INFLUENCE OF STRATEGIC RESPONSES TOWARDS PRICE REGULATION BY THE ENERGY REGULATORY COMMISSION ON PERFORMANCE OF OIL MARKETERS IN KENYA

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DECLARATION

This research project is my original work and has never been submitted for examination to any other University.

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This project has been submitted with my authority as the university supervisor.

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Thank you, Lord for being a friend who sticks closer than a brother. You are always there for me.

DEDICATION

This project is dedicated to my late father, who taught me to never give up in my pursuit of my goals. He taught me that I can accomplish any task I desire as long as it is done one step at a time. His love, support and encouragement was endless. I miss you dad. My mother, your endurance and ambition is an everlasting strength.

ABSTRACT

This project examines the influence of strategic responses towards price regulation by the energy regulatory commission on the performance of oil marketers in Kenya. The study used a descriptive survey design which is a research technique where data is gathered through asking various questions from the respondents. The population of the study was from the sixty four oil marketing companies in Kenya (OMC's). The sample size for this study was thirty two oil marketing companies. The thirty two OMC's were selected using systematic random sampling method due to their simplicity and good representation of the population. Primary data was collected by use of a semi structured questionnaire. Primary data was collected from the marketing managers or their equivalents which were considered appropriate since they understood the strategic responses adopted by their respective oil marketers in Kenya. The questionnaires were administered by drop and pick later method at an agreed time with the researcher. The data was then analyzed using descriptive statistics in the form of percentages, mean and standard deviation to determine the frequency of strategic responses adopted by oil marketers in Kenya. It was revealed that the most popular strategic responses adopted by most oil marketers were cost focus, diversification both of which used to a large extent while cost leadership and product diversification were used to a moderate extent. Further, the analysis revealed that the least used strategies responses adopted by oil marketers were mergers and acquisitions, strategic alliances, downsizing and logistics outsourcing which were used to a small extent. From the analysis, a large majority of the respondents indicated that cost focus was widely used by the OMC's to a large extent. The OMC's who used cost focus commanded a combined market share of eighty percent. Further, all the leading OMC's in market share use cost focus strategy. A correlation analysis showed that there existed a strong positive correlation between strategic responses and ROACE and thus the strategic responses used by OMC's influenced ROACE to a large extent. A majority of the marketing companies that used cost focus and diversification reported an average ROACE of six percent. The study recommends that Oil marketers should pursue only those strategies that they can comfortably or successfully be implemented with the least possible restrictions from the government and other regulatory bodies for example the energy regulatory commission (ERC). The limitation of this study was that the respondents were not willing to commit their time to respond to the questionnaires. Most of the respondents agreed to participate on condition that the information will not be divulged to any other party other than for academic purposes only. From the findings, it was reviewed that majority of the OMC's used product differentiation as a response strategy. The oil products sold in Kenya are jointly imported from the same source and distributed using common facilities. With this common user importation and distribution facilities, it is expected that product differentiation will be least applicable by the OMC's. Due to this controversy, future researchers can conduct further research to investigate the applicability of differentiation as a response strategy.

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ABBREVIATIONS AND ACRONYMS

BP	British Petroleum
EAOGS	East Africa Oil and Gas Summit
ERC	Energy Regulatory Commission
GoK	Government of Kenya
KPC	Kenya Pipeline Company
NIAT	Net Income after Tax
OMC’s	Oil Marketing Companies
Pipecor	Pipeline Coordinator
ROACE	Return on Average Capital Employed
UoN	University of Nairobi
USA	United States of America

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

All organizations exist within an environment that keeps on changing and therefore the organization must respond to the challenges posed by its environment. The environment is either external or internal to the organization. The external environment is made up of factors that are beyond the firm's control such as competitors, suppliers, government agencies and their ever increasing regulations and customers whose preferences keep on changing and shifting, economics and social conditions, political and technological changes (Pearce& Robinson, 2005).

With this dynamic environment, organizations must come up with appropriate strategies to respond otherwise their survival or their ability to meet their objectives will be compromised. Resource based view focuses on the idea of costly to copy attributes of the firm as sources of business returns and the means to achieving superior performance and competitive advantage (Barney, 2001). Prehalad and Gary (1990) suggested that firms match their resources, skills and expertise into core competences and distinctive competence to gain competitive advantage. A well organized and formulated strategy plays a significant role in assembling and allocating an organization's resources into a unique and viable posture based on its relative inner competencies and shortcomings, anticipated changes in the external environment and contingent moves by intelligent opponents.

Organizations respond differently to the changes in the environment and some of the common strategies employed world over to respond to these environmental changes include mergers, acquisitions, outsourcing, divestiture, diversification and downsizing

(Kotler and Armstrong, 1999). The Petroleum industry is not an exception to this dynamic environment and this has made organizations to employ various strategies to respond to this dynamism. To respond to the economic environmental changes like rising inflation, various countries have implemented fuel price regulation. Some of these countries include South Africa, Canada and Tanzania (Wanjogu, 2013).

The price regulation of petroleum products which came into effect in December 2010 has brought another dimension in the competitive landscape of the Kenyan oil industry environment where oil marketers can no longer price their petroleum products above the maximum prices advised by Energy Regulatory Commission (ERC) which are fixed from the 15th of the current month to the 14th of the next month (Dadoh, 2013). Prior to the price regulation, oil marketers used pricing as one of the major competitive strategies with a mix of aggressive pricing to gain market share and maximum pricing where an oil marketer is in a dominant position (Murungi, 2013). This situation has since changed with the coming into force of price regulation (Wanjogu, 2013).

1.1.1 Concept of Strategy

Strategy has been defined by several scholars. An organization's strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. These strategies provide opportunities for the organization to respond to the various challenges within its operating environment (David, 2013).Organizations also develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 1985). The organization's competitive aim is to delight her customers since its success is determined by its responsiveness to the customer needs

thus enabling the organization to earn a competitive advantage and outsmart rivals in the market place.

Mintzberg (1994) points out that people use “strategy in several different ways, the most common being these four; Strategy is a plan, a how, a means of getting from here to there; Strategy is a pattern in actions over time for example, a company that regularly markets very expensive products is using a high end strategy; Strategy is position i.e. it reflects decisions to offer particular products or services in particular markets; Strategy is perspective, that is, vision and direction. Porter (1985) defined strategy as creating a fit between the external and internal conditions of an organization in order to solve a strategic problem facing the organization. Sauer and Willcocks (2003) depict strategy as an iterative process which includes predictions and forecasts on challenges and opportunities that an organization is likely to encounter in the external environment.

Strategy is a fundamental framework through which an organization can simultaneously address its vital continuity and facilitate its adaptation to a changing environment. It is the direction and scope of an organization over a long term; which gives advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets to fulfill owners' expectation (Hax and Majluf, 2006).

1.1.2 Strategic Response

Strategic response is defined as the actions that a firm takes to align itself with the environment in order to beat competition and remain relevant in the market. Mintzberg (1994) submits that the true importance of strategic response is observed

during conditions of combat and competitive threat within markets. Further, strategy has moved beyond defining strategy as a formal plan but that it is indeed the art of strategic response. Classic economic theory supports the view that the strategic response of individual companies is significantly dependent upon global and environmental factors.

According to Pearce and Robinson (2005), strategic responses help an organization to position and relate itself to the environment to ensure its success and secure its future from the challenges emanating from the changing environment. The reason why organizations succeed or fail is perhaps the central question in strategy" stated Porter (2008). While traditional strategy approaches can soundly answer this central question in stable environments, these approaches are not directly applicable to dynamic environments and there is currently no final and complete answer that determines the causes for an organization's failure or success with their strategies in dynamic environments (Burnes, 1998).

There are two types of responses that dictate the type of decision an organization will take. These responses are either strategic or operational in nature. An operational response is routine in nature, is operationally specific and has short term implications. These operational responses are developed to aid the smooth operation of the organization and are developed to address such issues as efficiency and effectiveness in the achievement of the organization's objectives. Operational strategies provide daily directions and are important in that they provide a detailed outline of how operations should be conducted in the organization. On the other hand, a strategic response has long term implications, is complex, is companywide, is uncertain and ambiguous and builds future potential for the organization. Strategic responses are

experienced at two levels which are corporate and business levels. Corporate level strategy deals with the overall scope and purpose of the organization and it decides on the business of the organization (Johnson and Scholes, 2000).

1.1.3 Organizational Performance

Organizational performance is the actual output or results of an organization as measured against its intended outputs, goals and objectives (Bond, & Cummins, 2000). One of the systems for measuring organizational performance is the balanced score which is a performance management system used to clarify an organization's vision and strategy and translate them into action. Previously, most tools focused on financial performance but the balanced scorecard uses measurements to track activities in four main perspectives to give a more balanced evaluation of an organization's performance. These perspectives are namely: financial perspective, internal process, and innovation and growth perspective and customer perspective (Kaplan and Norton, 2001).

Under the financial perspective the organization is concerned about its resource providers through tools such as profit and loss statements, balance sheets, and budget reports. Organizational departments can use results to develop and implement revenue, cost saving, and budget strategies, create a risk management program, and establish internal controls (Best Practices, 1999). On internal process, the organization measures its productivity and effectiveness through benchmarks. To achieve its objective, the organization compares itself with its competitors in the same line of business in order to build best practices and internal controls. Past results are used to develop process improvement projects and cross-functional teams, and invest in new technology tools (Kaplan and Norton, 2001).

Innovation and growth perspective are used to measure the level of satisfaction of the employees. In this perspective, the organization uses past records to improve training avenues of communication and enhance the quality of work life. The other perspective is the customer which measures the extent to which customers are satisfied with the quality of services offered by the organization (Best Practices, 1999).

1.1.4 Oil Marketers in Kenya

The Kenya Oil Market has 64 companies that are involved in distribution of petroleum products in the Kenyan market as per 2013 data from the pipeline coordinator. Some of the marketers have Retail stations while others do not have but are involved in export of the petroleum products as well as wholesale to other companies. There are 5 dominant players in the Kenyan Oil market who command a market share of 5% and above. These are Total, Kenol- Kobil, Vivo Energy, Oil Libya and National Oil whose combined market share is 72% while their combined share of the Retail stations is 45%. This shows these major companies have a competitive edge over the others (EAOGS, 2014).

Of these major oil marketers, only KenolKobil and National Oil are local. As at end 2013, there were approximately 1400 Retail stations countrywide with above 5 dominant players owning a combined total of 654 of the stations in the country (Total=188, Kenol-Kobil=166, Vivo Energy=121, National Oil= 101, Oil Libya=78). The total industry inland sales in 2013 stood at 4550km3 while the total industry sales in the Retail stations stood at 1795km3. Annual growth has been at an average of 4% per annum (Deloitte Report, 2013).

As much as these companies are competitors, they share in joint imports for motor fuels to achieve economies of scale. These imports are coordinated by the ministry of energy through an open tender system where the Oil Marketing Company (OMC) with the most competitive quote imports on behalf of the industry. These OMC's also share joint facilities at the port and Kenya Pipeline Company (KPC) to import and transport their petroleum products. These OMC's also have agreements amongst each other to share facilities which are not sufficient to service the country's oil needs. As a competitive tool, the major OMC's have their own storage depots in Mombasa and Nairobi which gives them an edge over the rest as they can hold some buffer stock to sustain their operations when stocks in Kenya Pipeline are low (EAOGS, 2014).

1.1.5 Petroleum Price Regulation in Kenya

Price regulation began in December 2010 after ERC collected views from stakeholders over a period of one year. With rising food and energy costs, there was intense pressure on the government from public, consumer rights groups and Members of Parliament to regulate the oil prices in Kenya. It is worth observing that, for a long time the oil marketers were viewed as exploitative and carried cartel like tendencies such that any legitimate rise in price was viewed with suspicion from the Government and the citizenry (EAOGS, 2014).

It is not surprising that the Kenya government buckled under the weight of this enormous pressure. According to the government, the objective of price control was two-fold i.e. protecting consumers and ensuring that industry players recover prudently accrued costs and make reasonable margins (ERC, 2013).

The way the fuel pump prices are set up is through a transparent price capping formula in accordance with the calculation used in the open tender system for

importation of petroleum products. The price capping sets the maximum retail pump prices which are the maximum pump prices that oil marketers should sell the petroleum products at the Retail dispensing station and the maximum wholesale price which is also the maximum prices of petroleum products at the wholesale depots. This implies that the oil marketers are at liberty to offer prices at a lower price than the ERC capped prices (ERC, 2013).

1.1.6 Energy Regulatory Commission of Kenya

In 2006, the Energy Act No. 12 of 2006 was enacted. This led to the transformation of the then Electricity Regulatory Board to the ERC to also regulate petroleum and renewable energy sectors in addition to electricity. The Act states in Section 5(a) (ii) that the objects and functions of ERC include regulating the importation, exportation, transportation, refining, storage and sale of petroleum products. Therefore one of the functions of the ERC is licensing of petroleum import, export, transport, storage, refining and sale. Construction Permits are also to be issued by ERC for all petroleum related facilities in order to check proliferation of substandard sites. Petroleum products should also meet the relevant Kenya Standards (ERC, 2013).

The ERC has had the power to regulate fuel prices from inception but the government, through the Ministry of Energy, declined to effect the regulation due to lobbying from oil marketers until in December 2010 when it commenced fuel price regulation. From December 2010 when price regulation was introduced, the maximum allowed margins for wholesale and Retail for the petroleum products was Ksh.6/Lt and Ksh.3/Lt respectively. However, in line with its mandate, effective 15th March 2014, ERC reviewed these margins to Ksh.7/Lt and Ksh.3.89/Lt. To comply with the law, ERC publishes for general public information the maximum wholesale

and Retail pump prices as calculated. ERC has field offices who monitor compliance to these published pump prices otherwise the oil marketers or dealers who sell above the capped prices risks a fine of Ksh1 million, withdrawal of license or both (ERC, 2013).

1.2 Research Problem

Globally, the environment is infinite and includes everything around the organization. However, there are aspects of the environment to which the organization is sensitive and must respond to survive. That environment present firms with opportunities, threats and constraints; increasing price levels, high price volatility and the suspicion of collusive behavior are important topics of public debates on competition in retail gasoline markets in many countries (Pearce& Robinson, 2005).

The OMC's have been critical of the ERC's pricing formula since it does not cover financing costs and the rising cost of doing business due to inflationary pressures (ERC, 2014).Margins in the sector are also negatively impacted by low margins and high finance costs due to the capital intensive nature of the business. This has triggered the OMC's to adopt strategic responses to deal with price regulation by the energy regulatory commission (EAOGS, 2014).

The history of oil industry in Kenya began in 1903 during colonial times. Initially kerosene was the main import in tins but later gasoline was imported in tins and drums. The Kenyan Oil industry has until 1994 been dominated by 8 OMC's who were involved in marketing of oil products in Kenya. These companies included Shell, BP, Agip, Total, Caltex, Mobil, Kenol-Kobil and National Oil Company of Kenya. All these OMC's are foreign companies with exemption of Kenol-Kobil and

National Oil which are local. During this period, the industry had not been liberalized while the pricing of the oil products was not controlled. With the liberalization of the oil industry in 1994, the number of players have increased to the current 64.In December 2010, GoK instituted price regulation where the maximum price of petroleum products is set by ERC every 15thof the month (ERC, 2013).

A number of studies have been carried out both locally and globally on the strategies adopted to deal with price regulation. A survey carried out by international energy agency showed cost leadership was used as a strategy to counter the dynamics of the external environment (International Energy Agency, 2003). Adelman (2002) notes that the demand and supply forces have a huge impact on the prices of oil.

Murungi (2013) carried out a survey on strategic responses on oil firms in Kenya. The findings revealed that most OMC's use to a great extent strategic alliances (64%), focus market (50% percent), joint ventures (50%), as well as corporate diversification (34%) as strategies in responding to dynamic economic environment. The results showed that some strategic responses have low application but would have high impact if they were utilized. Wanjogu (2013) who conducted a study on the Impact of Price Regulation on the Profitability of OMC's in Kenya found that regulation on oil pump prices had a negative impact on the profitability of OMC's. Dadoh (2013) did an investigation on the implications of price regulation by the ERC on the oil marketing strategies in Kenya. The study found that regulation by ERC had implications on oil marketing strategies in Kenya.

From the above studies, none has focused on strategic responses adopted by oil marketers in Kenya to deal with price regulation by the energy regulatory commission. These studies were too broad and did not address the problem of this

study. Therefore, there is a need to answer the following questions: what are the strategic responses adopted by oil marketers in Kenya to deal with price regulation by the energy regulatory commission? What is the influence of strategic responses on organizational performance by OMC's in Kenya?

1.3 Research Objectives

The study was guided by a broad objective to determine the strategic responses that have been adopted by oil marketers to deal with price regulation in Kenya and influence on organizational performance.

1.4 Value of the Study

This study is important to the theory and practice of strategic management in organizations. The study adds on to the growing concept of price regulation and competition in organizations by focusing on Kenya. The results will therefore show how oil marketers in Kenya compete in a price regulated regime.

The study will be useful to the government and other policy makers through coming with appropriate policies that encourage healthy competition among oil marketing companies in Kenya. The study will be beneficial to other firms on the strategic responses adopted by oil companies in the wake of a price regulated environment by adding more knowledge on various strategies to cope with competitor activities.

The study will also be of use to researchers and scholars who could be interested in undertaking research on price regulation as it will be a basis upon which other studies in Kenya will be undertaken. Besides, the findings of this study can also be used as a basis for further study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides theoretical evidence from different researchers and scholars and it also covers the strategic responses between organizations and the relationship between strategic responses and organizational performance.

2.2 Theoretical Foundation

This section will cover the theory supporting this study in relation to strategic responses. Resource based view model explains how the firm can use its internal resources to cope with changes in the external environment as discussed below:

2.2.1Resource Based View Model

The resource based view model was propounded by Pfeffer and Salancik (2003) and this model recognizes resources as a key driver in achieving superior performance. The resource based view is grounded in the perspective that a firm's internal environment in terms of its resources and capability is more critical to the determination of strategic action than is the external environment. This resource based view model explains that the external control in the organizational perspective is an extension of open-systems theories where the external control of organizations is based on the notion that the behavior, choices, and actions of an organization are best understood by analyzing the environmental or the social context of that behavior (Barney and Hesterly, 2008).In this view, the environment is a powerful constraint on organizational action to the extent that all organizational outcomes are based on interdependent causes or agents within their environment. Barney (2001)asserts that

what happens in an organization is not only a function of the organization but also of its structure, its leadership, its procedures and its goals. What happens is also a consequence of the environment and the particular contingencies and constraints from that environment (Robinson, 1997).

Considering the work of Pfeffer and Salancik (2003), the theory has three main themes that are crucial in understanding how organizational decision making is constrained by the environment: interdependency, strategic options, and power. Interdependence in social systems is a consequence of open systems and exists whenever one actor does not entirely control all of the conditions necessary for the achievement of an action or for obtaining the outcome desired from the action (Powell, 1991). Since control of resources lies outside the organization, the focal organization must interact with elements of the environment in order to obtain the resources necessary for survival (Powell, 1988). The need for resources, including financial and physical as well as information obtained from the environment, makes organizations potentially dependent on external sources for these resources (Scott, 1995).

2.3 Strategic Thinking

Strategy is a mechanism which organizations and businesses employ to cope with the dynamism in the external environment. The turbulent nature of the external environment is characterized by risks and uncertainties and organizations must come up with strategies that are consistent and compatible with the environment in order to survive. Various scholars and researchers have advanced numerous definitions in regard to strategy; however there is convergence on its applicability especially in propelling an organization towards achieving its short term and long term goals.

Nonetheless some scholars have advanced divergent views on the contextual application of strategy and its implementation.

Strategy gives advantage to the organization through its configuration of resources within a challenging environment in order to meet the needs of markets to fulfill owners' expectations (Hunger & Wheelen, 2007). Mintzberg (1994) points out that people use “strategy” in several different ways, the most common being; Strategy is a plan, a “how”, a means of getting from one point to another; Strategy is a pattern in actions over time; for example, an organization that regularly markets very expensive products is using a “high end” strategy; Strategy is position i.e. it reflects decisions to offer particular products or services in particular markets; Strategy is perspective, that is, vision and direction.

The term strategy has been used in different ways. Some scholars’ focus on both the end points that is, mission and goals, as a means of achieving policies and plans of an organization. Others emphasize the means to the ends in the strategic process rather than the ends per se. Strategy refers to the determination of the purpose, and the basic long-term objective of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals. According to Thompson et al., (2008) a company’s strategy is management’s action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving an organization’s financial and market performance (Weihrich and Koontz, 1993). Thus, an organization’s strategy is all about how management intends to grow the business, how it will build a loyal clientele and outcompete rivals. Thus, an

organization's strategy is all about how management intends to grow the business, how it will build a loyal clientele and outcompete rivals (Hunger and Wheelen, 2007).

2.4 Strategic Responses

Strategic adaptations are changes that take place overtime to the strategies and objectives of an organization. Such change can be gradual or evolve or more dramatic, even revolutionary (Thompson, 1997). Ansoff and MC Donnell (1990) notes that, strategic responses involve changes to the organization strategic behavior and such responses may take more forms depending on the organizations capability and environment in which they operate. Well-developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining competitive edge.

According to Thompson et al., (2008) to respond to changes in the external environment, organizations in most industries have to craft strategies that are responsive to environmental regulations. Organizations respond differently to environmental changes with a view to countering competition and meet its goals amongst others. Some of the strategic responses that have largely been used locally and globally include outsourcing, alliances, mergers and acquisitions, diversification, downsizing, and differentiation amongst others.

Strategic outsourcing is a response strategy that is widely employed by organizations to cope with the external environment and it involves a conscious decision to abandon attempts to perform certain value chain activities internally and instead give them out to outside vendors and strategic allies. The two big drivers for outsourcing are that outsiders can in most cases perform certain activities better and or cheaper than if they

were to be performed by the firm. The other driver is that, outsourcing allows a firm to focus its energies on its core activities that are the most critical to its competitive and financial success (Forman and Lancioni, 2002).

An example of a company that has outsourced is Coca Cola East Africa which has outsourced its logistics to Nairobi bottlers limited (Ghemawat, 1991). According to Thompson et al., (2008) the current interest of many companies in making outsourcing a key component of their overall strategy and their approach to supply chain management represents a big departure from the ways companies used to deal with their suppliers and vendors. One of the major challenges of strategic outsourcing is loss of managerial control and threat to confidentiality and security.

Strategic alliance is a formal agreement between two or more separate companies in which there is strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control, and mutual dependence. In most cases strategic alliances involve joint sales or distribution, joint production (Thompson et al., 2008).One of the benefits of strategic alliances is that the strategic partners are able to gain competencies and resources from the other partner while also providing a learning opportunity between the partners. Some of the disadvantages of strategic alliance include highly costly dispute resolution and the possibility that a partner may in future become a competitor for the other if it has profited and grown enough from the alliance thus pulling out of the alliance and operating alone in the same market segment.

Mergers and Acquisition is another form of strategic response that has attracted a lot of attention to different organizations. Thompson et al., (2008) noted that combining the operations, via merger or acquisition is an attractive strategic option for achieving

operating economies, strengthening the resulting organization's competences and competitiveness, and opening up avenues of new market opportunity. Many mergers and acquisitions are driven by strategies to achieve cost efficient operations out of the merged companies, to expand an organization's geographic coverage, to extend the firm's business into new product categories, to gain access to new technologies or other resources and competitive advantage, and to try to invent a new industry. Some of the reasons put forward for mergers and acquisitions include meeting the increased levels of share capital, expanding distribution network and market share and to benefit from best global practices among others. A major challenge for mergers and acquisition is failure to integrate the divergent corporate cultures especially where it involves cross border acquisition and mergers.

Diversification is another form of strategic response where firms expand their products lines by investing in more than one product line to mitigate the risks should one product line perform poorly in the market place (Kenny, 2009).Whereas diversification provides the organization with the opportunity to fully utilize existing resources and capabilities, it has some pitfalls that include the expansion of the human and financial resources which may detract focus and affect investments in the core industries. Further, the organization could be putting itself into uncertainty by getting into an unknown market with an unfamiliar product offering while not having the required experience in the new skills and techniques.

Downsizing is a business strategy designed to improve the financial standing of a firm by reducing and changing the structure of the workforce in order to improve operational results (Appelbaum, 2001). Downsizing has become a widely held intervention for organizations looking to demonstrate flexibility, reduce bureaucratic

structure, increase efficiency regarding decision-making, improve communication and cultivate entrepreneurship (Mroczkowski & Hanaoka, 1997). According to Cummings and Worley (2001), downsizing is achieved by decreasing the number of employees through layoffs, attrition, redeployment, or early retirement or by reducing the number of organizational units or managerial levels through divestiture, outsourcing, reorganization, or de-layering. Downsizing is most effective when planning takes place well before, during and following the proscribed intervention.

Downsizing is reportedly a common response to an emergent, global environment. Incorporating downsizing in the strategic management plan can increase organizational efficiency by maintaining a focus on core competencies that promote competitive advantage and increasing (or at least maintaining) current levels of market share (Davis, 2003). However, downsizing has its own challenges which include decreased morale of the employees who worry about who will lose the job or not. Downsizing brings along increased costs at the time of paying the arising severance pay.

Another common strategic response is cost leadership strategy where the firm producing at the lowest cost in the industry enjoys the best profits. Producing at lower cost is a strategy that can be used by various firms so as to have significant competitive strategies that can be viable in the long term business environment. Having the knowledge of this underlying source of competitive pressure provides the groundwork for strategic agenda of action (Porter, 1980).A low cost leader's basis for competitive advantage is lower overall costs than competitors. The need to manage cost is nothing new, yet surprising number of organizations struggles to successfully control their operating expenses overtime. Successful low cost leaders are

exceptionally good at finding ways to drive costs out of their business (Bertone and Clark, 2009).

Differentiation strategy is another common strategy. In this strategy, the firm offers differentiated goods and services which in turn satisfies the needs of customers through a sustainable competitive advantage. This allows companies to desensitize prices and focus on value that generates a comparatively higher price and a better margin. The benefits of differentiation require producers to segment markets in order to target goods and services at specific segments, generating a higher than average price, for example, British Airways differentiates its service (Mintzberg, 1994).

The differentiating organization will incur additional costs in creating their competitive advantage (Porter, 1996).These costs must be offset by an increase in revenue generated by sales. There is a risk that the differentiation could be copied by competitors hence the incentive by organizations to always innovate and continuously improve. Targeting smaller market segments to provide special customer needs is a strategy widely used in the corporate scene. It involves identification of the needs of the customers in the market and designing products that can fit their needs (Porter, 1980).Porter (1985), who contended that, "the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. In cost focus strategy, a firm seeks a cost advantage in its target segment.

2.5 Strategic Responses and Organizational Performance

Organizations are forced to confront diverse challenges, including rapid advances in information technology, the emergence of new organizational forms and the globalization of many markets. Under such conditions, understanding the relationship between organizational action and performance is of great practical and theoretical interest (Thompson and Strickland, 2002).Understanding the influence of performance on subsequent actions is equally important because the quality of performance is thought to provide a basis for adjustments in strategy (Zwick, 2006). Of particular interest is how organizations respond when they suffer poor performance (Smith, 2004).

Although poor performance provides feedback about the effectiveness of past actions, it offers little guidance for future actions (Zikmund et al., 2010). Changing trends within the business environment affect the performance of organizations and therefore, have a bearing on how strategies are formulated and executed by organizations (Baum and Wally, 2003). Yousaf (2008) supports these views that to be successful, a business manager must find a fit between what the business environment dictates and what the firm provides.Bryant, et al., (2004) observes that while the actual selection of a strategy remains an art, it should be governed by a systematic process. It is one that defines the goal and purpose of the organization through examining the external and internal environment to identify opportunities and constraints regarding that strategy. The best formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented. Drawing a line between strategy formulation and execution almost guarantees failure (Smith, 2004).

Strategic responses affect the performance of an organization and in most cases, firms with strong advantage-creating tendencies like innovation and proactivity will be better placed to utilize the diverse resource potential available through network ties leading to improved organizational performance. Innovative and proactive firms are recognized by their ability to continuously experiment with new products and technologies and stay alert to the changes in their environments (Zikmund et al., 2010). These organizations also have greater experience in developing new resource configurations than less innovative and proactive firms (Zymelman, 2000). Building on this argument, Zwick (2006) tested the interaction between innovative capabilities and sparse network structure in explaining the influence of those strategies in organizational performance and found that highly innovative firms with access to many structural holes outperform rivals. This suggests that the strategy that the organization may adopt to counter challenges in the external environment highly contributes to organizational performance of that firm (Smith, 2004).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was applied in conducting the study. The section provides the research design, the total population, the sample size, data collection and data analysis techniques that the researcher used to achieve the objectives of this study.

3.2 Research Design

The study used a descriptive survey design which is a research technique where data is gathered through asking various questions from the respondents. A descriptive survey is usually concerned with describing a population with respect to important variables with the major emphasis being on determining the frequency with which something occurs or the extent to which two variables co-vary (Kothari, 2004). In the research survey, the questionnaires were used to evaluate and identify valid findings (Creswell, 2009). This design is appropriate for this study as it helped the researcher to describe how the strategic responses adopted correlate with organizational performance.

3.3 Population of the Study

The population of the study was 64 oil marketers from all OMC's in Kenya (Pipeline Coordinator, 2013). Kothari (2004) defined a population as a well-defined collection of individuals or objects known to have similar characteristics. All individuals or objects within a certain population usually have a common, binding characteristic or trait.

3.4 Sample Size

The sample size for this study was 32 oil marketing companies. This constituted 50% of the population which was well above the 10% minimum recommended by (Mugenda and Mugenda, 2003). The 32 OMC's were selected using systematic random sampling method due to their simplicity and good representation of the population. Every old number in the list of the OMC's as per appendix II was selected.

3.5 Data Collection

The study used qualitative form of data collection techniques. Primary data was collected by use of a semi structured questionnaire. With a questionnaire, large amounts of data can be collected from a large number of people in a short period of time and in a relatively cost effective way, the data can easily be quantified, it can be used to compare and contrast other research and may be used to measure change. This makes it difficult to affect validity and reliability of collected data. This ensured validity and reliability of collected data.

The questionnaires had three sections: Section A sought data on the profile of the organization and the respondents, section B sought to address the first objective of this study by collecting data on the strategic responses adopted by oil marketers in Kenya to deal with price regulation by the ERC. Section C addressed the second objective of the study by seeking data on the influence of strategic responses towards price regulation by the ERC on performance of oil marketers in Kenya. Primary data was collected from the marketing managers or their equivalents which were considered appropriate since they understood the strategic responses adopted by their

respective oil marketers in Kenya. The questionnaires were administered by drop and pick later method at an agreed time with the researcher.

3.6 Data Analysis

The data collected was sorted, cleaned and coded before analysis. The data was then analyzed using descriptive statistics in the form of percentages, mean and standard deviation to determine the frequency of strategic responses adopted by oil marketers in Kenya. Creswell (2009) explained that data analysis is the process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision making. To achieve the second objective of this study, the researcher used correlation analysis to see if there existed any relationship between strategic responses and organizational performance of oil marketing companies in Kenya as they deal with price regulation by ERC.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The study was guided by a broad objective which was to determine the strategic responses that have been adopted by oil marketers to deal with price regulation in Kenya and its influence on organizational performance. Data was collected from the marketing managers or their equivalents that were considered appropriate since they understood the strategic responses adopted by their respective oil marketers in Kenya.

4.2 Response Rate

32 questionnaires were distributed to oil companies through their headquarters based in Nairobi and Mombasa. Out of the 32 questionnaires, 22 were returned to the researcher. This represents a response rate of 68.8% which was considered a sufficient presentation of the population for this study. The 31.2% of the respondents who never returned the questionnaires cited busy schedules and confidentiality concerns as the main reasons for lacking time to fill them. This response rate is well above 10% recommended by (Mugenda and Mugenda, 2003). These findings are based on the response rate from the respondents.

4.3 Demographic Information of the Respondents

The questionnaires ascertained the demographics of the respondents with respect to the age of the respondents, the department the respondents worked in, the respondent's current position and the number of years the respondents worked in their current position as well as the number of years the respondents have worked in the organization.

4.3.1 Age of the Respondents

The respondents were asked to indicate their age bracket in order to determine the average age of the employees who worked in the oil marketing companies in Kenya. The findings are contained in Table 4.1

Table 4.1: Age of the Respondents

		Frequency	Percent
	18-25 years	0	0
	26-35 Years	8	41
	Between 36-45 Years	12	54
	46 Years and above	1	5
	Total	22	100

Source: Researcher (2014).

From the above Table 4.1, the findings revealed that 41% of the respondents were between the age of 26-35 years, 54% of the respondents were 36-45 years while 5% were aged 46 years and above. The findings of the study revealed that majority of the respondents were aged above 36 years in most of the OMC's. This implies the respondents have a long working experience and understand factors that affect performance of the organizations.

4.3.2 Length of Service in the Current Position

The study sought to determine the length of the employees' service in their current position in order to find out whether they had acquired enough experience on the strategic responses that had been adopted by oil marketers to deal with price regulation in Kenya and its influence on organizational performance. The findings are contained in Table 4.2,

Table 4.2 Length of Service in the Current Position

		Frequency	Percent
	Less Than 1 year	1	5
	1-5 Years	17	77
	Between 6-10 Years	4	18
	Total	22	100.0

Source: Researcher (2014).

The findings in Table 4.2 shows that 77% of the respondents had served in their current position for more than 11 years, 18% of the respondents 6-10 years, while only 5% of the respondents had served less than 1 year. This implied that at least 95% of the respondents had served in their current positions for more than one year. From these findings, it shows the respondents have a good understanding of the strategic responses that were implemented by their organization since the implementation of price regulation by ERC three years ago.

4.3.3 Length of Service in the Organization

The respondents were requested to indicate the duration that they had served in the organization in order to determine whether they were in a position to; provide accurate, reliable and sufficient information in relation to the extent to which the strategic responses adopted by oil marketers to deal with price regulation in Kenya influenced organizational performance. Below are the findings presented in the Table 4.3,

Table 4.3 Length of Service in the Organization

		Frequency	Percent
	1-5 Years	13	59
	6-10 Years	6	27
	11 Years and above	3	14
	Total	22	100

Source: Researcher (2014).

The findings in Table 4.3 indicate that 59% of the respondents had worked in the OMC's between 1-5 years, 27% of the respondents 6-10 years while 14% of the respondents above 11 years. It can be concluded that over 40% of the respondents had worked in the OMC's for over 6 years. Most of the respondents who had worked between 1-5 years have been with these organizations since they were formed as these have been in existence for between 1- 5 years. This implies most of the respondents have a good understanding of the operations of the OMC's. Further, these respondents can relate the impact of the price regulation by ERC to the performance of the organization since the price regulation was introduced when they were still working in the organization.

4.4 Demographic information of the Organization

The section ascertained the demographics of the organizations with respect to the ownership of the organization, the duration of operation in Kenya and the number of permanent employees within the organization.

4.4.1 Ownership of the Organization

The respondents were requested to comment about the ownership of the company to establish if the OMC's were privately owned, publicly or both and whether the ownership was local, foreign or both.

Table 4.4 Ownership of the Organization

		Frequency	Percent
	Local Private	9	41
	Foreign Private	7	32
	Local Public	2	9
	Foreign Public	2	9
	Local and Foreign Private	2	9
	Total	22	100

Source: Researcher (2014).

From the above Table 4.4, the findings show that 82% of the OMC's were privately owned while 18% were publicly owned. The OMC's that were foreign owned were 41%, 50% were local owned while 9% were both local and foreign owned. The Kenya oil market is therefore dominated by privately owned companies with majority of these being locally owned. This scenario can be explained by the liberation of the oil industry where the entry barriers were reduced thus allowing many local companies popularly known as independents oil distributors to be formed.

4.4.2 Age of the Organization

The study sought to determine the duration that the OMC's had been in operation in order to determine the period that oil marketers had implemented strategic responses to deal with price regulation in Kenya and its influence on organizational performance. Below are the findings presented in the Table 4.5,

Table 4.5 Duration of Operation

		Frequency	Percent
	0-5 Years	8	35
	6-15 Years	6	28
	16-20 Years	3	14
	20 Years and above	5	23
	Total	22	100.0

Source: Research (2014).

From the above Table 4.5, the findings show that 37% of the respondents indicated that the organization had been in operation for over 15 years. Further, 28% of the respondents noted that most oil marketers had been in operation for a period between 6-15 years while 35% of the oil marketers had been in operation for less than 5 years. It was concluded that most oil marketers had been in operation for a period of more than 5 years and therefore they understand the impact of price regulation to organizational performance since this was implemented when they were already in existence. Further, these oil marketers understand which strategic responses have great impact on their performance since the inception of price regulation by ERC.

4.4.3 Size of the Organization

The study sought to determine the number of permanent employees as a measure of the size of the organization. The respondents were asked to indicate the number of permanent employees in their organizations. The findings are contained in Table 4.6,

Table 4.6 Number of Permanent Employees

		Frequency	Percent
	2-35	9	41
	36-69	3	14
	70-103	2	9
	Above 103	8	36
	Total	22	100

Source: Research (2014).

The findings in Table 4.6 shows that 41% of the oil marketers had 2-35 permanent employees, 36% over 103 permanent employees, 14% between 36-69 permanent employees while only 9% have been 70-103 permanent employees. These findings are commensurate with the age of the organizations where it was established that majority of the organizations have been in operation for less than 5 years. As the organization grows in age and in size (market share), the number of permanent employees are bound to grow.

4.5 Strategic Responses Adopted by Oil Marketing Companies in Kenya to deal with price regulation by the Energy Regulation Commission

The study sought to determine the strategic responses adopted by oil marketers in Kenya to deal with price regulation by the Energy regulation commission. Below are the results of the findings as provided in the Table 4.7,

Table 4.7 Strategic Responses

	N	Mean	Std. Deviation
Strategic Alliance	22	2.45	1.184
Mergers and Acquisitions	22	2.45	1.262
Logistics Outsourcing	22	3.00	1.272
Diversification	22	3.59	.908
Down Sizing	22	2.55	1.224
Cost Leadership	22	3.45	1.057
Cost Focus	22	3.82	.958
Product Differentiation	22	3.41	1.368
Valid N (listwise)	22		

Source: Researcher (2014).

The findings in Table 4.7 show that oil marketers adopted cost focus, diversification to a large extent and cost leadership and product diversification to a moderate extent. The mean scores for these strategies are 3.82, 3.59, 3.45 and 3.41 respectively. Further, the analysis showed that the least used strategies responses adopted by oil marketers were: mergers and acquisitions, strategic alliances which were used to a small extent while downsizing and logistics outsourcing were used to a moderate extent. These strategies that were least used had mean scores of 2.45, 2.45, 2.55 and 3.00 respectively.

From the above, it can be inferred that cost focus and diversification are used by most oil marketers to a large extent. These findings are in line with explanations by Kenny (2009), who contended that with diversification, the firm expands their products lines by investing in more than one product line to mitigate the risks should one product line perform poorly in the market place. Similarly, porter (1996) explained that a firm seeks a cost advantage in its target segment.

4.6 Organizational Performance of Oil Marketers in Kenya

The study examined the extent to which the strategic responses lead to organizational performance of oil marketing companies in Kenya in terms of sales turnover, return in average capital employed (ROACE), net income after tax (NIAT), reduction in costs and market share in a period of three years. Below are the findings.

4.6.1 Organization Sales Turnover for the last Three Years

The study sought to determine the influence of strategic response on organizational sales turnover in the last three years. The findings are shown in Table 4.7,

Table 4.8 Average sales turnover in KES billions for last three years

		Frequency	Percent
	Less than 15	10	45
	15-45	5	23
	45-70	4	18
	Above 70	3	14
	Total	22	100

Source: Researcher (2014).

The findings showed that 45% of the respondents registered an average sales turnover of less than KES 15billion whereas only 14% registered sales turnover of above KES 70billion. The average sales turnover for all the studied OMC's is KES 36billion.This implies that majority of the OMC's in Kenya are relatively small and this is aligned with the duration of existence and market share as appearing in Tables 4.5 and Table 4.12 respectively.

4.6.2 Return on Average Capital Employed (ROACE) of the organization in the last three years

The study sought to determine the ROACE by the organization in the last three years. The findings are shown in Table 4.9 below.

Table 4.9 Average ROACE for last three years

		Frequency	Percent
	0-4%	9	41
	4-10%	8	36
	Above 10%	5	23
	Total	22	100

Source: Researcher (2014).

The findings in Table 4.8 show that 41% of the oil marketing companies average ROACE was below 4%, 36% of the OMC's delivered a ROACE of 4-10% while only 23% of the OMC's delivered a ROACE above 10%. From the study, it shows that the average ROACE by the oil marketing companies is below the average inflation in Kenya hence the importance by the OMC's to implement strategic responses in view of the price regulation by ERC. The average ROACE could have been affected by the price regulation by ERC.

4.6.3 Net Income after Taxes

The researcher examined the average Net Income after tax (NIAT) for a period of three years. The findings are shown in Table 4.10 below.

Table 4.10 Average NIAT for last three years – in KES (Millions)

		Frequency	Percent
	0-100	1	5
	100-200	14	63
	200-300	4	18
	Above 300	3	14
	Total	22	100

Source: Researcher (2014).

The results from the respondents showed that that 63% of the OMC's reported an average NIAT of between KES 100million -200million in the study period. The remaining 32% OMC's delivered an average NIAT of over KES 200million while only 5% of the OMC's delivered a NIAT of less than KES 100million. This finding reveals that the profitability of the OMC's is relatively low hence the need for the OMC's to implement appropriate strategic responses.

4.6.4 Reduction in Cost

The study assessed the level of cost reduction by oil marketing companies in a span of three years in order to determine the extent to which cost reduction led to organizational performance of oil marketing companies in Kenya. The results are as shown in Table 4.11 below.

Table 4.11 Average Reduction in Cost for last three years

		Frequency	Percent
	0-2%	3	14
	2-4%	11	50
	4-6%	4	18
	6-8%	4	18
	Total	22	100

Source: Researcher (2014).

The findings in Table 4.11 above show that 50% of the respondents achieved cost reduction of between 2-4%, 36% achieved cost reduction of 4-8% while only 14% of the OMC's achieved less than 2% in cost reduction. All OMC's achieved a cost reduction in the last three years thus showing the importance of this strategic response to the OMC's. Further analysis shows that the OMC's that largely implemented cost focus achieved on average 7% cost reduction (Appendix 1V). According to these findings, the results of cost reduction significantly contributed to increase in profitability leading to organizational performance. The reduction in costs was attributed to strategic responses adopted by the oil marketing companies for example cost focus and mergers and acquisitions led to increased cost efficient operations out of the merged companies due to access to new technologies. The above findings are consistent with the study by Porter (1985), who contended that, "the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. In cost focus strategy, a firm seeks a cost advantage in its target segment.

4.6.5 Market Share

The study sought to determine the extent to which market share of oil marketing companies contributed to organizational performance the OMC's in Kenya. The findings are shown in Table 4.12 below.

Table 4.12 Average Market Shares for last three years

		Frequency	Percent
	0-1%	11	50
	1-3%	5	23
	3-8%	3	13
	8-20%	2	9
	Above 20%	1	5
	Total	22	100

Source: Researcher (2014).

The findings show that 50% of the oil marketing companies in Kenya had an average market share of between 0-1% in both local and export markets in the study period while 14% had a market share of above 8%. According to the findings in the study period of (2011-2013), market share was observed to be sufficient to enhance organizational performance of oil marketing companies in Kenya as the OMC's with high market share also delivered a higher NIAT than most of those with a low market share. The OMC's with high market share have been in existent for over 20 years while the new OMC's have shown consistent growth in market share since inception.

4.7 Correlation between Strategic Responses and different measures of Organizational Performance.

The study sought to determine the significance of the correlation between strategic responses and organizational performance of oil marketing companies. All the strategic responses were correlated with each of the organizational performance factors. Pearson's correlation coefficient technique was used to analyse the data. According to the literature, correlation coefficient (r) of between .81 and 1.000 are considered to be very strong; between .61 to .80 considered strong while between 0.41 to .6 are considered moderate; .21 to .40 considered weak and between .00 to .20 no

relationship (Hair et al, 2006). The results of the analysis are in Tables 4.13-4.17 below.

Table 4.13 Correlation between strategic responses and cost reduction

		Strategic Alliance	Mergers and Acquisition	Logistics Outsourcing	Diversification	Down Sizing	Cost Leadership	Cost Focus	Product Differentiation	Cost Reduction
Strategic Alliance	Pearson Correlation	1								
Mergers and Acquisition	Pearson Correlation	.556**	1							
Logistics Outsourcing	Pearson Correlation	.284	.030	1						
Diversification	Pearson Correlation	.403	.253	.124	1					
Down Sizing	Pearson Correlation	.478*	.418	.214	.125	1				
Cost Leadership	Pearson Correlation	-.211	-.055	.142	-.045	.094	1			
Cost Focus	Pearson Correlation	-.301	-.243	.156	-.090	.007	.556**	1		
Product Differentiation	Pearson Correlation	.144	-.306	.492*	.103	.003	.326	.132	1	
Cost Reduction	Pearson Correlation	.144	-.306	.492*	.103	.003	.326	.132	1.000**	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher (2014).

From the above findings, it was observed that there was generally a weak correlation between strategic responses and cost reduction. Moderate positive correlation was found in logistics outsourcing with R=.492 and weak positive correlation in cost leadership with R=.326. There was however a negative weak correlation between cost reduction and mergers and acquisition with R=-.306. The remaining strategic responses did not show any relationship with cost reduction with R=.103, R=.003 and R=.132. This implied that the strategic responses adopted by OMC's influenced cost reduction to a small extent.

Table 4.14 Correlation between strategic responses and ROACE

		Strategic Alliance	Mergers and Acquisition	Logistics Outsourcing	Diversification	Down Sizing	Cost Leadership	Cost Focus	Product Differentiation	Roace
Strategic Alliance	Pearson Correlation	1								
Mergers and Acquisition	Pearson Correlation	.556**	1							
Logistics Outsourcing	Pearson Correlation	.284	.030	1						
Diversification	Pearson Correlation	.403	.253	.124	1					
Down Sizing	Pearson Correlation	.478*	.418	.214	.125	1				
Cost Leadership	Pearson Correlation	-.211	-.055	.142	-.045	.094	1			
Cost Focus	Pearson Correlation	-.301	-.243	.156	-.090	.007	.556**	1		
Product Differentiation	Pearson Correlation	.144	-.306	.492*	.103	.003	.326	.132	1	
Roace	Pearson Correlation	-.426	.460	-.514	.617	-.511	.625	.641	.564	1

Source: Researcher (2014).

According to the findings, the results of the correlation analysis revealed that there was moderate to strong correlation between strategic responses and ROACE. From these results, there was a strong relationship with cost focus, cost leadership, and diversification with R=.641, R=.625 and R=.617. There was also a moderate relationship with product differentiation, and mergers and acquisition with R=.564 and R=.46 respectively. Similarly, there was a moderate negative correlation with logistics outsourcing, downsizing and strategic alliance with R=.-.514, R=-.511 and R=-.426 respectively. This means that there exists a positive correlation between strategic responses and ROACE and thus the strategic responses used by OMC's influenced ROACE to a large extent.

Table 4.15 Correlation between strategic responses and Sales Turnover

		Strategic Alliance	Mergers and Acquisition	Logistics Outsourcing	Diversification	Down Sizing	Cost Leadership	Cost Focus	Product Differentiation	Sales Turnover
Strategic Alliance	Pearson Correlation	1								
Mergers and Acquisition	Pearson Correlation	.556**	1							
Logistics Outsourcing	Pearson Correlation	.284	.030	1						
Diversification	Pearson Correlation	.403	.253	.124	1					
Down Sizing	Pearson Correlation	.478*	.418	.214	.125	1				
Cost Leadership	Pearson Correlation	-.211	-.055	.142	-.045	.094	1			
Cost Focus	Pearson Correlation	-.301	-.243	.156	-.090	.007	.556**	1		
Product Differentiation	Pearson Correlation	.144	-.306	.492*	.103	.003	.326	.132	1	
Sales Turnover	Pearson Correlation	.291	.348	-.040	.000	.118	.087	.238	-.152	1

Source: Researcher (2014).

With reference to the findings, the results of the correlation analysis between strategic responses and sales turnover showed there was generally no relationship since all strategic responses except strategic alliance, mergers and acquisition and cost focus showed R=<.21. The only responses that showed a weak correlation were mergers and acquisition, strategic alliance and cost focus with R=.348, R=.291 and R=.238 respectively. This means the strategic responses adopted by OMC's influence the level of sales turnover to a very small extent.

Table 4.16 Correlation between strategic responses and NIAT

		Strategic Alliance	Mergers and Acquisition	Logistics Outsourcing	Diversification	Down Sizing	Cost Leadership	Cost Focus	Product Differentiation	Niat
Strategic Alliance	Pearson Correlation	1								
Mergers and Acquisition	Pearson Correlation	.556**	1							
Logistics Outsourcing	Pearson Correlation	.284	.030	1						
Diversification	Pearson Correlation	.403	.253	.124	1					
Down Sizing	Pearson Correlation	.478*	.418	.214	.125	1				
Cost Leadership	Pearson Correlation	-.211	-.055	.142	-.045	.094	1			
Cost Focus	Pearson Correlation	-.301	-.243	.156	-.090	.007	.556**	1		
Product Differentiation	Pearson Correlation	.144	-.306	.492*	.103	.003	.326	.132	1	
Niat	Pearson Correlation	.342	.531	-.670	-.590	.219	.394	.217	-.020	1

Source: Researcher (2014).

From the above findings, it was observed that there was a week correlation between strategic responses and NIAT. The strategic responses that showed a positive correlation were mergers and acquisition with R=.531 hence moderate correlation while cost leadership, strategic alliance, downsizing and cost focus showed a weak correlation with R=.394, R=.342 and R=.219 and R=.217 respectively. Similarly, there was a strong negative correlation with logistics outsourcing with R=-.670 while diversification showed a moderate negative correlation with R=-.590. Product differentiation showed no relationship with R=-.020

This means that the strategic responses adopted by OMC have influenced the net income after tax to a moderate extent.

Table 4.17 Correlation between strategic responses and Market Share

		Strategic Alliance	Mergers and Acquisition	Logistics Outsourcing	Diversification	Down Sizing	Cost Leadership	Cost Focus	Product Differentiation	Market Share
Strategic Alliance	Pearson Correlation	1								
Mergers and Acquisition	Pearson Correlation	.556**	1							
Logistics Outsourcing	Pearson Correlation	.284	.030	1						
Diversification	Pearson Correlation	.403	.253	.124	1					
Down Sizing	Pearson Correlation	.478*	.418	.214	.125	1				
Cost Leadership	Pearson Correlation	-.211	-.055	.142	-.045	.094	1			
Cost Focus	Pearson Correlation	-.301	-.243	.156	-.090	.007	.556**	1		
Product Differentiation	Pearson Correlation	.144	-.306	.492*	.103	.003	.326	.132	1	
Market Share	Pearson Correlation	.302	.279	-.010	.019	.189	.036	.266	-.209	1

Source: Researcher (2014).

From the findings, the results of the correlation analysis showed a weak correlation between the strategic responses. The strategic responses with positive weak correlation were strategic alliance, mergers and acquisitions and cost focus with R=.302, R=.279 and R=.266 respectively. The other strategies showed there did not exist any relationship with R=.189, R=.036, R=.019, R=-.209, R=-.01.This implies that there was a weak correlation between strategic responses and the organizational

performance factor of market share. This means that the strategic responses adopted by the OMC's did not result to an increase in the market share of OMC's.

4.8 Discussions

The study showed that most oil marketers adopted cost focus, diversification to a large extent and cost leadership and product differentiation to a moderate extent. The mean scores for these strategies are 3.82, 3.59, 3.45 and 3.41 respectively. Further, the analysis showed that the least used strategies responses adopted by oil marketers were: mergers and acquisitions, strategic alliances which were used to a small extent while downsizing and logistics outsourcing were used to a moderate extent. These strategies that were least used had mean scores of 2.45, 2.45, 2.55 and 3.00 respectively.

From the analysis, 77% of the respondents indicated that cost focus was widely used in oil marketing companies to a large and very large extent where these OMC's commanded a combined market share of 80%. All the leading OMC's in market share use cost focus strategy. Similarly, it was further established that the OMC's that were newly established in the market (that is less than 10 years old in the market) did not use mergers and acquisitions as a strategic response. These findings are consistent with the explanations by Porter (1985), who contended that, "the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. In cost focus strategy, a firm seeks a cost advantage in its target segment.

The analysis also showed that cost leadership was used to a large and very large extent to deal with the effects of price regulation by the ERC where 55% of the OMC's used this response strategy. This finding is consistent with the survey carried out by international energy agency that showed cost leadership was used as a strategy to counter the dynamics of the external environment (International Energy Agency, 2003).

From this analysis, it was established that 45% of the OMC's used to a large extent diversification as a strategy to deal with price regulation by ERC with 14% using it in a very large extent. This analysis showed convergence with the survey carried out by Murungi (2013) whose findings revealed that 34% of OMC's use to a great extent corporate diversification as a strategy in responding to dynamic economic environment.

In this study, it was established that only 18% of the OMC's used to a large extent strategic alliance as well as mergers and acquisitions to deal with price regulation by ERC. This result is in divergence with the findings from Murungi (2013) whose findings revealed that most OMC's use to a great extent strategic alliances (64%), and joint ventures (50%) as strategies to deal with the dynamic economic environment. However, there is convergence that some strategic responses have low application but would have high impact if they were utilized.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section shows a summary of the findings, conclusions of the study and recommendations from the study. In this section, limitations that the researcher faced while collecting the data have also been highlighted while the implications of this study on policy, theory and practice has been articulated.

5.2 Summary of findings

Out of the questionnaires that were send out, a large majority of these were returned to the researcher. The respondents were asked to indicate their age bracket in order to determine the average age of the employees who worked in the oil marketing companies in Kenya. The findings revealed that majority of the respondents were forty years and above with those in their early thirties showing a significant proportion. The age spread of the respondents implies that, majority of the respondents had a long working experience.

With regard to the department of the respondents and their current title, the study revealed that an overwhelming majority of the respondents were in marketing departments with the rest in departments like finance and general management. Most of these respondents were managing directors, managers or assistant managers of oil marketing companies in Kenya hence they understand the implication of strategic responses on organizational performance. It was further revealed that almost all the respondents had served in their current position over one year with majority having been in their current position for four years. This implies that the respondents have a

good understanding of the implication of price regulation by ERC on the performance of the organization since the regulation was implemented three years ago. Over half of the respondents had worked in the organization for less than five years while the remaining respondents had been in the organization for over five years. The high number of employees who served in the organization for less than five years is also aligned with the age of the organization where almost half of the OMC's have been in existence for less than five years. It can be concluded that majority of the employees of OMC's in Kenya had worked in the OMC's for more than five years and therefore have a experience regarding the operations in the oil industry.

The findings also showed almost an equal number of respondents indicated that the organizations had been in existence for over fifteen years, between six and fifteen years and below five years thus a good spread of age of the organizations. This implied that most OMC's had been in operation for a period of more than five years and therefore they have experienced the impact of price regulation to organizational performance since this was implemented when they were already in existence. Further, these oil marketers understand which strategic responses have great impact on their performance since the inception of price regulation by ERC.

Regarding ownership of the organizations, a big majority of the respondents indicated that the OMC's were privately owned with a small number of about twenty percent indicating the OMC's were publicly owned. According to the findings, almost half of the OMC's have over seventy permanent employees while a similar proportion of the OMC's have less than seventy employees. These findings are aligned with the age of the organizations where it was established that majority of the organizations have

been in operation for less than five years. As the organization grows in age and in size (market share), the number of employees grow.

The study further showed that oil marketers adopted cost focus and diversification to a large extent and cost leadership and product diversification to a moderate extent. Further, the analysis showed that the least used strategies responses adopted by oil marketers were: mergers and acquisitions, strategic alliances which were used to a small extent while downsizing and logistics outsourcing were used to a moderate extent. From the above, it can be inferred that cost focus and diversification are used by most oil marketers to a large extent.

From the analysis, majority of the respondents indicated that cost focus was widely used in OMC's to a large extent. Majority of the OMC's who used this strategic response of cost focus were found to command a combined market share of eighty percent. Further, all the leading OMC's in market share used cost focus strategy. It was also established that the OMC's that had been in existence in Kenya for less than ten years did not use mergers and acquisitions as a strategic response.

It was also established that a big majority of the marketing companies that used cost focus and diversification reported an average ROACE of six percent. The remaining respondents contended that oil marketing companies reported a ROACE of less than four percent in a period of three years. This therefore implied that ROACE greatly contributed to organizational performance of oil marketing companies in Kenya. The results of the correlations showed that there existed a strong positive correlation between strategic responses and ROACE and thus the strategic responses used by OMC's influenced ROACE to a large extent.

The findings also showed that about a third of the OMC's that recorded the highest NIAT which is an average of Kenya Shillings two hundred mostly applied cost focus and diversification to improve organizational performance. The results of the analysis revealed that all the OMC's recorded cost reduction of less than eight percent. The average cost reduction achieved by all the OMC's was four percent. With regard to correlation, it was revealed that the strategic responses adopted by OMC have influenced the net income after tax to a positive moderate extent.

According to the findings in the study period of (2011-2013), market share was observed to be sufficient to enhance organizational performance of oil marketing companies in Kenya. The OMC's with high market share have been in existent for over twenty years while the new OMC's have shown consistent growth in market share since inception. The correlation results showed that there was a weak correlation between strategic responses and the market share factor of organizational performance. This means that the strategic responses adopted by the OMC's did not result to an increase in the market share of OMC's.

5.3 Conclusion

The study concludes that from the findings, half of the OMC's commanded a market share of less than one percent. Regarding the age of the respondents, over half of the respondents have an average of forty years implying the respondents have a significant working experience. Further the respondents indicated that almost all had served in their current position which was largely marketing role for an average of four years. This implies that these respondents have a good understanding of the implication of price regulation by ERC on the performance of the organization since the regulations were implemented three years ago. The study also concluded that most

OMC's oil marketers had been in operation for a period of more than five years and therefore they understand the impact of price regulation to organizational performance since this was implemented when they were already in existence. Regarding ownership of the organizations, the study concluded that a big majority of the respondents indicated that the OMC's were privately owned with a small number of less than twenty percent indicating the OMC's were publicly owned. Regarding the size of the organization, the study concluded that about half of the OMC's have over seventy permanent employees with a similar proportion of the OMC's having less than seventy employees. These findings are aligned with the age of the organizations where it was established that majority of the organizations have been in operation for less than five years. As the organization grows in age and in size (market share), the number of employees grow.

The study also concluded that the strategic responses that are used to a large extent by OMC's are cost focus, diversification and cost leadership. These are also the mostly applied strategic responses by OMC's in Kenya. Cost focus was overwhelmingly used by the OMC's to a large extent. Majority of the OMC's who used this strategic response of cost focus were found to command a combined market share of eighty percent. Further, all the leading OMC's in market share used cost focus strategy. Further, it was also concluded that the OMC's that recently had corporate restructuring least used mergers and acquisitions as a response strategy.

The OMC's that used the cost focus, diversification and cost leadership had a high ROACE hence the study concludes that application of these strategic responses lead to organizational performance. The study also concluded that, the OMC's that recorded highest NIAT which is an average of Kenya Shillings two hundred mostly

applied cost focus and diversification to improve organizational performance. It was also concluded that most oil marketing companies with sales turnover of less than KES 30billion which is below the average sales turnover of KES 36billion of all the studied OMC's recorded an average ROACE of 6%. Therefore the study concluded that sales turnover does not necessary contribute to organizational performance.

With regard to correlation, it was concluded that there existed a strong positive correlation between strategic responses and ROACE. Therefore, the strategic responses used by OMC's influenced ROACE to a large extent. It is further concluded that the strategic responses adopted by OMC's influenced the net income after tax to a positive moderate extent. The other strategic responses had a weak correlation to organizational performance.

5.4 Recommendations from the Study

The study recommends that there is a need for top management of oil marketers in Kenya to adopt and implement competitive strategic responses that will enable oil marketers to reduce their costs of operations and increase their efficiency. This will lead to increased sales and profitability which will eventually lead to organizational performance. Oil marketers should involve all their stakeholders in all their decisions that they make this will create a more conducive environment for better decisions as a result of improved communication procedures and processes.

The oil marketers and the stakeholders will share ideas on ways of improving sales and the market share through top management support and being aware of how their decisions affect their stakeholders on behalf of the company while pursuing various strategic responses. This will ensure that there is collaborative and complementary

action among all key stakeholders which will assists the organization in mitigating any unforeseen conflicts or misunderstandings.

Oil marketers should pursue only those strategies that they can comfortably or successfully be implemented with the least possible restrictions from the government and other regulatory bodies for example the energy regulatory commission (ERC). This will ensure that the strategic responses are carried out as efficiently leading to increased organizational performance. The organization will also be able to access new markets, enjoy cost saving advantages, ensure enhanced customer satisfaction and increased market share while reducing negative environmental impacts.

5.5 Limitations of the Study

The researcher also faced significant time and funding constraints which limited the scope of the study. It would have been more useful if the study involved all the oil companies in Kenya other than using a sample.

The respondents were not willing to commit their time to respond to the questionnaires. Most of the respondents agreed to participate only on condition that the information will not be divulged to any other party other than for academic purposes only.

5.6 Recommendations for Further Research

From the findings, it was reviewed that majority of the OMC's use product differentiation as a response strategy. The oil products sold in Kenya are jointly imported from the same source and distributed using common facilities. With this common user importation and distribution facilities, it is expected that product differentiation will be least applicable in the Kenyan oil industry. Due to this

controversy, future researchers can conduct further research to investigate the applicability of differentiation as a response strategy.

The growth and expansion of businesses beyond borders prompts the need to research oil companies that have responded to different environmental changes locally and internationally in order to determine the most suitable strategic responses to adopt given the turbulent nature of the external environment.

A comparative study can be carried out to establish strategies responses adopted by other firms in other industries in price regulation other than the energy sector and the benefits derived from these strategies. This will assist in comparing the level of performance of firms and this will shed more light on the most competitive strategies responses for oil companies in Kenya. Further research can be done to establish the strategies responses adopted by oil companies in price regulation to achieve a competitive advantage in Kenya and in the global market.

Future researcher should to carry out further research in oil companies in the East Africa region and other African countries that are similar in terms of size and areas of intervention. Findings can then be drawn to determine if there are areas of commonalities or unique factors.

5.7 Implication for Policy, Theory and Practice

These findings will play a significant role in policy formulation by the energy regulation commission since they will be in a position to better understand the advantages of responding to various strategic responses that lead to increased sales and profitability. Thus the energy regulatory commission will provide an enabling

environment for oil companies to compete fairly by conducting regular audits to ensure that oil companies engage in fair competition.

In theory, this study will provide more insights to researchers and academicians in adding to the bank of knowledge to students of strategic management on the best strategic response adopted by oil companies in Kenya and beyond. The findings of this study can also be useful in providing a reference point for comparison to researchers who are interested in this area or related topics. This study can be used to compare findings and draw conclusions based on concrete facts.

Since most of the oil companies implement strategic responses, they can use the findings of this study to understand the most gainful and appropriate strategies that enables the firm to enhance its sales and increase profitability. This will enable them to make more decisive decisions on the strategic responses to adopt to cope with the changes in both internal and external environment.

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Appendix I: Questionnaire on influence of strategic responses towards price regulation by the Energy Regulatory Commission on performance of Oil Marketers in Kenya.

Research conducted with the authorization of the University of Nairobi, School of Business**.**

I am a MBA student at UoN and I kindly request that you respond as objectively as possible to the questions listed below. I assure you that the findings of this study will be treated confidentially and will be for academic purposes only.

(Please tick responses as appropriate and where necessary tick as many items as you find relevant.)

Section A(i): Demographic information of the Respondents

1. Name of the respondents **(**optional**)**…………………………………….

2. Age: 18 – 25 [ ] 26– 35 [ ] 36 – 45 [ ] 46 – 50 [ ] 51 and above [ ]

3. What department do you work in?……………………………………...

4. What is your current title or position……………………………………

5. How many years have you worked in your current position……………

6. How many years have you worked for the organization? ……………...

Section A (ii) Demographic information for the Organization

1. Name of the organization………………………………………………

2. The ownership of the Organization

Foreign Private [ ], Foreign Public [ ], Local Private [ ], Local Public [ ]

Any other, please specify………………………………………………

3. The age of the organization in Kenya

0 – 5 [ ], 6– 10 [ ], 11 – 15 [ ], 16 – 20 [ ], above 20 [ ] years

4. Number of permanent employees

2– 35 [ ],36 – 69 [ ], 70 – 103 [ ], above 103[ ]

Section B: Strategic Responses adopted by Oil Marketing Companies in Kenya to deal with price regulation by the Energy Regulation Commission

Please indicate the extent to which you agree with the following statements on the various Strategic Responses adopted by oil Marketing Companies in Kenya to deal with price regulation by ERC. The scale below will be applicable:1=to a very small extent, 2= to a small extent, 3= to a moderate extent, 4= to a large extent,5= to a very large extent.

No	Statement	1	2	3	4	5
1	Strategic Alliances					
2	Mergers and Acquisition					
3	Logistics Outsourcing					
4	Diversification					
5	Downsizing					
6	Cost Leadership					
7	Cost focus					
8	Product Differentiation					
9	Any other? Please Specify……..					

Section C: The influence of Strategic Responses on Organizational Performance

Please provide requested data or tick appropriately as required below

1. **Please provide your organization sales turnover for the last three years:**

Year	2011	2012	2013
Turnover in US$(million)			
Less than US$100			
US$100-299			
US$300-499			
US$500-700			
Above US$700Million			

2. **Please provide the Return on Average Capital Employed (ROACE) by your organization in the last three years**

Year	2011	2012	2013
Less than 0 %			
0-4%			
4-8%			
8-12%			
Above 12%			

3. Please provide your organization's Net Income after Tax in KES for the last three years by ticking appropriately

Year	2011	2012	2013
Less than Zero			
0-250 Million			
250-500 Million			
Above 500 Million			

4. **Please provide the reduction in cost achieved by your organization (%) for the last three years by ticking appropriately**

Year	2011	2012	2013
Less than Zero (%)			
0-5%			
5-10%			
Above 10%			

5. Market Share (%)

Please indicate the proportion of your market share your organization commands in the industry by ticking appropriately. Please tick one

Year	2011	2011	2012	2012	2013	2013
Market share type	Local	Local and Export	Local	Local and Export	Local	Local and Export
0-5%						
5-10%						
10-15%						
15-20%						
Above 20%						

THANK YOU FOR YOUR TIME.

APPENDIX II: LIST OF OIL MARKETING COMPANIES IN KENYA

NO	OMC	POSTAL ADDRESS	PHYSICAL LOCATION
1	Libya Oil (K) Ltd	P.O Box 64900-00620, Nairobi	2nd Floor-Mobil Plaza-Muthaiga Rd
2	Al-Leyl Petroleum Limited	P.O Box 1173-80100, Nairobi	Furaha Plaza, 3rd Floor, Nkrumah Road, Mombasa
3	Kenolkobil Petroleum (K) Ltd	P.O Box 30061-00100, Nairobi	10th Floor-ICEA Building-Kenyatta Avenue
4	Topaz Petroleum Limited	P.O Box 16236- 00100, Nairobi	Josem Trust, Bunyala Road
5	Total Kenya Limited	P.O Box 30322-00100, Nairobi	Regal Plaza, Parklands - Limuru Road
6	Kamkis Trading Ltd	P.O. Box 9545 - 00300, Nairobi	Kamkis House (Before Mater Hospital) ,Dunga Road
7	Engen Kenya Limited	P.O Box 10797-00100, Nairobi	4th Floor- Victoria Towers, Kilimanjaro Road
8	Alba Petroleum Ltd	P.O Box 97155-80112, Makupa, Mombasa	Liwatoni Tagana Rd Makupa, Mombasa, Kenya
9	Vivo Energy Kenya Ltd	P.O Box 43561- 00100, Nairobi	Laiboni Centre, Lenana Road, Nairobi
10	One Petroleum Limited	P. O. Box 90147 – 80100, Mombasa	Mbaraki Wharf, Mombasa
11	National Oil Kenya Limited	P.O Box 58567- 00100, Nairobi	7th Floor-A.O.N Minet House, Mamlaka Road Off Nyerere
12	Petrosun Kenya Limited	P.O Box 21953-00505, Ngong road, Nairobi	Jamhuri Crescent, Block J6 Off- Kabarnet Road.
13	Gapco (K) Limited	P.O Box 40908-00100, Nairobi	14th Floor-Nation Center, Kimathi Street

14	Moil	P.O Box 3508 , Kisumu	11/124 Usoma Road
15	Petro Oil (K) Ltd	P.O Box 90462-80100, Mombasa	Tangana Road, Mbaraki Creek
16	Ocean (K) Ltd	P.O Box 41391-00100, Nairobi	Rangwe Road Off Lungalunga Road, Industrial Area, Nairobi
17	Banoda Oil Ltd	P.O Box 101537-00101, Nairobi	International Life House, 10th Floor, Mama Ngina Street,
18	Nafton Petroleum Limited	P.O. Box 101664 – 00101, Nairobi	Panari Sky Centre 1st Floor, Mombasa Road
19	Hashi Energy (K) Ltd	P.O Box 10795- 00100, Nairobi	11th Floor- International House ,Mama Ngina Avenue
20	East Africa Gasoil Ltd	P.O Box 3378-80100, Nairobi	IPS Building-3rd Floor, Kimathi Street, Nairobi
21	Galana Oil (K) Ltd	P.O Box 11672-00100, Nairobi	1st Floor-Taj Tower, Upper Hill Road
22	Dalbit Petroleum (K) Ltd	P.O Box 1931 -00200, Nairobi	Next To Kileleshwa Police Station
23	Fossil Fuels	P.O Box 87126 - 80100 GPO, Mombasa, Kenya	Ganjoni Mombasa
24	Samhar Petroleum Products Co. Ltd	P.O Box 10046-00101, Nairobi	Hazina Towers, 11th Floor,
25	Oilcom (K) Limited	P.O Box 10370-00100, Nairobi	Wundanyi Road Off Lungalunga Road
26	Regnol Oil Kenya Ltd	P.O. Box 77883 – 00622 Juja Rd	1st Floor- Jamia Mosque Plaza, Playhouse Lane Off Kipande
27	Mogas Kenya Limited	P.O Box 27696-00506, Nairobi	4th Floor- Simco Plaza, Lusaka Road
28	Finejet Petroleum	P.O Box 103329-00101, Nairobi	Trans-National Plaza, 1st Floor , Mama Ngina Street
29	Bakri Intl	P.O Box 19095-00501, Nairobi	Africa Re Centre, Hospital Road Upper Hill

30	Towba Petroleum Company Limited	P.O Box 68946-00622, Nairobi	Vedic House-4th Floor, Mama Ngina Street
31	Gulf Energy	P.O Box 61872-00200, Nairobi	4th Floor- Geminia Insurance Plaza, Kilimanjaro Avenue,
32	Oilcity	P.O Box 9222-00100, Nairobi	Nginyo Towers- 7th Floor, Koinange Street, Nairobi
33	Riva Petroleum Dealers Limited	P.O Box 16299-20100, Nairobi	5th Floor- Mayfair Suite, Opposite Impala
34	Oil Point	P.O Box 218-00610, Nairobi	St Ellis House- 4th Floor, Off Wabera Street
35	Kencor Petroleum Ltd	P.O Box 37142-00200, Nairobi	Parklands Plaza-7th Floor, Muthithi Road/Chiromo Road
36	Ultra Petroleum	P.O Box 25820-00100, Nairobi	Ultra Centre Parklands, Mutati Road
37	Hass Petroleum	P.O Box 76337-00508, Nairobi	3rd/5th Floor-Hass Plaza ,Lower Hill Road
38	Afri Oil	P.O Box 69825-00400, Nairobi	Red Commercial Complex Mombasa Rd
39	Trojan International Ltd	P.O. Box 100339-00100, Nairobi	6th Floor-St. Ellis House, Wabera Street, Nairobi
40	Premium	P.O Box 56672-00100, Nairobi	Room 6, Chaka Court, Chaka Road, Hurlingham, Nairobi
41	Essar Petroleum (East Africa) Ltd	P.O .Box 45742-00100, Nairobi	Essar House Africa, Muguga Green Lane, Westlands
42	Ranway Traders Ltd	P.O Box 56022- 00200, Nairobi	197 Lenana Plaza- 3rd Floor, Lenana Road, Nairobi
43	Olympic Petroleum Limited	P.O Box 24457-00100, Nairobi	Barclays Plaza Mezzanine 4, Loita Street Nairobi
44	Metro	P.O Box 35198-00200, Nairobi	9th &12th Floor-View Park Towers , Utalii Lane
45	Keroka Petroleum Limited	P. O. Box 8034 – 00300, Nairobi	Chai House-8th Floor, Koinange Street

46	City Oil Limited	P. O. Box 32078 – 00200, Nairobi	Mayfair Centre, 2nd Floor Ralph Bunche Road, Nairobi
47	Fast Energy Limited	P. O. Box 22712 – 00400, Nairobi	International House-10th Floor, Mama Ngina Street
48	Addax	P.O Box 12403-00100, Nairobi	9th West Building, Westlands
49	Stabex International Ltd	P.O. Box 35227-00100, Nairobi	5th Floor, Post Bank Building, Market Street, Nairobi
50	Ainushamsi Energy Limited	P.O Box 5134 - 00506, Nairobi	Geminia Insurance Plaza-7th Floor, Kilimanjaro Avenue,
51	Tiba Oil Company Ltd	P.O Box 16330-00610, Nairobi	Lonrho House, 11th Floor, Standard Street,
52	Oceanic Oil Limited	P.O Box 42483- 00100, Nairobi	Jubilee House, 2nd Floor, Wabera Street
53	Amana Petroleum	P.O Box 105093-00101, Nairobi	Tulip House, 5th Floor, Wing B, Mombasa Road
54	Emkay	P.O Box 1100-00517, Nairobi	Aberdeen Plaza, Off Kitengela Road, Langata
55	Energy Solution (K) Ltd	P.O Box 90148-80100, Mombasa	Crown Plaza, Msa-Nbi High Way, Kwa Jomvu Area.
56	Mgs International (K) Ltd	P.O Box 27695-00506, Nairobi	Simco Plaza , Lusaka Road
57	Jade Petroleum Limited	P.O Box 34725- 00100, Nairobi	6th Floor, Shimmers Plaza Westlands
58	Intoil Limited	P.O Box 70701-00400, Nairobi	Kimathi Street Nairobi
59	Tosha Petroleum Ltd	P.O Box 28433-00100, Nairobi	3rd Floor-Geminia Insurance Plaza, Kilimanjaro Avenue,
60	Eco Oil Limited Kenya	P.O Box 27580- 00506, Nairobi	Mayfair Business Centre, Second Floor, Parklands Road
61	Kosmoil Petroleum (EA) Ltd	P.0 Box 16880-00100, Nairobi.	Panari Sky Center, Mombasa Road

62	Axon Energy Ltd	P.O. Box 20256-00100, Nairobi	Commodore Office Suites, Suite 5H, Kindaruma Road,
63	Futures Energy Company Ltd	P.O Box 34725-00100, Nairobi	6th Floor, Suite No.1c, Mayfair Centre, Ralph Bunche Road,
64	Global Petroleum	P.O Box 30621-00100, Nairobi	Baba Ndogo Road, Chandaria Industries Ruaraka

Source: (Pipecor, 2013)

APPENDIX III: LETTER OF INTRODUCTION

APPENDIX IV: RESPONSE STRATEGIES AND FINANCIAL DATA

OMC	Strategic Alliance	Mergers and Acquisition	Logistics Outsourcing	Diversification	Down Sizing	Cost Leadership	Cost Focus	Product Differentiation	Sales Turnover-Ksh	ROACE	NIAT-KSH	C0ST REDUCTION	MKT SHARE
AMANA PETROLEUM	1	3	5	4	2	4	4	4	35,600,000,000	12%	125,000,000	8%	0.3%
BAKRI INTL	1	1	1	4	1	3	4	3	29,600,000,000	2%	125,000,000	6%	3.2%
BANODA OIL LTD	1	2	2	3	1	4	4	1	23,700,000,000	11%	125,000,000	3%	0.6%
ENERGY SOLUTION (K) LTD	3	2	1	4	3	3	2	4	10,380,000,000	6%	125,000,000	3%	0.3%
ENGEN KENYA LTD	2	3	4	4	3	3	4	4	4,500,000,000	6%	125,000,000	6%	1.7%
FAST ENERGY LTD	4	3	5	5	5	5	5	4	4,440,000,000	3%	125,000,000	6%	0.3%
FUTURES	5	5	3	5	3	1	1	1	7,600,000,000	12%	125,000,000	0%	0.4%
GALANA OIL (K) LTD	3	3	3	2	4	4	4	4	62,300,000,000	12%	125,000,000	1%	1.6%
HASHI ENERGY (K) LTD	2	1	2	5	1	4	5	4	23,700,000,000	6%	292,000,000	8%	3.0%
HASS PETROLEUM	2	2	4	3	1	5	3	5	13,350,000,000	2%	41,700,000	3%	2.5%
KENCOR PETROLEUM LTD	3	4	2	4	2	3	3	4	53,400,000,000	2%	125,000,000	3%	0.4%
KENOL KOBIL PETROLEUM (K) LTD	3	5	1	4	4	5	5	2	125,000,000,000	5%	333,000,000	6%	18.4%
KOSMOIL PETROLEUM (EA) LTD	2	2	3	4	1	4	4	4	53,400,000,000	2%	125,000,000	3%	0.4%
NATIONAL OIL KENYA LTD	4	4	4	3	3	4	4	5	31,400,000,000	10%	375,000,000	3%	4.6%
LIBYA OIL (K) LTD	3	2	4	4	4	4	4	4	51,000,000,000	6%	208,000,000	3%	7.5%
OLYMPIC PETROLEUM LTD	3	1	3	3	2	2	4	4	13,350,000,000	12%	125,000,000	3%	0.7%
PETRO OIL (K) LTD	1	3	2	3	3	2	4	1	4,500,000,000	2%	125,000,000	3%	1.3%
RIVA PETROLEUM DEALERS LTD	1	1	2	2	3	3	3	3	4,500,000,000	10%	375,000,000	8%	0.8%
STABEX INTERNATIONAL LTD	2	1	4	4	4	4	4	5	8,900,000,000	3%	125,000,000	8%	0.3%
TOSHA PETROLEUM LTD	1	1	3	2	1	4	5	3	4,400,000,000	2%	125,000,000	3%	0.7%
TOTAL KENYA LTD	3	3	3	3	3	3	4	1	137,000,000,000	3%	210,000,000	3%	20.1%
VIVO ENERGY KENYA LTD	4	2	5	4	2	2	4	5	104,000,000,000	6%	210,000,000	1%	15.3%