herein.

The origins of game theory can be traced back to the study of war. The central idea is that the strategist has to anticipate the reactions of competitors. Agency theory has been used to examine organizational performance and managerial decision making (Christen & Soberman, 2006). The assumption in the game theory is that to a greater or lesser extent competitors are aware of the interdependencies that exist and of the sorts of move that competitors could take. In assessing competitive forces and the context within which a company operates, choice of strategy can indeed seem like a search for a myriad of forces pushing and pulling an organization to change a little by way of established principles to determine what the choice should be.

However, the choice of strategy is fundamental to a company for a number of reasons. First, choice made in a positive sense instills a focus and underlying direction for the organization. The development of a leadership style which focuses one's purpose on the future vision of services, rather than the accidents and designs of the past, provides powerful motivation for individuals, teams and the ubiquitous managers themselves. Second, choice provides a basis for articulating the value systems in the organization. As Peters and Waterman (2009) say about vision and organizational behavior, "one all-purpose bit of advice for management" in the pursuit of excellence is "figure out your value system". Positive choice will help to articulate the value base in the organization and this should be palpable to individuals and the team working within it.

This theory focused on how firms decide what to produce, at what price and how (Willcocks, Hindle, Feeny & Lacity, 2008). Building on this along with Porter's (1985) notion of competitive advantage, Calderon, (2013) argued that a firm has a competitive advantage when it is implementing a value creating expansion strategy not simultaneously being implemented by any current or potential competitors. An organization has "a sustained competitive advantage when it is implementing a value creating expansion strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this expansion strategy. The resource-based theory of the firm contends that there are four requirements for human resources to be a source of sustained competitive advantage (Calderon, 2013).

Resource Based View (RBV) may be seen as content-based approaches (variance theories in Markus and Robey, 1988) to strategic management, the process-based view on strategy focuses on the processes through which strategy contents are created and managed over time. Challenges to strategy implementation provide a route to survival in some form in the future. Recent studies seem to indicate that organizations fail regularly because of a lack of effective strategic direction, the failure to concentrate on core business, and the lack of robust management systems and processes to deliver the core business and the values on which they are based. The fourth reason for importance of strategy choice is that it will affect inextricably the management process and systems by and with which the organization chooses to manage. Therefore, the effective choice of strategy, when considered in these circumstances, should become a central focus of company's boards (Peters and Waterman, 2009).

Internalization expansion is a theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences (Cerutti, 2007). Internalization theory analyses the choices that are made by the owners, managers or trustees of organizations (Hollensen, 2004). The theory assumes that these choices are rational ones. In this context, rationality signifies that the decision-maker can identify a set of options, and has an objective by which these options can be ranked, and an ability to identify the top-ranked option and select it.

The assumed form of rationality is instrumental, in the sense that it concerns not the rationality of the objective, but merely the process by which the best option is identified, irrespective of the nature of the objective (Root, 1994). Rationality does not imply complete information. When confronted with search costs, a rational decision-maker will collect only sufficient information to make the risks surrounding the decision acceptable. In a similar vein, the theory does not assume that the decision-makers can identify all available options; indeed, in rational action models the number of options that decision-makers consider is often restricted, in order to simplify the model. In the context of market entry, for example, only a limited number of entry strategies are usually appraised. However, the theory always makes the set of options considered fully explicit. Thus while rationality may be "bounded" in the sense that information is incomplete, behaviour is not irrational, in the sense that the information collected is a rational response to the information available (Root, 1994).

2.3 Expansion Strategies

Expansion strategies for service firms contain direct export and systems export. Direct export of services often take place in industrial markets when consultants and firms repairing and maintaining valuable equipment are based on the domestic market, but on demand move their resources and system required to produce the service to the client abroad. In this situation, gradual learning cannot be applied, as the service has to be immediately produced. This creates a considerable risk of making mistakes. Systems export, on the other hand, is a shared export effort by two or more firms that have solutions that complement each other. As an example, when a manufacturer delivers its goods to international buyers, a need for engineering services, distribution, cleaning and other services is often present (Grönroos, 1999).

Contractual expansion strategies, on the other hand, are long term relationships between companies in different countries that involve transfer or technology or human skills, and include licensing, franchising, and other types of contracts. Contractual entry modes are used when the firm wants to avoid starting up completely new operations in the new market. For this reason, this is the least risky of the entry strategies for service firms. (Grönroos, 1999) Furthermore, contractual entry modes can be separated from the exporting modes since the previous are transfers of knowledge and skills and the latter involve transfers of products. However, contractual entry modes can later lead to export opportunities (Root, 1994).

Licensing is avoiding the risk of product and/or market development by using already established firms in the process. The licensee is, via the licenser, allowed to manufacture the product, use patents, and particular processes and/or use existing trademarks in a specific market in exchange for a fee or royalty (Brassington and Pettitt, 2000). The main advantage of licensing is the circumvention of import barriers. In addition, licensing helps the firm to overcome the problem of high transportation costs that might occur in exporting. Licensing also implies lower political risk than the investment entry modes.

The largest disadvantage of licensing is the licensor's lack of control over the marketing plan and programme in the target country. Another disadvantage is the limited amount of income since the licensing contract usually lasts for only five to ten years. The risk of creating a new competitor is also high, since the licensee can use the licensor's technology after the contract is finished (Root, 1994).

Franchising is expansion strategies when an individual or an organization in a country is granted the right to use the company name, trademark and technology. However, the franchisor also assists the franchisee in organization, marketing, and general management under an arrangement that is intended to be permanent. The advantages of franchising are rapid expansion to new markets with low investment, standardized method of marketing with a distinctive image, highly motivated franchisees, and low political risk. The disadvantages of franchising are mainly the same as for licensing. Further, licensing and franchising are suitable modes of entry when the company sells a service that cannot be exported (Root, 1994).

2.4 Challenges of the Implementation of Expansion Strategy

The following are challenges of the implementation of expansion strategy;

2.4.1 Top Management Support

It is clear that a poor or vague strategy can limit implementation efforts dramatically. Good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort (Hrebiniak, 2006). Alexander (1985), believes that the need to start with a formulated strategy that involves a good idea or concept is mentioned most often in helping promote successful implementation. As Allio notes, good implementation naturally starts with good strategic input: the soup is only as good as the ingredients (Allio, 2005). Whether a strategy itself is consistent and fitting or not is a key question for successful strategy implementation, but even a consistent strategy cannot be all things to all people.

Strategy theory concerns the explanations of firm performance in a competitive environment (Porter, 2001). There are many strategy perspectives, and the strategy process perspective bases their views on “what competitive advantage is” and on “what it is based on”. Challenges to strategy implementation provide a route to survival in some form in the future. Recent studies seem to indicate that organizations fail regularly because of a lack of effective strategic expansion direction, the failure to concentrate on core business, and the lack of robust management systems and processes to deliver the core business and the values on which they are based. The fourth reason for importance of strategy choice is that it will affect inextricably the management process and systems by and with which the organization chooses to manage. Therefore, the effective choice of strategy, when considered in these circumstances, should become a central focus of company’s boards (Peters and Waterman, 2009).

2.4.2 Regional Political Challenges

Politics as the art of governing is also important in promoting business and ensuring that local firms gain or maintain dominance in certain market areas (Moore, 2003). Erramilli,

(2000) notes that business is conducted in societies governed by political ideologies which are, almost always, intertwined with economic philosophy Political systems dictate fundamental economic themes under their control. There are two main political systems namely democracy (rule by majority) and totalitarianism (rule by minority). According to Alan Rugman, (2003), political systems typically create the infrastructure within which the economic system functions through policies and regulations. Certain import regulations such as high tariffs or low quota limits can encourage investment. Also governments may enact laws that ban certain types of investment outright e.g Japan is contemplating discontinuation of nuclear energy. Political systems thus create the necessary environments that can promote or inhibit business and ensure sustained economic growth.

Political leadership sets policies, regulations, concessions and ensures stability & security that impact directly on business performance (Hill and Jones, 2003). Political leadership normally ensures that local firms gain or maintain dominance in the domestic market while simultaneously propping them up against opposing barriers in the foreign markets (Moore 2003). Quinn (2001) observed that broadening political support is a critical, essential and conscious proactive step in major strategy implementation. In this political view of decision making, obstacles to change are overcome and conflicts over goals are settled by compromise, bargain and negotiation between managers and coalition of managers and by outright use of power. Quinn (2001) recommended broadening political support for emerging new trusts as an essential and conscious proactive step in internationalization. Specifically, stakeholders who wield political power must support internationalization program if it is to succeed.

2.4.3 Cultural Environment

Cultural environment include values, beliefs, customs, languages and religions. Unlike in the domestic markets where cultural tastes are shared, in the international markets, cultural differences require serious considerations as they affect taste and consumption trends. There is a general agreement among researchers that firms prefer to invest in markets exhibiting near and similar cultures to the home country (Johnson and Vahlne, 1977). However, some firms will successively enter markets at an increasingly cultural distance from the home country due to specific competitive advantages (Eramilli, 2000).

According to Thompson (2003), when a company is operating in the international markets where various cultural issues are at play certain specific organization cultures, if not checked, may act as bottlenecks. Cultural similarities encourage confidence and enhance universality of tastes that make products more appealing to the target foreign market. When planning the transformation to multinational status, it is important to identify such cultures and attempt to change them (Thompson, 2003). To be successful in international business, managers must understand the cultures of target host country and learn how to adapt to them (Pearce and Robinson, 2003). The main challenge is how to broaden their cultural perspective, adapt new cultures and make decisions that reflect the needs and the desires of those cultures (Rugman and Hodgetts 2006). This can be achieved by understanding the elements of culture - i.e. language, religion, values, attitudes, customs & manners, material goods, aesthetics and education.

2.4.4 Legal Challenges

The legal challenges facing strategy implementation is a market situation where a market will be less receptive to international players if there is laxity, by the ruling political class, in enforcement of regulations. This may injure proprietary knowledge and ownership rights (Emarrilli, 2000). Political stability represents the risk level a company will be exposed to in the foreign market. Stable political systems, even if they are frequently changed like in Japan and India, tend to encourage direct foreign investment. Unstable political system discourages direct investment (Makori, 2006). Similarity and volatility of general business regulation or practices, customer protection legislations are some of the other deterrent legal factors in internationalization (Koch, 2001).

2.4.5 Organizational Challenges

Organizational communication plays an important role in training, knowledge dissemination and learning during the process of strategy implementation. Forman and Argenti (2005), rightly note that, “although an entire discipline is devoted to the study of organizational strategy, including strategy implementation; little attention has been given to the links between communication and strategy.” They also note that business communication researchers have become increasingly interested in the contribution of corporate communication to a company’s ability to create and inseminate its strategy in the last decade. However, very few authors have investigated the link between corporate communication and strategy, and role performance in either of their samples. Their results highlight the complexity of the issue and have focused primarily been on how corporate communication affects the firm's relationship with its various stakeholders in strategy implementation. At least, numerous researchers have already emphasized the importance of communication in the process of strategy implementation (Alexander, 1985). Peng and Litteljohn (2001), show that effective communication is a key requirement for effective strategy implementation. In fact, communication is pervasive in every aspect of strategy implementation, as it relates in a complex way to organizing processes, organizational context and implementation objectives which, in turn, have an effect on the process of implementation. Communication barriers are reported more frequently than any other type of barriers, such as organizational structure barriers, learning barriers, personnel management barriers, or cultural barriers.

2.4.6 Organizational Changes

Organizational changes are some of the barriers of strategy implementation as identified by Al-Ghamdi (2008). Changes do not implement themselves and it is only people that make them happen (Bryson, 2005). Selecting people for the key positions by putting a strong management team with the right personal chemistry and mix of skills is one of the first strategy implementation steps (Thompson and Strickland, 2003).

They point out that assembling a capable team is one of the cornerstones of the organization-building task. Strategy implementation must determine the kind of core management team they need to execute the strategy and then find the right people to fill each slot. Staffing issues can involve new people with skills (Hunger and Wheelen, 2005). Bryson (2005), observes that people's intellect, creativity, skills, experience and commitment are necessary towards effective implementation. However selecting able people for key positions remains a challenge to many organizations.

2.4.7 Lack of Coordination

A study by Okumus (2003), found that the main barriers to the implementation of strategies include lack of coordination and support from other levels of management and resistance from lower levels and lack of or poor planning activities. Meldrum and Atkinson (2008), found out a number of implementation pitfalls such as isolation, lack of stakeholder commitment, strategic drift, strategic weakening, strategic separation, failure to understand progress, initiative fatigue, impatience, and not celebrating success. Sterling (2003), identified reasons why strategies fail as unanticipated market changes; lack of senior management support; effective competitor responses to strategy; application of insufficient resources; timeliness and distinctiveness; lack of focus; and bad strategy/poorly conceived business models.

Shared understanding without commitment may result in "counter effort" and negatively affect performance (Wooldridge and Floyd, 1989). Guth andMacMillan (1986), assert that the shared understanding of middle management and those at the operational level to the top may fail if the strategy does not enjoy support and commitment by the majority of employees and middle management. This may be the case if they were not consulted during the development phase (Heracleous, 2000). Involvement and commitment should also be developed and maintained throughout the implementation process. If middle and lower level managers and key subordinates are permitted to be involved with the detailed implementation planning, their commitment is likely to increase. Floyd and Wooldridge (2002), label the gulf between strategies conceived by top management and awareness at lower levels as “implementation gap”. They define strategic consensus as the agreement among top, middle-, and operating-level managers on the fundamental priorities of the organization.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. It identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the subsections included, research design, data collection and finally data analysis**.**

3.2 Research Design

This was a case study since the unit of analysis is one organization, Hashi Energy Ltd. This is a case study aimed at getting detailed information regarding the expansion in strategy implementation challenges faced by Hashi Energy Ltd. According to Mugenda (2008), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events.

According to Kothari, (2004), a case study involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. The design is deemed fit to portray clear pictures of the expansion in strategy implementation challenges faced by Hashi Energy Ltd.

3.3 Data Collection

The researcher used both primary and secondary data. Primary data were obtained by interviewing 6 Senior Managers (Supply and Trading director, General Manager Kenya, Country Director Northern Corridor, Supply Manager, Human Resource Management, Trading Manager and National Sales Manager) of Hashi Energy using an Interview Guide. The managers represent the functional units of the bank. The guide was used to solicit information on the expansion in strategy implementation challenges faced by Hashi Energy Ltd.

The senior managers are involved in both the change process and ensuring the realization of performance objectives of the bank and therefore are critical subjects of the study. Secondary data was obtained from the company's internal documents which included circulars, minutes of meetings, internal memos, internal publications etc. External documents including annual reports and prospectuses will also be invaluable.

The rationale of the use of multiple sources of data in the study is the triangulation of evidence. Triangulation increases the reliability of the data and corroborates the data gathered from other sources. Yin (2004) identified six primary sources of evidence for case study research as; documentation, archival records, interviews, directs observation, participant observation and physical artefacts.

3.4 Data Analysis

After the interview guides are edited for completeness, the data, which was qualitative in nature, was analyzed using content analysis which is the best suited method of analysis. Content analysis is defined by Nachmias and Nachmias (2006) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends.

According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study existing information in order to determine factors that explain a specific phenomenon. The content analysis was used to analyse the interviewees' views on expansion in strategy implementation challenges faced by Hashi Energy Ltd.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter entails data analysis and interpretations of the study findings. The main objective of the study was to investigate the challenges of the implementation of expansion strategy at Hashi energy ltd-Kenya.

Data was collected using interview guides administered to senior-level managers who included Supply and Trading director, Human Resource Management, General Manager Kenya, Country Director Northern Corridor, Supply Manager, Trading Manager and National Sales Manager. These are the managers involved in strategy implementation and hence appropriate for the study.

4.3 Hashi International Expansion

The study revealed that the company is focusing on building integrated partnership with Eni (previously Agip) to offer new range of lubricants that include auto motives, industrial, marine, greases and specialties products that satisfy lubrication requirements of any type of machine and industrial plant. The lubricants manufactured by Eni will be distributed by Hashi Energy through its broad network in Kenya, Uganda, Rwanda, Burundi, South Sudan and Eastern Democratic Republic of Congo.

They had increased focus on building collaborative relationships with government and other non-government organizations. The interviewees indicated that there were new approaches to strengthening relationships with south-south and south-north partners that strengthen capacity.

4.3 Influence of International Expansion on Organization

The study established that Internationalization often means that the whole organization is in demand of structural change. Change management and building an organization that suits the new goals and operations the best may be challenging, especially when the new organization is multicultural.

The interviewees indicated that Internationalization affects the specific environment, or its causal texture, based on either the inward or outward or both, as new suppliers or supplying locations, respectively purchasing institutions or locations, emerge. Internationalization fundamentally alters the environment, thus it exposes an organization to a larger and more heterogeneous environment, which in turn increments the likelihood of some change occurring and changes in one country can seriously affect the position in other markets. Hence, the causal texture of the organizational environment is altered.

The interviewees indicated that adopting a more organization-internal view, one may say that internationalization adds to the number and difficulty of problems for the organization, as exemplified by the many different and increasingly varied sets of customers and employees. Internationalization leads to a *quantitative* increase in the number of managerial and organizational challenges, since these problems have to be dealt with in addition to those in the home market. Simultaneously, a *qualitative* escalation of the problems occurs, owing to the diversity and complexity of managing a geographically dispersed system of value-added activities.

The interviewees indicated that internationalization has not always been associated with benefits only a negative relationship between the degree of internationalization and the financial performance of corporations. Hence, there are liabilities to foreignness. However, costs of internationalization remain a neglected aspect of internationalization. The risks involved can therefore be high and again emphasize the need for more knowledge on how to internationalize properly.

The human resource manager related HRM to organizational internationalization process and indicated that formulating and implementing HR policies and activities in the home-office headquarters of multinational companies this is evident in Hashi. The responsibilities include selecting, training, and transferring parent-company personnel abroad, and formulating HR policies forits foreign operations; Conducting HR activities in the foreign subsidiary of a multinational corporation (MNC), which means local HR practices are often based on the parent firm's HR policies.

The strategic manager indicated that positive performance implications of geographic expansion include resource-based perspective, market-power perspective, and portfolio diversification perspective. The resource-based perspective provides Hashi energy ltd-Kenya for the positive performance slope and is rooted in industrial organization. The quality and utilization of internal resources, such as Hashi energy ltd-Kenya knowledge or diversity in distribution and oil marketing, processes and markets affect overall performance either directly or indirectly by creating entry barriers for competitors.

4.4 Involvement in the International Expansion Process

All the interviewees were involved in strategic change of the organization. Each was involved in their areas of managerial position and was in charge of ensuring that the process runs smoothly and the implementation was successful.

It was noted that all staffs were involved in the internationalization process since Internationalization was not to be considered as a separate part of the company or as a strategy to be enacted only in times of reduced local demand, but to be fully integrated into the Hashi energy ltd-Kenya as a core part of the company's long term strategy.

4.4 Challenges

The following are the research findings on challenges of the implementation of expansion strategy at the Hashi Energy Ltd, Kenya.

4.4.1 Top Management Support of International Process

The interviewees indicated that top management in the Hashi Energy all supported the internationalization process. Majority of the respondents were of the view that existing policies and procedures were important. The findings further indicated that implementation of expansion strategy in Hashi Energy of command from top to bottom and extent of staff participation in day to day decision making within the organization.

Alignment of strategies and objectives as well as employees' acceptance to change. This is because managers are social animals who tend to see situations in terms of groups to which they do or do not belong. Individuals see positively groups with which they identify and assign themselves and others to different categories. Since demographic characteristics are most obvious, they are particularly likely to play a role in shaping first impressions and categorizing oneself and other team members.

Top manager's act as the force driving economic changes, and they have to take the initiative to develop a reform agenda which can deliver these benefits. This will require a strategy which has to be formulated by top managers directed to improving employment relations and which seeks changes in attitudes and behaviour in the workplace and addresses the key issues of skills development, compensation, work organization and flexibility, and cross-cultural management.

The interviewees indicated that the core business of top managers and business organizations is to advocate, on behalf of the business community, for policy and regulatory change that will ensure an economic environment conducive to enterprise creation and development.

4.4.2 Regional Political Challenges

One of the purposes of the establishment of trading blocs is to arrange easier trade within the regions, and to increase the economic efficiency and the competitiveness of their productions. The free trade or relative free trade among the member states will surely increase their dependence on each other, which will promote regionalization. While the World Trade Organization (the WTO) is trying to eliminate trade barriers throughout the world, trading blocs are maintaining and even increasing them under the name of regional cooperation. While trading blocs are giving their member states more interest, they are building trade barriers to the outside world and preventing other countries' and regions' productions from importing. When they have satisfied their member states, they have also damaged the foundation of global cooperation and increased the difficulties of negotiations between countries.

There are other effects of trading blocs on globalization such as causing international political confrontation, speeding the readjustment of each country's industrial setup, promoting direct investment and arranging keener competitiveness in international trade. Regional trading blocs do have a wide and far-reaching influence.

Globalization has brought a shift to the economic environment of the Hashi Energy. The progressively disappearing barriers and borders are exposing Hashi energy ltd-Kenya both to new markets and to international competition. These changes include an unprecedented lowering of trade barriers worldwide. Vastly improved logistics and communications systems available to all companies; The information technology revolution which has opened the way for greater technology and knowledge exchanges and the advent of new types of economic transactions such as e-commerce. This means that trade can be conducted cheaper, faster, easier and over larger distances and the advent of previously non tradable services.

Hashi Energy not only have greater possibilities in accessing more markets and suppliers but also of determining the organization, management and location of most aspects of their own operations. Globalization has effectively “shrunk” the world. Through globalization national borders are constantly losing their significance as limitations for human interaction in general and economic collaboration in particular. This means that for all economic actors their natural spheres of activity are expanding from national into multinational or even global.

This greater integration and reduced barriers mean that international competition starts at home. Even businesses that focus primarily, or even exclusively, on the domestic market have to be competitive internationally in order to secure long-term survival and growth.

Whether to compete globally is a strategic decision (strategic intent) that fundamentally affects Hashi Energy, including its operations and its management. For many companies, the decision to globalize remains an important and difficult one (global strategy and action). Typically, there are many issues behind a company`s decision to begin to compete in foreign markets. For some firms, going abroad is the result of a deliberate policy decision (exploiting market potential and growth); for others, it is a reaction to a specific business opportunity (global financial turmoil, etc.) or a competitive challenge (pressuring competitors). But, a decision of this magnitude is always a strategic proactive decision rather than simply a reaction (learning how to business abroad).

To succeed in global marketing companies need to look carefully at their geographic expansion. To some extent, a firm makes a conscious decision about its extent of globalization by choosing a posture that may range from entirely domestic without any international involvement (domestic focus) to a global reach where the company devotes its entire marketing strategy to global competition. In the development of an international marketing strategy, the firm may decide to be domestic-only, home-country, host-country or regional/global-oriented.

Each level of globalization will profoundly change the way a company competes and will require different strategies with respect to marketing programs, planning, organization and control of the international marketing effort. Tracking the development of the large global corporations today reveals a recurring, sequential pattern of expansion.

4.4.3 Cultural Environment

The interviewees indicated that some organizational challenges include culture. Cultural management is one of the crucial challenges of the internationalization process. Cultural management means the way a company manages people coming from many different cultures and working together. It also means how the company is able to succeed in this management as the goal is successful and profitable business operations. The difficulty in this is that the different backgrounds affect the way people behave in different situations.

In this multicultural situation it is good to try to create a new company culture, the way things are done in this one specific company. It can be a mix of all the different cultures involved in the company, or then, something completely new. The most important thing is that it suits the demand of the company and supports the goals set.

For the success of Hashi energy ltd-Kenya operations in any foreign target market is important to understand that people behave differently in different parts of the world. There is no one right way of conducting business or personal relations. It is crucial for a manager or an employee who is taking part in multi-cultural projects or business operations to be open-minded and to learn about the customs of their colleagues, sub-ordinates, counterparts of business deals or managers from different cultures. The worst case is where one considers his/her own culture to be the one and only right culture.

4.4.4 Legal Challenges

The interviewees indicated that the economy shapes the complex interactions among employment, health coverage and costs, and financial access to care and health outcomes. The effects of economic stress and surges can be observed directly, but may also surface in less obvious ways that can vary markedly across markets. In a system where employment-based coverage plays a dominant role, understanding the impact of economic shocks such as the recession presents difficult analytical issues.

Hashi Energy being part of the petroleum industry is govern by The Petroleum Act states that all petroleum is vested in the government. This is consistent with the 2010 Constitution, which states that all minerals and mineral oils shall vest in the national government in trust for the people of Kenya. However, under the Constitution, the administration of minerals and mineral oils is to be vested in the NLC. It is not clear how this will affect the powers of the Minister of Energy under the Petroleum Act. It is anticipated that the Minister's powers will fall away. At present, these powers are set out in the Petroleum Act. They comprise the power to enter into petroleum agreements and petroleum exploration agreements on behalf of the government. Energy Regulatory Commission in Kenya is to alter the oil rules. The Energy Regulatory Commission announced its intention to issue new rules for importance and holding petroleum with an aim of eliminating speculators in the oil market. The new proposed changes in the oil and petroleum sector were to foster investment in the petroleum sector in Kenya. The rules in the oil industry have to be adjusted as they do not favour investments as they are.

4.4.5 Organizational changes

The digital divide is not all it seems. The gap between those who can use information technology effectively and those who cannot is just one of a range of discrepancies national and international, urban and rural, rich and poor which afflicts Kenya.

The digital divide encompasses inadequate funding, a lack of necessary computer and Internet skills, and a lack of English-language proficiency that hinder expansion and use of digital information resources. Visionary individuals and organizations can assist these countries with their information needs. Aggregated full-text databases serve as a prominent tool in closing the digital divide because they provide important research resources. Participating organizations must demonstrate the value of these resources to users and supply essential training to ensure success with electronic resource initiatives.

While every nation and region has its own unique mix of challenges for providing researchers with quality electronic information, a number of themes are typically shared. Although situations and preferences differ from individual to individual, many of the library communities in Kenya, tend to be rather conservative and are not readily accepting of new services and technology. Some communities are often cautious about making dramatic changes to their methods and operations, so innovation in the libraries of Kenya typically proceeds at a slower pace.

Probably the most critical challenge associated with the digital divide phenomenon is finding funding for projects. Such a lack of funding can easily be viewed as one of the root causes of the divide upon which most of the other difficulties are often based. Kenya suffers from impoverished or sluggish economies, there are difficulties affording the necessary resources that would assist in improving the medical systems.

If citizens have better educational resources, countries can improve their overall economy through a well-educated workforce. An improved economy, therefore, would generate additional financial resources to expand access to digital information resources. This scenario is very much a vicious circle. Kenya often have to depend upon a third party to facilitate and/or supply the necessary funds to initiate the process of growth and development.

Not only does Kenya suffer from a lack of basic funding, but the cost of Internet access in the is often significantly higher than that of more industrialized regions. Due to high costs discourage online access, so this situation is yet another critical aspect of the digital divide problem. Until the costs for Internet service can be reduced in Kenya, levels of online access are not likely to increase very significantly. Even in some of the regions where it is able to scrape together the necessary funds to establish a basic infrastructure for Internet access, libraries are then left with no money to purchase the information resources that would benefit their researchers.

Funding for infrastructure and digital resources is not the only obstacle in many Kenya. When a library establishes the means for accessing online services, the next hurdle is that many of the potential users lack the necessary computer and electronic research skills to properly utilize the new services. Another significant obstacle to the dissemination of full text information in Kenya is that most of the top databases and related services that are currently available are geared toward English-speaking users.

4.4.7 Lack of Coordination

The interviewees indicated that due to the complexity of issues and the need for cost saving, net worked regional cooperation is more better way of addressing regional economic trading blocs hinders implementation of expansion strategy at Hashi energy limited Kenya. An organization and a network have their different comparative ad vantages. A formalized, clearly defined administrative and hierarchical organization is, ideal for implementing strategies and policies, especially in a stable environment and where the problem at hand is clearly defined.

The interviewees indicated that the internationalization process is very complex - first to discover the most attractive target market, then, to form a successful marketing strategy with which to enter this market, and also, to form a well working organization which supports the marketing strategy this is therefore a challenges of the implementation of expansion strategy at Hashi energy limited Kenya. The amount of decisions to be made and activities to be executed are enormous. Following are some business activities that are crucial for the internationalization process. These are activities that must be carried out with great deal of care and focus to improve the company’s possibilities to be successful in different markets. The product, marketing, and company itself, must be modified and adjusted.

Internationalization also usually means big changes in the structure of the company’s organization therefore this is a challenges of the implementation of expansion strategy at Hashi energy limited Kenya. New organizational levels and branches are introduced to handle the new international operations, this can be also done by reforming the old organization. However, in many cases, it is necessary to build up the whole organizational framework again. Internationalization is a process that changes the whole structure of a company. The difficulties concerning the management of this change are resource management, cultural management and environment management. To overcome all the difficulties the company is in demand of good change leadership and management.

One of the biggest challenges of the implementation of expansion strategy is the planning and decision making concerning the process. This is the basis for the whole process and therefore it is utmost critical for the success of the company's internationalization. The planning and decision making concerning internationalization, demands both human resources and financial resources from the company. Even with adequate resources it may be difficult to start from scratch with the planning. Internationalization of a company can be seen as a process that enables the company to operate in foreign markets besides the domestic markets. The first challenge for any company on the path of internationalization is analyzation. The company needs to analyze the attractiveness of the target market and the company itself. The attractiveness of a market depends on the size of the market, growth potential of the market, competition and on the level of operational risk.

The political situation of the target market affects implementation of expansion strategy at Hashi energy limited Kenya. Company analyses are needed to find out the weaknesses and strengths of the company, opportunities and threats that the company possess in the target market and also competitive advantages, which play a major part in forming entry and positioning strategies. These strategies have to be thoroughly thought because the success of the whole internationalization process depends on them. The implementation of the business operations in the new market can be seen as the next challenge. The correct entry mode and well thought-out positioning strategy helps in succeeding in this challenge.

The challenges concerning the financing of internationalization affects implementation of expansion strategy at Hashi energy limited Kenya, depends mainly on the company's resources. The demand for financing of internationalization depends on the entry mode and on the level of commitment to internationalization, meaning, how big part of the company's turnover and profit is made in foreign markets. If the commitment is high, and a subsidiary or other direct investment is the case, then the demand of external financing may be high. On the other hand, if the company's international operations mainly involve direct or indirect exporting, it might only need financing services for single trade deals, like letter of credit or draft.

4.6 Solutions to the Challenges of International Expansion

To be able to plan a successful strategy for internationalization the Hashi energy limited Kenya has to know the current situation of the company itself as well as the situation in the target market. This can be done by carefully analyzing the company itself and the target market. Adapt to the local reality which calls for the participation of all direct stake holders in developing both policies and programmes: national and regional governments, business associations, business support associations and banks: it will facilitate implementation, create synergies and guarantee the best possible match to the local economy. Each country should consider internationalization as part of the policies to enhance competitiveness. As countries progress through the value added ladder this will lead to merging internationalization and innovation under one single umbrella.

The main effort should be directed towards having more Hashi energy limited Kenya branches rather than focusing on those companies with the largest potential. Although some would stem the foreign invasion through protective legislation, protectionism in the long run only raises living costs and protects inefficient domestic firms (national controls). The right answer is that companies must learn how to enter foreign markets and increase their global competitiveness. Firms that do venture abroad find the international marketplace far different from the domestic one. Market sizes, buyer behavior and marketing practices all vary, meaning that international marketers must carefully evaluate all market segments in which they expect to compete.

A successful and sustainable challenges of the implementation of expansion strategy at Hashi energy limited Kenya will require an internationalization strategy and the acquisition of a series of capacities, abilities and resources prior or at the first steps of internationalization. This is probably the explanation for the proven relation between competitiveness and internationalization.

4.7 Discussion of the Study

Internalization expansion is a theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences (Cerutti, 2007). Internalization theory analyses the choices that are made by the owners, managers or trustees of organizations (Hollensen, 2004). The theory assumes that these choices are rational ones.

The Hashi Energy has been able to enter the Kenyan market and been able to develop communities. The choices made by Hashi Energy has enabled them to be accepted in the Kenyan community and their services used by majority. International expansion has also resulted in the creation of integrated world markets, particularly in the areas of lubricants that include auto motives, industrial, marine, greases and specialties products that satisfy lubrication requirements of any type of machine and industrial plant as well as supplies and equipment including ICTs.

According to Johanson and Vahlne (1977), possessing experiential knowledge about market of operations is especially important in activities based on relations to individuals, such as management or marketing. It is experiential knowledge that gives a manager ability to perceive and formulate “concrete” opportunities, whether the objective knowledge concerns only “theoretical opportunities”. The Hashi Energy has been able to identify their key management leaders and the managers have been given the responsibility on the ability to perceive and formulate “concrete” opportunities.

There are two important patterns in the internationalization of the firm according to Johanson and Vahlne (1990). Firstly, firms investing in foreign countries follow establishment chain, which means that investments are made in small steps. On the beginning there is no regular export activity, then companies start cooperating with sales representatives who act as independent agents. When the firm acquires enough knowledge about the market it decides often to establish a sales subsidiary and later eventual production facilities. The Hashi Energy did not just come and start its internationalization process but rather it stated by operating in the country slowly adapting to new changes in order to tap bigger markets.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusion and recommendations from the study findings. The main objective of the study was achieved through determination of the strategic responses to challenges of globalization by establishing how the internationalization process was done at the Hashi Energy ltd-Kenya and the determining the challenges which include economic challenges, global competition, cultural, political and legal challenges.

5.2 Summary of the Study Findings

The study findings are summarized as per the study objective of the study; the economic challenges identified facing Hashi Energy include regional coverage and costs, and financial access to care and health outcomes. The effects of economic stress and surges can be are observed directly by Hashi Energy, but also surface in less obvious ways that can vary markedly across markets.

Another economic challenge is that of employment since employment-based coverage plays a dominant role, understanding the impact of economic shocks such as the recession presents difficult analytical issues lack of skills has been observed and the Hashi Energy relies on importing technocrats and senior management since the necessary skills are not available in the country.

Globalization has brought a shift to the economic environment of the Hashi Energy. The progressively disappearing barriers and borders are exposing Hashi Energy both to new markets and to international competition. These changes include an unprecedented lowering of trade barriers worldwide.

Vastly improved logistics and communications systems available to all companies; The information technology revolution which has opened the way for greater technology and knowledge exchanges and the advent of new types of economic transactions such as e-commerce. This means that trade can be conducted cheaper, faster, easier and over larger distances and the advent of previously non tradable services. Therefore Hashi Energy faces a stiff competition from other institutions who medical services.

Intense global competition has forced many Hashi Energy to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Several factors have come together to cause this increase in competition. Foremost amongst these have been the shortening of product life cycles, rapidly changing demand patterns, the increasing presence of many other institutions that offer medical services privately and internationally. Lack of funding is another challenge of globalization that affects Hashi Energy. The disciplining effect of global markets applies to the private sector, by making it more difficult to sustain unwarranted price markups and non-productivity driven wage increases.

Cultural challenges that affect Hashi Energy include values, beliefs, customs, languages and religions. Unlike in the domestic markets where cultural tastes are shared, in the international markets, cultural differences require serious considerations as they affect taste and consumption trends.

Changing routines and cultures can be difficult in an organization should be restructured and people placed in new roles and relationships from which new cultures will develop to match cultures prevailing in the international arena. Cultural management is one of the crucial challenges of the internationalization process. Cultural management means the way a company manages people coming from many different cultures and working together

Political systems typically create the infrastructure within which the economic system functions through policies and regulations. Certain import regulations such as high tariffs or low quota limits can encourage investment. Also governments may enact laws that ban certain types of investment outright.

Political systems thus create the necessary environments that can promote or inhibit business and ensure sustained economic growth. Political leadership sets policies, regulations, concessions and ensures stability & security that impact directly on business performance. Political stability represents the risk level a company will be exposed to in the foreign market. Stable political systems, even if they are frequently changed like in Japan and India, tend to encourage direct foreign investment.

5.3 Conclusion

The study concludes that to interviewees effectively to strategic changes in globalization, Hashi Energy needs to plan a successful strategy for internationalization the company has to know the current situation of the company itself as well as the situation in the target market. This can be done by carefully analyzing the company itself and the target market. There is also need to adapt to the local reality which calls for the participation of all direct stake holders in developing both policies and programmes: national and regional governments, business associations, business support associations and banks: it will facilitate implementation, create synergies and guarantee the best possible match to the local economy. Each country should consider internationalization as part of the policies to enhance competitiveness. As countries progress through the value added ladder this will lead to merging internationalization and innovation under one single umbrella.

The internationalization process is very complex - first to discover the most attractive target market, then, to form a successful marketing strategy with which to enter this market, and also, to form a well working organization which supports the marketing strategy. The amount of decisions to be made and activities to be executed are enormous. Following are some business activities that are crucial for the internationalization process. These are activities that must be carried out with great deal of care and focus to improve the company's possibilities to be successful in different markets. The product, marketing, and company itself, must be modified and adjusted.

5.4 Recommendations

The study recommends that when a strategy is being formulated the company should first develop a mission statement that attempts to clarify an organization's values, purposes, and directions. It may be used as a starting point in the strategic planning process or it may be developed after the process is finished. Mission statements may specify target customers and markets, principal products or services, geographical domain, core technologies, concerns for survival, plans for growth and profitability, basic philosophy, and desired public image.

A Firm should use environmental scanning to collect information about opportunities and threats facing the firm obtain data about economic, financial, political, legal, and competitive changes in various markets the firm serves or might want to serve. Political risk analysis and selection of national markets in which investment or disinvestment seem attractive (issues from section of course before midterm, plus issues related to collecting market specific information in carried out here.

A control framework should be put in place. It is the managerial and organizational processes used to keep the firm on target toward its strategic goals. The control framework can prompt revisions in any of the preceding steps in the strategy formulation process.

5.5 Implication on Policy, Theory and Practices

The implication of the study is to the players is that it may inform them on strategic responses to challenges of international expansion by Hashi Energy ltd-Kenya. The theory does not assume that the decision-makers can identify all available options; indeed, in rational action models the number of options that decision-makers consider is often restricted, in order to simplify the model. In the context of market entry, for example, only a limited number of entry strategies are usually appraised, as explained above. However, the theory always makes the set of options considered fully explicit.

The implication on policy is that on strategy implementation were updated on regular monthly basis. This depicts that strategic responses to challenges of international expansion by Hashi Energy ltd-Kenya to retain a competitive edge in the market. This will act as an evaluation of the strategies to the organization. They will be provided with information concerning the general state of competition in the energy sector and the type of competitive strategies employed by Hashi Energy in Kenya.

5.6 Limitation of the Study

Due to tight schedules of the top management in Hashi Energy ltd-Kenya, the study encountered difficulties in gaining access to the interviewees and the researcher had to keep rescheduling their time to align with the availability of the respondents.

Information relating to strategy implementation is always treated with sensitivity. This caused difficulties in convincing the respondents of the importance of giving sincere answers to the asked questions evidenced through reluctance of accepting invitation to participate in the study to counter the challenge, the research had to inform the respondents in advance the purpose for the research study being carried out, that it was meant for academic purpose only and not for other investigations.

5.7 Suggestion for Further Research

The study recommends further research on the effectiveness of monitoring and evaluation tools used by Hashi Energy ltd to monitor and evaluate strategic implementation through internationalization. The recommended further study will supplement the findings of this study by providing information on evaluation of the effectiveness of internationalization.

The study recommends carrying out the same study in other parts of the country to find out whether the same results will be obtained. A study should be carried on other private companies in the oil sector on strategic choices made in dealing with challenges of internationalization.

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APPENDIX: INTERVIEW GUIDE

Demographic Information of the Respondents

1) What is your position in the institution?

2) How long have you been working in your present capacity? …………………..

3) Based on your experience, how will you rate the company's performance on extension strategy?

Top Management Support of International Process

4) Is the international expansion process supported by top management? If yes how?

Organizational changes

5) How do organizational challenges affects international expansion of Hashi energy Ltd?

Regional Political Challenges

6) What are some of the challenges to international expansion arising from existing regional economic trading blocs by Hashi energy Ltd?

7) How are the challenges arising from existing regional political economic trading blocs addressed?

Organizational changes

8) Does international expansion affect the running of your organization?

9) What is the effect of digital divide on strategy expansion of Hashi energy?

Legal challenges

10) What is the legal involvement in the international expansion process of the company?

11) Which are the advantages of international expansion in terms of technology that have been enjoyed by Hashi energy Ltd?

Cultural environment

12) What are the cultural effects of international expansion to Hashi energy Ltd operations?

13) How has global competition affected the international expansion of Hashi energy Ltd?

14) What is the effect of digital divide on international expansion of Hashi energy Ltd?

Lack of Coordination

15) In your view what are other factors that act as challenges to international expansion of Hashi energy Ltd?

16) Suggest the possible solutions to the challenges of international expansion faced by Hashi energy Ltd in the organization concept.