CHALLENGES OF STRATEGY IMPLEMENTATION FOR FIRMS IN THE PETROLEUM INDUSTRY IN KENYA

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Declaration

This Project is my original work and has not been submitted for a degree in any other University.

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D61/P/8594/2005

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

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Dedication

I dedicate this work to my wife, children

And the entire family

Acknowledgement

First, I would like to acknowledge the invaluable contribution, guidance and critique of my Project Supervisor, Dr. Z.B Awino and indeed all other MBA lecturers at the University of Nairobi for intellectual shaping during my studies. I also wish to thank all the respondents who took their valuable time to provide me with the information sought for this study.

Second, I would like to acknowledge the understanding and sacrifice from my entire family and friends as I undertook my MBA studies. My special thanks to all of you.

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Abbreviations and Acronyms

AGO	Auto Motive Gasoline
DPK	Dual Purpose Kerosene
ERC	Energy Regulating Commission
IDF	Industrial Diesel Oil
KOSF	Kipevu Oil Storage Facilities
KPC	Kenya Pipeline Company
KPI	Key Performance Indicator
KPRL	Kenya Petroleum Refineries Ltd.
LPG	Liquid Petroleum Gas
MNCs	Multinational Corporations
MOE	Ministry of Energy
MSP	Motor Spirit Premium
MSR	Motor Spirit Regular
NOCK	National Oil Corporation of Kenya
OMCs	Oil Marketing Companies
PIEA	Petroleum Institute of East Africa
SAP	Structural Adjustment Program
N	Number of questionnaire respondents

Abstract

The purpose of this study was to establish the challenges of Strategy implementation in oil industry in Kenya. The study was guided by the following objectives namely; to establish strategic Management practices and to identify strategy implementation challenges in the petroleum industry in Kenya. The study adopted across-sectional survey (census) design where the primary data was collected using an interview guide as key instrument. The research targeted thirty six (36) registered oil firms involved in importation and marketing of oil products in Kenya (as per PIEA list). The respondents in the respective firms were senior managers who are knowledgeable in petroleum industry business. The guiding Secondary data used was Acts of Parliament related to the petroleum sector and currently in operation. The survey response rate was 61% percent comprising of eighteen positive and four negative responses. The survey found out that Strategy implementation challenges in the petroleum Industry in Kenya has a relationship to global oil industry factors and government legal statutes put in place to regulate the sector. The survey further revealed that strategic management practices exist in most the firms in the oil industry although in some cases strategy formulation process does not involve all the stakeholders. Lack of buying-in the stakeholders during strategy formulation could explains why there are challenges in strategy implementation. The study further indicated that challenges of strategy implementation can be addressed appropriately through use of appropriate technology, resource allocation and prioritization, involvement of stakeholders and adopting reward system that fit an organization.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy implementation can be said to be the process of operationalization through institutionalization of the chosen strategic plans to achieve a company's/firm's objective. According to Pearce and Robinson (2007) implementation is "where action is". It is the arena that most students enter at the start of their business careers. It is the strategic phase in which staying close to the customer, achieving competitive advantage, and pursuing excellence become realities.

The oil industry in Kenya is confronted with many challenges for survival and success in a turbulent environment. The industry faces squeezed margins due to fierce competition between the oil marketers, inadequate infrastructure, fluctuating crude oil prices and the proposed price controls (Mwirichia, 2008) among other challenges. The industry players have no choice but to ensure that they effectively implement strategies that will make them remain competitive. The premise of this study is that the oil companies can enhance their organizational performance by overcoming the challenges of strategy implementation through scanning of their internal and external operating environment as it rapidly changes.

1.1.1 Concept of Strategy

Porter (1996) states that strategy is about competitive positioning, differentiating the organization in the eyes of the customer and adding value through a mix of activities different from those applied by the competitors. Stated simply, strategy is a road map or guide by which an organization moves from a current state of affairs to a future desired state. It is not only a template by which daily decisions are made, but also a tool with which long-range future plans and courses of action are constructed.

Strategy if properly implemented allows an organization to position itself effectively within its environment to reach its maximum potential, while constantly monitoring that environment for changes that can affect it so as to make changes in its strategic plan accordingly. According to Thompson, Strickland and Gamble (2005), Strategy is a management game plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving targeted objectives. In short, strategy defines where you are, where you are going, and how you are going to get there.

For the petroleum industry in Kenya, Strategic management has been present for some time with various firms having formulated and chosen their strategic plans, what is not clearly known is whether they have been implemented. It should be noted that for the past one and a half decade the petroleum industry operating environment has encountered major and regular changes both in the local and the international market. The rapid changing and volatile environment requires regular revision of the chosen strategy for the firms to remain competitive.

1.1.2 Strategy Implementation Process

Once strategies have been agreed on, the next step is implementation; this is where most failures occur. It is not uncommon for strategic plans to be drawn up annually, and to have no impact on the organization as a whole. According to Thompson, Strickland and Gamble (2005), the better conceived a company's (organization) strategy and the more competently it is executed, the more likely it is that the company (organization) will be a standout performer in the market place

Strategy implementation entails putting the decided strategy into action. Daft 2000 noted that strategy implementation involves strategy operationalization, which is the development of the action plans and institutionalization which ensures that the strategy is internally acceptable within the organization.

Strategy implementation involves both macro-organizational issues and micro-organizational issues. Macro-organizational issues are large-scale, system-wide issues that affect many people within the organization. Galbraith and Kazanjian (1986) argue that there are several major internal subsystems of the organization that must be coordinated to successfully implement a new organization strategy. These subsystems include technology, reward systems, decision processes, and structure. As with any system, the subsystems are interrelated, and changing one may impact others.

Technology can be defined as the knowledge, tools, equipment, and work methods used by an organization in providing its goods and services and must fit the selected strategy for it to be successfully implemented. Reward systems or incentive plans include bonuses and other financial incentives, recognition, and other intangible rewards such as feelings of accomplishment and challenge. Commonly used reward systems include stock options, salary raises, promotions, praise, recognition, increased job autonomy, and awards based on successful strategy implementation. Decision processes pertaining to resource allocations, job responsibilities and priorities help the organization make mid-course adjustments to keep the implementation on target.

Organizational structure is the formal pattern of interactions and coordination developed to link individuals to their jobs and jobs to departments which involves the interactions between individuals and departments within the organization. Current research supports the idea that strategies may be more successful when supported with structure consistent with the new strategic direction. A functional organizational structure tends to have lower overhead and allows for more efficient utilization of specialists, and might be more consistent with a low-cost strategy.

Micro-organizational issues pertain to the behavior of individuals within the organization and how individual actors in the larger organization will view strategy implementation in terms of impact on culture and resistance to change as far as employee acceptance and motivation to implement the new strategy is concerned. Peters and Waterman (1982) focused attention on the role of culture in strategic management. Organizational culture is more than emotional rhetoric; the culture of an organization develops over a period of time and it is influenced by the values, actions and beliefs of individuals at all levels of the organization.

Strategic change brought about by strategy implementation is a contemporary issue necessary and essential to the success of firms in many industries in Kenya. The management of change in the petroleum sector deserves special attention in the light of the pivotal role it plays in virtually all sectors of the Kenyan economy and with the current high global prices of fuel; the effect of high pump prices in the Kenyan economy is evident in high inflation values. The sector is mainly responsible for implementation of price changes as per the Energy Regulatory Commission (ERC) recommended price caps which has financial spiral effect on literally all other sectors of the economy, whose efficiency very much determines the performance of the economy. The lack of appreciation of the impact of volatile operating environment has naturally slackened the rate of economic growth in all sectors of the economy because of sector interdependence and vulnerability to fluctuations in the market price of the petroleum products.

1.1.3 Challenges of Strategy Implementation

Strategy implementation is defined as the actions an organization takes today to deliver the strategy, tomorrow. Strategy implementation is the collective individual actions taken always by all the stakeholders and if there are not enough of the right actions being taken then the strategy will fail. While there are many tools and techniques for crafting strategy there are very few for implementing it, therefore when an organization successfully implements its strategy it gains competitive differentiation. Daft (2000) noted that the major challenge of strategy implementation in organization is a failure to translate statements of strategic purpose into an identification of those factors critical to achieving the objective and the resources and competences which will ensure success. For a successful strategy implementation the organization should be able to allocate resources and control in line with the chosen strategy.

Leader's therefore have a fundamental responsibility to create the right conditions in the organizations through, encouraging the right people; clearly communicating the strategy objectives, creating the Key Performance Indicators (KPI); aligning the culture to the implementation; redesigning processes, changing the way staff members are reinforced to encourage the right behaviors and actions for the new strategy to be implemented and then review the strategy implementation very often. Therefore, leaders must clearly identify what needs to be done and where to put the organization's focus.

1.1.4 The Petroleum Industry in Kenya

The Petroleum industry in Kenya was well established by the time of independence in 1963 (Tuitoek, 2007). Prior to 1994, the industry was a regulated sector, where the Government was highly involved in both price and importation controls. Kimuyu et al.(2002) notes that the Government monopolized virtually all the aspects of supply, storage and transportation, while marketing was done by the private sector through multinational oil companies. The petroleum industry is one among the four (4) major drivers of the country's economy in the energy subsector as it provides the link required in manufacturing and service sector to the market for goods and services. Over 95% of the petroleum products are handled by Kenya Pipeline Company (KPC) as white oil imports While Kenya Petroleum Refineries Limited (KPRL) handles all crude oil through Kipevu Oil Terminal (KOT). Liquefied Petroleum Gas (LPG) is handled by the marketers at Shimanzi Oil Terminal (SOT). Petroleum fuels constitute the main source of commercial energy in Kenya.

Currently the sector has thirty six (36) Oil Marketing Companies (OMC's) involved in importation and marketing of the four (4) main petroleum products, that is, Motor Spirit premium (MSP), Motor Spirit Regular (MSR), Automotive Diesel Oil (AGO) and Dual Purpose Kerosene (DPK). The industry also handles Liquefied petroleum gas (LPG), various lubricants, tar and industrial fuels. Over 65% of both the local and export market is controlled by about 5 marketers as follows (as per KPC product delivery data report 2010); Total Kenya 22.55%, Shell 17.81%, Oilibya 10.56%, Kobil 10.55%, Nock 7.10% the other firms had less than 4% individual market share.

In 1994 before petroleum sector liberalization, there were about ten (10) OMC's involved in importation and marketing of petroleum products most of whom have exited the Kenyan Market with Kenya Shell being the latest to sell majority of its shares while Kenol/Kobil is in the process of selling its majority shareholding. The exit of most of MNC's destabilized the market resulting in the same monopolistic business environment which was being addressed by the sector liberalization. This has lead the Kenya government through the Ministry of Energy (MOE) to re-introduce market price controls through the Energy Act No.12 of 2006 section102 in an effort to regulate the fuel prices and protect the economy against the inflationary effects brought about by high pump prices.

It's worth noting that the standardization of LPG regulators has lead to the opening up of the gas market and hence stabilization of the prices. The challenges of the LPG has been lack of adequate storage, limited capacity bottling plants, lack of implementation of safety policies in handling, artificial shortages, demand for LPG far exceeds supply and poor distribution.

According to industry observers squeezed margins, lack of strong regulatory framework to govern the industry, lack of adequate infrastructure to help movement of products and lack of a level playing field in the use of state-owned facilities as some of the challenges facing the industry. As Obath (2010) lamented "The downstream oil business in Kenya is very brutal because it lacks an even playing field and a strong regulatory framework". The industry is too fragmented, creating room for malpractices and unfair competition.

It is therefore imperative that challenges in strategy implementation are adequately addressed to enhance performance in all business sectors especially in the petroleum sector where an integrated strategic management has been lacking. Few studies have been undertaken to establish the relationship between challenges in strategy implementation and exiting from the Kenyan market of the multinational firms.

1.2 Research Problem

Strategy implementation challenges arise from sources that are internal and external to the organization. The particular challenges that will face strategy implementation will depend on type of strategy, type of organization and the prevailing circumstances. According to Pearce and Robinson (2007), because a firm's strategy is implemented in a changing environment, successful implementation requires strategic control- an ability to steer the firm through an extended future time period when premises, sudden events, internal implementation efforts, and general economic and societal developments will be sources of change not anticipated or predicted when the strategy was conceived and initiated. Maonga (2010) lamented that the “usual constraints experienced in the petroleum industry namely, pipeline pumping capacity limitations and the unreliability of the refinery continued to persist sometimes occasioning stock outs in the upcountry markets” negatively affecting Total’s profitability in 2009.

Globally the petroleum industry is characterized by volatility owing to the demand of its products that are required for use in laterally all other sectors of the economy. Kenya being part of the global economy is expected to experience the effects of the market upheavals as the stakeholders try to adjust to fit into the rapidly and radically changing business environment. The duration before 1994 sector liberalization, when the industry was highly regulated by the government in an effort to create stability, however following the government’s acceptance of the World Bank proposed Structural Adjustment Program (SAP); the market was opened up even before adequate regulatory frameworks were put in place. Since 1994 up-to date the local market has witnessed numerous changes in terms of new market entrants (increased competition) as well as exits.

Several studies have been done on challenges of Strategy implementation as case studies among them; Mburugu (2010) studied Challenges of Strategy Implementation at the Christian Health Association of Kenya, Kingori (2010) studied Challenges of Strategy

Implementation Faced by Local Pharmaceutical importers and Distributors in Kenya, Mwita (2007) studied the Challenges of Strategy Implementation Faced by Public Secondary School Principals in Nairobi Province, Machuki (2006) studied Challenges to Strategy Implementation at CMC motors Group, Nyakundi (2010) looked at Strategy Implementation and its Challenges at Citibank N.A Kenya, while Karuri (2006) studied the Challenges of Strategy Implementation in Developmental Finance Institutions. Therefore, although these studies have formed the basis of this study, a knowledge gap exists in respect to challenges of strategy implementation for firms in petroleum industry in Kenya. This study was therefore done in an effort to establish the challenges of strategy implementation as has been depicted through a research on the entire population of firms operating in Kenya. The study, therefore, it will add to the literature in the area of challenges of strategy implementation in the petroleum industry in Kenya by trying to answer the following question;

"What are the challenges in strategy implementation for firms in petroleum industry in Kenya?"

1.3 The Objective of the Study

The research objectives are;

(i) To establish strategy implementation practices in petroleum industry in Kenya

(ii) To establish strategy implementation challenges in petroleum industry in Kenya.

1.4 Value of Study

The results of the study may be used to underline the importance of appropriate strategy implementation in organizations if they are to effectively achieve their objectives of enhancing performance, staying ahead of competitors and increasing stakeholder's worth.

It will be of great importance to all those petroleum based firms (importers and distributors) current and future operating in Kenya in their quest to overcome the challenges of strategy implementation if at all they are to remain competitive.

The results of this research will also be of immense significance to researchers in their quest to understand the challenges of strategy implementation, policy makers as they create business operating guidelines, investors as they try to craft and implement a winning strategy and academicians in their endeavor to contribute to the field of strategic management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature will cover summary of background information in strategic management as practiced globally, at the local level and more so in Petroleum industry in Kenya. The areas to be covered shall include Concept of strategy, strategy formulation, strategy implementation, strategy implementation methods, strategy control/evaluation, challenges of strategy implementation in petroleum industry in Kenya and challenges of strategy implementation practices in petroleum industry in Kenya.

2.2 Concept of strategy

According to Porter (1998) strategy is about competition and the means by which an organization tries to gain a competitive advantage. To Pearce and Robinson (2007) strategy is a large scale future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company game plan and reflects a company's awareness of how, when, and where it would compete; against whom it should compete and for what purpose it should compete.

Lawrence and Lorsch (1967) noted that effective strategic management should be characterized by; clean business strategy and a vision for the future, a strategic direction endorsed by senior managers taking into account partners and other stakeholders, a system of governance and several levels that ensure you coordinate everything even when there are competing goals and priorities in the enterprise. According to Pearce and Robinson (2007) adoption of strategic management in organization enhances firm’s ability to prevent implementation failure as group-based strategic decisions are likely to be drawn from the best available alternative. According to Johnson and Scholes 2002), strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the needs of the markets and to fulfill stakeholders expectations.

Musyoka (2011), deduces that, strategy is about: where the business is trying to get to in long-term; the markets it should invest in and the kind of activities involved in such markets; how the business can perform better than the competitors in the those markets; the resources (skills, assets, finances, relationships, technical competences, facilities) required to enable it to compete; external environmental factors that affect the business’ ability to compete, and the values and expectations of those who have power in and around the business.

Johnson and Scholes (2002) noted that, strategic management is the process of formulation, implementation and evaluation of strategies. It is an ongoing process of ensuring a competitively superior fit between the organization and its environment. It is also a set of decisions and actions that result in the formulation and implementation of plans designed to guide executives in defining the business their company is in, its objectives and how to accomplish those objectives effectively. It starts with the definition of the company’s vision, mission, objectives and goals.

2.3 Strategy Implementation

According to Thompson, Strickland and Gamble (2005), the better conceived a company's (organization) strategy and the more competently it is executed, the more likely it is that the company will be a standout performer in the market place. Strategy implementation entails putting the decided strategy into action. It involves strategy operationalization, which is the development of the action plans and institutionalization which ensures that the strategy is internally acceptable within the organization.

As suggested by Musyoka (2011), it entails working through others, organizing, motivating, culture building and creating strong links between strategy and how the organization operates. It also entails a process of converting the formulated strategies into viable operations that will yield the organizations targeted results. This means that delicate and sensitive issues comprising resource mobilization, restructuring, cultural changes, technological changes, process changes, policy and leadership changes are involved in strategy implementation.

In 1987, Pettigrew drew his explanation of what strategy implementation means by distinguishing the content of the strategy, the outer and inner context of an organization and the process in which strategic change is carried out. Pettigrew (1987) in his research recognized the fact that the content, the context and the process are interrelated and affect one another. Since strategy implementation is about putting the organization strategy into action, Daft (2000) said that organizations have no choice but to translate their formulated strategies into concrete processes that would ensure the success of their strategic visions.

Thompson and Strickland (1998) argue that strategy implementation is all about acting on what has to be done internally to put formulated strategies in place thus ensuring that targeted results are achieved within the targeted framework time. The targeted results may be expected levels of financial performance of an organization or the efficiency in service delivery, especially for non-profit making organizations and strategy implementation can also be understood depending on the perspective one takes on strategy. For example, is strategy first formulated and then implemented, or vice versa.

Mintzberg (1979) argues that if one believes that strategies are explicit, implementation would mean carrying out the pr-determined strategic plans. However, one may also hold an emergent view on strategy, where strategy is not necessarily first created before implementing it but it emerges and evolves without the aid of strategy formulators or in spite of them. In the Kenyan petroleum industry strategy implementation can be understood both on perspective and also the targeted results in the sense that the environment is continuously, rapidly and erratically changing while the OMC's want to make profits as they remain competitive.

2.4 Challenges of Strategy Implementation

In the current turbulent economic times, firms in Kenya operate under increasing competitive and ever-changing environment. This puts them under pressure to continually review their strategic plans or formulate new ones to suit the existing trends. Further, without proper strategy implementation, even the most superior strategy is useless (Musyoka, 2011). The main strategy implementation challenges is to create a series of tight fits between strategy and organization competences, internal policies, structure, reward system and budgetary allocations among others(Thomas and Strickland,1998). Daft (2000) also said the major challenge of strategy implementation is a failure to translate statements of strategic purpose into an identification of those factors critical to achieving these objectives and the resources and competencies which will ensure success. For a successful strategy implementation the organization should be able to allocate resources and control performance in line with the strategy.

Strategy implementation is inextricably connected with organization change. The changes made to the organization configuration (structure, processes, relationships, boundaries) present internal sources of challenges while changes in the macro-environment, the industry forces and the operating environment present external source of challenges. According to Musyoka (2011) the industry forces create intense competition as opposed to what could often occur under a monopolistic environment hence the importance of scanning the internal and external environment as an important analysis during strategic planning process.

2.5 Sources of Strategy Implementation Challenges

Strategy implementation challenges arise from sources that are internal and external to the organization. The particular challenges that will face strategy implementation will depend on the type of strategy, type of organization and prevailing circumstances. Some common challenges experienced during strategy implementation include management barriers, unaligned organization's structure and resources, uncontrollable environmental factors, communication breakdown and lack of commitment by employees (Pearce and Robinson, 1997; Giles, 1991; Alcantra, 2001). Many challenges can be avoided if strategy development is coupled with implementation. The lack of understanding of a strategy and the inability to connect to strategy formulation and implementation has an impact on successful implementation (Musyoka, 2011).

Since strategy implementation almost always results in change, then, there are forces for change that come from outside the organization or from within. According to Musyoka (2011), external forces for change may result from socio-cultural factors, government regulations, international developments, technological changes, and entry or exit of competitors. Internal forces for change come from within the organization and may include changes in market share, rising production costs, changing financial conditions, new product development, and so on to align an organization to the current market environment.

Similarly Pearce and Robinson (2007) states that, forces resisting change or challenges to strategy implementation may come from external or internal sources. Common external sources of strategy implementation challenges to the organization emanate due to the changes in the macro-environment context namely economics, politico-legal, social, technological and environmental. Internal forces resisting change are usually abundant; limited organizational resources (money, equipment, personnel) is usually one of the first reasons offered as to why change cannot be implemented.

The main internal sources of resistance to change are people, passive incompetence, behavior and organization culture, use of inappropriate systems, structure, chains of command, conflicting objectives, organization fiefdoms, political rivalries, organizational inertia, reward system and intangible resources. In a study Lynch (2000), stated that people working in an organization sometimes resist change proposals and make strategy difficult to implement and Aosa (1992), states that it is important that culture of an organization be compatible with the strategy being implemented because where there is incompatibility between strategy and culture it can lead to high organizational resistance to change and de-motivation, which in turn can frustrate strategy implementation effort.

Johnson and Scholes (2003) noted that the process of institutionalization relies heavily on the organization configuration that consists of the structures, processes, relationships and boundaries through which the organization operates. Concerning organization orientation, Dess et al, 1998, states that the biggest challenge in leadership is in determining the 'right things' especially at a time where industries are mature or declining; the global village is becoming increasingly complex, interconnected and unpredictable; and product lifecycles are shrinking.

On resources David (2003) asserts that organizations have atleast four types of resources that can be used to achieve desired objectives, namely financial, physical, human and technological. For organization management, Swartz (1985) argues that the challenge to management is that it might need to recruit, select, train, discipline, transfer, promote and possibly even lay off employees to achieve the organization strategic objectives.

2.6 Strategy Implementation Issues in Petroleum Industry

Globally, the petroleum industry is characterized by high standardization, price volatility and heavy political control. This is not due to its differentiation, quality or on cost basis but as a result of the interdependency that the other sectors of the global economy have with the petroleum sector. The petroleum industry plays a pivotal role in the sourcing of raw material, manufacturing and distribution of goods and services for entire markets under consideration. It can be said with some level of certainty that the petroleum industry permeates and affects a big percentage of the world economic activities. According Hussain et al, (2006), Petroleum supply is a highly globalised industry as oil is produced in specific and limited regions of the world, yet it is demanded all over the globe.

In Kenya, the petroleum industry has major impact on what happens to the performance of other economic sectors. Instability in the industry almost always implies that the rest of the economy is unstable. What should also be noted is that Kenya is part of the global village and as such the petroleum price volatility, rapid demand variations and erratic supply affects the Kenyan petroleum industry and more so the economy in a highly unpredictable way. According to Musyoka (2011) in the current turbulent economic times, firms in Kenya operate under increasing competitive and ever changing environment which puts them under pressure to continually review their strategic plans or formulate new ones to suit the existing trends.

Post 1994 (when oil industry was liberalized) period to date have seen a lot of changes taking place in the industry. From a few multinational companies then, there are currently 36 oil marketers, mostly minors with under 1% market share each and with the top 5 commanding over 75% of the market (Petroleum Insight, 2009). By 2010, most multinationals oil companies had left the market leaving only Total Kenya as the only remaining MNC as Shell has expressed intent to exit the country by the end of the year (Njiriani, 2010).

The period after liberalization of 1994 brought in stiff competition from new market entrants and also unregulated industry as a consequence of lack of industry policy guidelines that resulted in unfair competition as noted by Obath (2010). According to Pearce and Robinson (2007) the structure, compensation plans, personnel empowerment, functional tactics, leadership and culture, controls and entrepreneurship would determine the effectiveness of strategy implementation.

Globally, the petroleum industry is characterized by similar products in quality due to the international standards requirements whose basis is safety and application specifications. What is therefore handled in the local market is traceable to American Society for Testing and Materials (ASTM) and International Institute of Petroleum (IP) standard for each the product. The parameters that are considered critical are density, viscosity, smoke point, freezing point, sulphur content, flash point (temperature), Mset (Ability to release dissolved water) and volatility.

Internationally, Health, Safety and Environment (HSE) issues have become very important and due to the impact the petroleum products have on the same, then the local industry has to comply to set standards. The government has come up with the Occupational Safety and health Act (2007) and the Environment Management Coordination Act (1999), but still there are challenges in those areas due to among others slow drafting, poor legislation and implementation of policy framework to ensure that all industry players adhere to respective requirements. For MNC's their global market presence requires them to internalize HSE issues in their point's sale/distribution something which is not adhered to locally.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter will describe the methods and procedures that will be applied to conduct the survey in order to achieve the research objectives. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research questions. It entails the research design, the data collection techniques and the data analysis methods.

3.2 Research Design

The research was conducted through a cross-sectional survey design. The research tried to give a cross-sectional insight into challenges of strategy implementation in petroleum industry in Kenya.

The research involved quantitative tests and the finding were used to generalize for the population as it will be a census survey. According to Cooper and Schindler (2006), statistical studies are designed for breadth rather than depth. They attempt to capture a population's characteristics by making inferences from a sample's characteristics which in this case is the entire population.

3.3 Population of the study

The research used the entire population of firms in the petroleum industry in Kenya including KPC and KPRL with an aim of understanding the challenges of strategy implementation and the effect it has on doing business for the entire sector. The population comprises of 36(appendix III) registered firms (marketing and distribution), and 2(two) one processing and the other transportation, storage and handling. All the registered firms are not active in the local market.

The respondent of the questionnaires were individuals at the level of manager within the respective registered OMC plus KPC and KPRL who have an understanding of local and international oil business operations.

3.4 Data Collection

For the purpose of this research primary data was collected. The Primary data was collected through use of guided personal interviews of OMC's in the petroleum industry. This was through use of open ended, close ended and likert type of questions. The interviews were guided by a schedule defined by Mugenda and Mugenda (2003) as a set of questions that the interviewee was asked during the interview to give him/her a guideline especially to ensure that no question or issue was left untouched and also ensure there was logical flow of thoughts in the questioning.

The secondary data was obtained through reviews of the Kenya petroleum industry documentation including existing and past Acts of Parliament governing the industry. The review was done to give the basis for the current research into the challenges of strategy implementation in the petroleum industry.

3.5 Data Analysis

Analysis of the primary data collected from interviews and secondary data from documentations involved the preparation of the data into clear and applicable information.

The data will then be analyzed using descriptive statistics and qualitative analysis through Tables, frequencies, percentages, arithmetic mean, mode and median. Karuri (2007), Chepkwony (2001) and Amolo (2002) have used this kind of analysis in their research studies.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the study findings and interpretations, with respect to the objectives of the study. The study was designed with the aim of achieving two objectives namely; to establish Strategy Implementation practices in the petroleum firms in Kenya and also establish the strategy implementation challenges in the petroleum industry in Kenya.

The primary data was captured through face to face interviews with the respondents from different firms which constituted an overall response rate of 61% out of the 36 firms initially targeted for the study within the petroleum industry. The following were responses emerging from the interviews.

4.2 Profile of the Petroleum industry in Kenya

The Petroleum industry in Kenya was established way before the country acquired its independence from its colonial master in the early 1960's. Pre and post independence up to 1994 the petroleum industry operated in a highly regulated environment (control) from the government. It is during this period that witnessed a handful of firms in the market whom were mainly multinational oil companies who were operating more like a monopoly through cartels. The competition came in form of new market entrant and also unfair business operations practices due to lack of regulatory framework.

It is also clear that most the OMC's have been in operation within the last 18years since the liberalization of the sector. Only one OMC has remained in it original status while the others have either completely left the market or have sold controlling shares to new investors. The study indicates that most of the market share is with the a few OMC's creating a monopolistic kind of business (Figure 4.1).

When it comes to the scope of business the respondents indicated that they mostly deal in white products, followed by crude and other petroleum related products (Figure 4.3). In the distribution, the respondents indicated that most are involved in retail as well as bulk product handling while others engage in reseller trading (Figure 4.4)

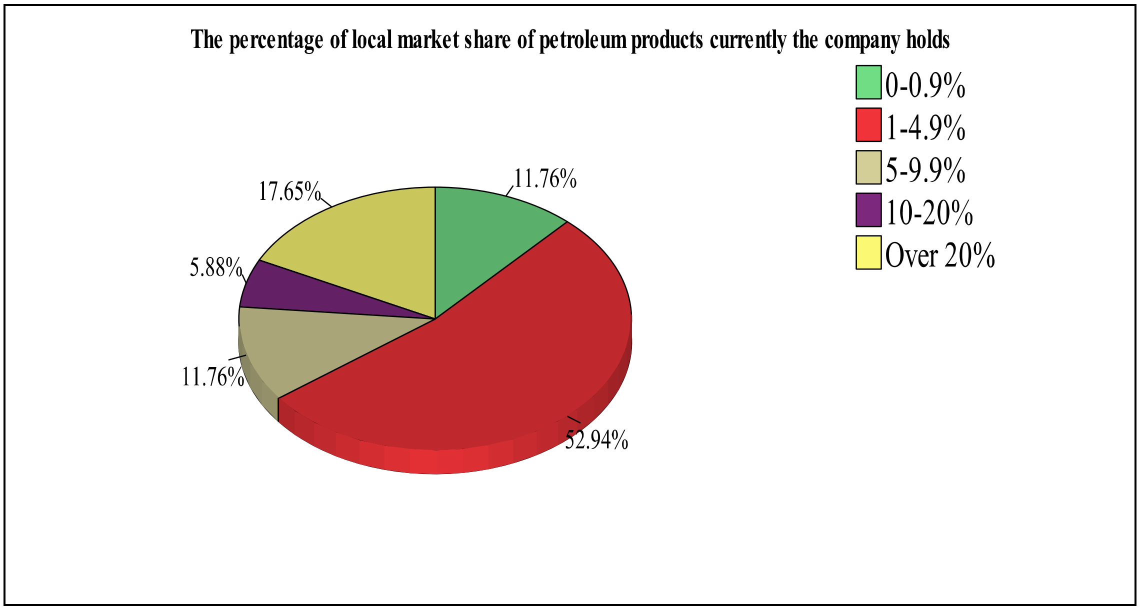

Figure 4.1; Percentage of the local market share

The respondents indicated that 52.94% of the OMC's operating in the Kenya have market share in the range of 1-4.9%, 11.76% have a range of market share of 0-0.9%, 11.76% a range of 5-9.9%, 5.88% have a range of 10-20% and 17.65% have a market share of over 20% as shown in the figure above.

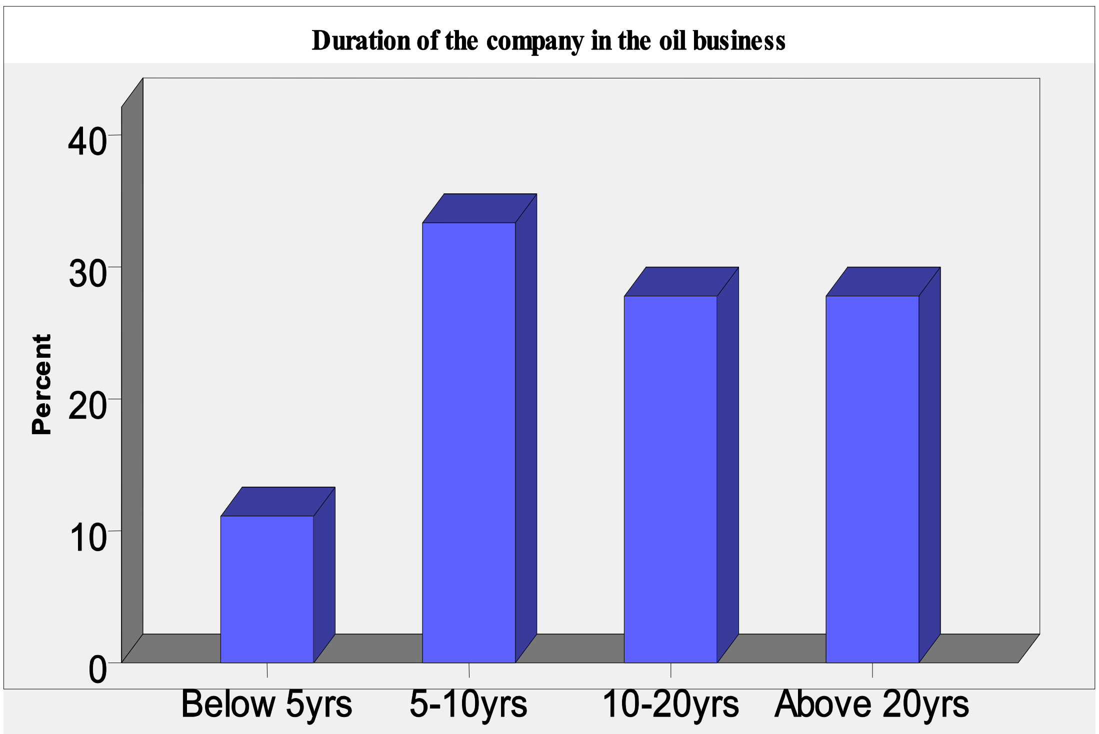

Figure 4.2; Duration of companies in oil business

From the study and as shown in the figure above a majority of the firms have been in the market for a period not exceeding 20years that is most entered the market after 1994 sector liberalization.

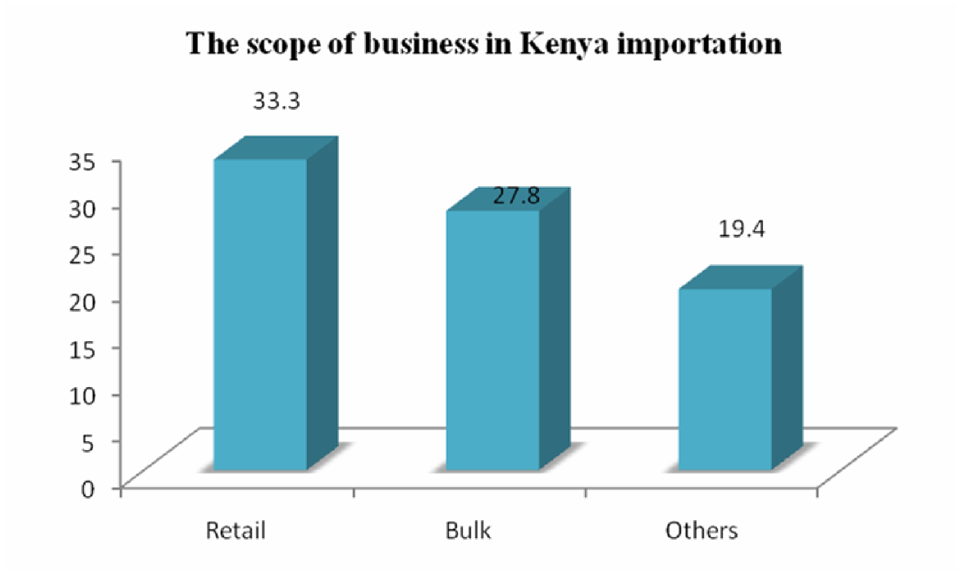

Figure 4.3; Scope of business in importation

As indicated in the figure above, the study indicates that most of the firms are in retail distribution business while a sizeable number is also in the bulk trading business. What should be noted is that most those in retail business are also in bulk business, there are also a few who are in re-seller and transport business.

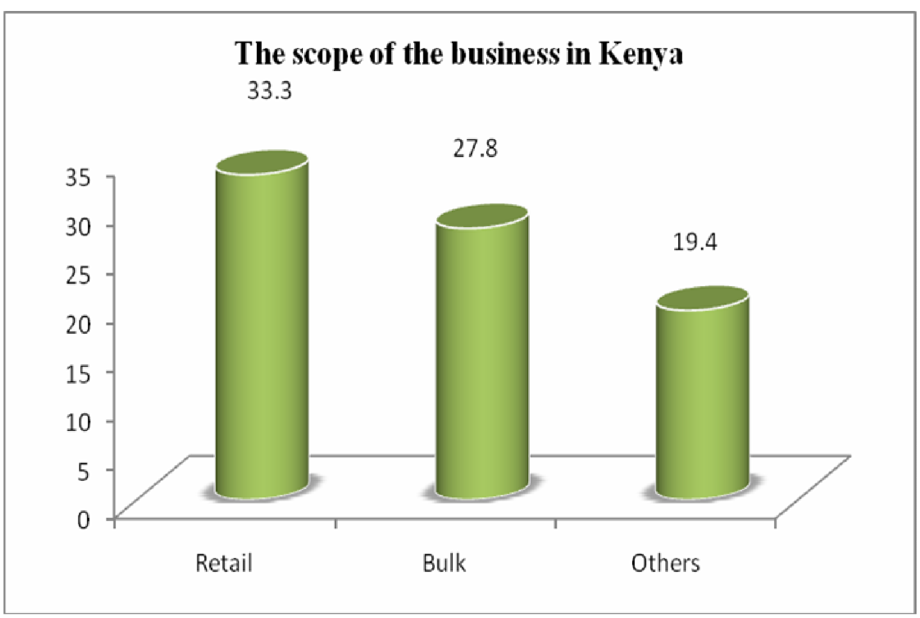

Figure 4.4 Scope of business in distribution

4.3 Background to strategy implementation and challenges in the petroleum industry

This section of the interview sought to consolidate all the necessary information on challenges within the industry. After the 1994 petroleum sector liberalization, importation of crude oil and white petroleum products was no longer regulated by the government but by the market forces. However, in 2006 the Government reintroduced prices regulation through an Act of parliament which is implemented by the Energy Regulatory Board (ERB).

The Kenya Petroleum industry is affected by the frequent and rapid global market dynamics in the oil sector that responds to political and other partisan interests in an unpredictable manner. Since the sector liberalization of 1994, competition has forced most of the OMC's to embrace strategic management in the running of their affairs as scanning of the market environment dynamic and selection of the appropriate strategy enables them to survive in the market.

4.3.1 Challenges that impact performance in the petroleum industry.

The petroleum industry is faced with challenges like any other businesses and for that matter the respondents indicated that some challenges have more effect on their business than others. Challenges within an organization may take different forms, in this case respondents were asked to describe the type of challenge that affects its performance in the market.

The respondents observed that some challenges have major impact while others have minor impact on business performance with the following challenges noted as being major; pipeline (KPC) through put limitations which they noted although it has improved of late there is need for further improvement, volatility of international crude oil prices that heavily affects financial management of most firms, high operational costs that comes as a result of inflation spiral effect, Storage capacity limitations at KOT, Inefficient & narrow network of railways service leading to the more costly transportation of oil products, Large oil tankers (over 80,000 tons) cannot be handled at the port of Mombasa and Legal requirements to process a percentage of a firm's oil market share as crude oil at KPRL(Table 4.1).

The respondents noted that some of the major challenges who sources are external are currently being addressed by the relevant authorities and already the legal requirements for processing of crude at KPRL seem to have been overtaken by it conversion of the refinery into a merchant refinery that will be importing crude on its own and selling the refined products.

Table 4.1; Challenges that impact on firm performance

Performance Challenge	N	Mean	Std. Error of Mean	Median	Mode	Std. Deviation
Legal requirements to process a percentage of a firm's oil market share as crude oil at KPRL	15	2.07	.463	2.00	4	1.792
Unreliable/inefficient KPRL performance	17	3.00	.257	3.00	3	1.061

Storage capacity limitations at KOT	17	3.18	.287	4.00	4	1.185
Pipeline (KPC) throughput limitations	17	3.06	.250	3.00	4	1.029
Volatility of international crude oil prices	18	2.89	.279	3.00	4	1.183
Inefficient & narrow network of railways service leading to the more costly transportation of oil products	17	2.29	.391	3.00	4	1.611
Consistent products quality offered to the customers	18	.94	.249	1.00	1	1.056
Long lead time from crude oil order to delivery of products to customers	16	2.00	.274	2.00	2	1.095
High Operational Cost	18	2.50	.305	3.00	3	1.295
Inadequate tax incentives for capital investments	18	2.78	.308	3.00	3	1.309
Large oil tankers (over 80,000 tons) cannot be handled at the port of Mombasa	18	2.50	.355	2.50	4	1.505
Health safety and environment concern	18	2.22	.286	2.00	2	1.215
Strategy implementation in the Kenyan context	18	2.44	.381	2.00	2	1.617

4.3.2 Strategy Management Practices in the petroleum industry

Strategy implementation initiatives are the processes put in place to ensure that the selected strategic management is correctly practiced in the respective firm. Most respondents indicated generally high scores of importance of the strategic management initiatives showing that there is acceptance of strategic management in the industry. Respondents seemed to have adopted various practices geared towards making their respective firms stand out among others and also keep up with the global trends in the industry.

Respondents in the study noted that Strategy management initiatives taken in each firm confirm the importance attached to strategy implementation challenges with the following being held with a lot of importance; view of strategic management, the way firms strategic practices are held, the way the involvement of all stakeholders is taken in strategy formulation and the importance of the company structure for strategic management (Table 4.2). The respondents' answers also give the indication that strategic management has taken root in most of the local firms as they strive to gain a competitive edge in the market.

Table 4.2: Strategic management practices

Management Practice	N	Mean	Std. Error of Mean	Median	Mode	Std. Deviation
View of strategic management	18	3.67	.114	4.00	4	.485
The way firms strategic practices are held	18	3.39	.164	3.50	4	.698
The way the involvement of all stakeholders is taken in strategy formulation	18	3.44	.166	4.00	4	.705
The importance of the company structure for strategic management	18	3.72	.135	4.00	4	.575
The importance of adequate strategy communication (horizontal/vertically)	18	3.56	.121	3.50	4	.511
other management practices	10	3.30	.396	3.00	3	1.252

4.3.3 Strategy implementation Processes in the Petroleum industry

The aim of this section of the study was to establish the strategic implementation processes that petroleum firms in Kenya employ to achieve their goal of remaining competitive in the market. In this section the respondents were actually addressing the real challenges that they face in strategy implementation.

The responses indicated that the following were a major challenge to the strategy implementation; Technology, reward system, resource allocation, job responsibilities, prioritization, organization structure, values and beliefs in individual actions (Table 4.3). It should be noted that most of these challenges are internal in nature and are found in other organizations the only difference is the context in which they occur.

Table 4.3: Strategy implementation

Implementation process Challenge	N	Mean	Std. Error of Mean	Median	Mode	Std. Deviation
Technology	18	3.72	.135	4.00	4	.575
Reward system	18	3.11	.196	3.00	4	.832
Firm structure	18	3.33	.140	3.00	3	.594
Resource allocation	18	3.67	.114	4.00	4	.485
Job responsibilities	18	3.78	.101	4.00	4	.428
Prioritization	18	3.72	.109	4.00	4	.461
Organization structure	18	3.50	.146	4.00	4	.618
Values	18	3.56	.121	4.00	4	.511
Beliefs Individual actions	18	3.06	.206	3.00	4	.873
Resistance to change	17	3.44	.121	3.00	3	.511
Others	0	3.12	.225	3.00	4	.928

4.3.4 Strategy Formulation Processes

It emerged from the interviews that strategy formulation process in most firms is top down where not all the stakeholders are involved. In some cases it is assumed that some categories of employees do not need to know anything about the firm strategy thereby making the implementation process encounter resistance. In strategy formulation most of the respondents indicated that they had some importance attached to the process in terms of the following; adequate stakeholders buying, Creating clear mission and vision statements Gap analysis, Action plan development, Regular review and Evaluation (Table 4.4).

Table 4.4: Strategy Formulation Processes

Formulation Process	N	Mean	Std. Error of Mean	Median	Mode	Std. Deviation
Adequate stakeholders buying	18	3.56	.145	4.00	4	.606
Creating clear mission and vision statements	18	3.78	.101	4.00	4	.428
Strategy design	18	3.50	.121	3.50	3	.514
Performance audit analysis	18	3.28	.135	3.00	3	.575
Gap analysis	18	3.56	.145	4.00	4	.616
Action plan development	18	3.67	.114	4.00	4	.485
Contingency Planning	18	3.39	.143	3.00	3	.608
Policy deployment	18	3.56	.121	4.00	4	.511
Evaluation	18	3.61	.118	4.00	4	.502
Regular review	2	4.00	.000	4.00	4	.000

4.3.5 Strategy Control Processes

The aim of this section of the study was to identify importance of control processes assigned by the respondent firms.

Study respondents identified the following strategy control as of major importance namely; Environmental factors, Industry factors, Milestones Review and Strategic monitoring (Table 4.6). These responses indicate the importance of controlling the internal and external sources of challenges to ensure that strategies are implemented smoothly and thus the firm has a chance of being competitive. In the petroleum sector environmental and industry factors change very rapidly thus necessitating frequent review of milestones and thoroughly strategic monitoring.

Table 4.5: Strategy Control Processes

Control Process	N	Mean	Std. Error of Mean	Median	Rating	Std. Deviation
Environmental factors	18	3.56	.121	4.00	4	.511
Industry factors	18	3.78	.101	4.00	4	.428
Environmental scanning	18	3.17	.185	3.00	3	.786
Contingency planning	18	3.22	.129	3.00	3	.548
Monitoring strategic thrust	18	3.06	.151	3.00	3	.639
Milestones Review	18	3.56	.166	4.00	4	.705
Strategic monitoring	1	4.00		4.00	4	

4.3.6 Strategy Innovation process

This section of the study was to establish the importance attached to strategy innovation as this is the source of overall strategic advantage improvement. In this area the respondents had varied reply mostly depending on the size of the firm which could also be an indicator on the ability of most firms to create a future competitive advantage. Most of the respondents indicated the importance of the innovation process as follows; innovation practices and continuous improvement were the most important, followed by incremental innovation application and involvement of operators in routine maintenance and employee involvement in strategy innovation management is the least in importance.

Table 4.6: Strategy Innovation process

Innovation Process	N	Mean	Std. Error of Mean	Median	Rating	Std. Deviation
Innovation Practices	16	3.50	.129	3.50	3	.516
Incremental innovation application	15	3.27	.182	3.00	3	.704
Continuous improvement	16	3.50	.158	4.00	4	.632
Operators involved in routine maintenance work	14	3.21	.214	3.00	4	.802
Every employee from top management to workers involved in strategy innovation management	17	3.06	.218	3.00	4	.899

4.3.7 Business Outsourcing Process

This section was to establish how much of the firm business activity are handled within the respective firms. Respondents indicated that most of their activity is outsourced leaving them to handle management work directly related to their business. It emerged that the least out sourced business is LPG bottling and lubricants blending while the rest are fully outsourced. In outsourcing the firms are able to get the best bargains and therefore have financial resource available for other allocation.

Table 4.7: Business Outsourcing Process

Business Process	N	Mean	Std. Error of Mean	Median	Rating	Std. Deviation
Transportation of petroleum through KPC	17	2.71	.143	3.00	3	.588
Processing of crude at KPC	16	2.38	.180	2.50	3	.719
Maintenance of facilities	16	2.56	.157	3.00	3	.629
Deport facilities	14	2.43	.173	2.50	3	.646
LPG bottling	13	1.69	.237	1.00	1	.855
Lubricant blending	12	1.92	.228	1.50	1	.996
Import packaged lubes	1	3.00		3.00	3	

4.4 Individual Firm Strategy Implementation actions

This section of the study was to establish strategy implementation practices that each respondent have take or is planning to undertake to transform the organization. Most respondents were very careful in dealing with this aspect as they felt it could be used by their competitors so there were highly restrained responses.

However the number of respondents who indicated existence or intention of planned actions showed most of them to be technology based, dissemination of strategy information to their employees, monitoring and regular review of strategy implementation and enterprise restructuring.

The respondents answers is an indication of innovations in practice which are intended to make the respective firms have a niche in the industry.

Table 4.8: Individual firm Strategy Implementation Actions

Implementation Actions	N	Mean	Std. Error of Mean	Median	Rating	Std. Deviation
Explore new emerging markets	5	1.00	.000	1.00	1	.000
Embrace technology	11	1.27	.195	1.00	1	.647
Install stock accounting Programmes	2	1.00	.000	1.00	1	.000
To be a fully integrated OMC	2	2.00	.000	2.00	2	.000
Radical change	3	1.33	.333	1.00	1	.577
Dissemination to Staff	3	1.00	.000	1.00	1	.000
Monitoring of strategy implementation	8	1.13	.125	1.00	1	.000
Periodic plan reviews	3	1.00	.000	1.00	1	.354
Organization reference index	4	1.75	.250	2.00	2	.500

CHAPTER FIVE: SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings of the study and conclusions emanates from the study objectives. The chapter also presents the recommendations to the study conclusion, summary and limitations to the study and suggestions for further study.

5.2 Summary of Findings

The purpose of the study was to establish strategy implementation practices and challenges of strategy implementation in petroleum industry in Kenya. The study sought to answer one research question by identifying strategy implementation practices and the strategy implementation challenges in the petroleum firms in Kenya. By understanding the strategy implementation challenges the industry players shall be at a better position to come up with strategies that will make them competitive.

The major findings of the study;

5.2.1 Strategic Implementation Practices in the Petroleum firms in Kenya

The study revealed that strategic implementation practices in the petroleum industry vary across the board and seems to be heavily related to the market share individual firms control and the type of business. It is worth noting that some organizations give a lot of importance to processes that would make strategy implementation through information dissemination, meetings and regular reviews of strategic plans.

The study further established that most organizations know the importance of strategy implementation practices as were pointed out by the respondents, such practices include; use of technology in executing business transactions, scanning the environment for emerging markets, dissemination of strategic plans to staff, monitoring of strategy implementation, use of balanced score card and organizations enterprise restructuring programmes.

5.2.2 Challenges in Strategy implementation in the Petroleum industry in Kenya

The study established that challenges in strategy implementation in the petroleum industry in Kenya have similarity to challenges noted in other economic sectors. These challenges were noted to be both from the internal as well as external sources. These challenges include Technology, resource allocation, job responsibilities, prioritization, organization structure, values and resistance to change.

The challenges revealed by this study are quite in line with what is currently being experienced globally in strategy implementation the difference here is how the local firms are willing to tackle the challenges in order to keep up with the pace. Most of the firms do not have well established organization structure leading to poor job responsibilities and due also to scarcity of resources engaging modern technology in doing business is difficult. The study also revealed that the industry operating environment has some major limitations that are not within their jurisdiction at time making implementation of strategic plans difficult. Some of these limitations are like the requirement to have a certain percentage of imported crude processed at KPRL, product storage capacity at Kipevu and pipeline through put.

5.3 Conclusions

The study sought to establish the strategy implementation practices and the challenges of strategy implementation in petroleum industry in Kenya. The study findings shed adequate light to draw major conclusions as indicated based on the summary of the findings. The petroleum industry in Kenya has by large embraced strategic management as a tool in doing business in an effort to remain competitive due to new market entrants as indicated by the number of firms that were operating in 1960's when strategic management was not fully developed and the current number of firms.

The study has lead to the conclusion that due to market globalization the Kenyan petroleum industry has been forced to change their management styles and adopt strategic management which is more inclusive way of doing business. This has lead to impediments while trying to bring about changes that are required to bring the organization structures to levels where management is stream lined to implementing those plans that will create a competitive edge in the market.

5.4 Limitations of the Study

In carrying out a research survey it is common for the researcher to encounter some limitations that could be related to scarcity of resources required to produce perfect explanations to the research objectives. This research was no exceptional and was faced with the following limitations ; limited time as interviews/data collection process took more time than initially estimated due to the nature of the respondents. Most of the respondents had busy work schedules and this ultimately affected the response rate.

Respondent's location were also widely spread out while number of respondents were outright categorical they can not reveal organization data for research purposes. In most of the cases it was the limitation of respondents understanding and experience in strategy implementation processes. It was also revealed that some of the small firms are operated by skeleton staff to the level of a one man show situation.

5.5 Recommendations for Further Study

In strategic Management, strategy formulation has almost been perfected; however strategy execution has not been given the same prominence leading to the current situation where only a few of the formulated strategies see the light of the day. In strategy implementation, challenges emanates from internal as well as external sources as the environment in which organizations operate is unpredictable , dynamic and for the case of petroleum industry rapidly changing thus presenting both opportunities as well as challenges.

The study recommends further research studies on the challenges that will emanate from the effect of the newly discovered oil deposits in the East African region on strategy implementation in an effort to create a competitive advantage in the petroleum industry in Kenya.

5.6 Implication of the Study on Policy, Theory and Practice

A number of issues emerged from the study leading to the following recommendations made based on the findings and conclusions of the study which had implication on policy theory and practices of strategic management as school of thought.

Strategic management has become the way of life in the corporate world and therefore organizations have to change their view of need for strategy implementation to achieve strategic objectives that are geared towards attaining competitive edge through involving all stakeholders in strategy formulation in the entire firm.

The organization structure, culture and values have become very important as they all have to be aligned to the chosen strategy for firms to overcome most of the strategy implementation challenges especially those are from the internal sources. In most cases external sources of strategy implementation are supposed to be accommodated due mainly to their legal nature.

The study also recommends that firms should adopt strategic management practices that will ensure the strategic plans are continuously monitored, implementation plans reviewed, strategic changes communicated promptly, correctly and to all the stakeholders to overcome implementation challenges. It would be a great loss of resources if strategies are formulated but due to lack of adequate mechanisms that address implementation challenges their benefits are never reflected in the firm’s shares holder’s value.

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APPENDICES

Appendix I- Questionnaire

Declaration

This research is aimed at identifying the challenges of strategy implementation in firms in the petroleum industry in Kenya and Strategy Implementation practices in petroleum industry in Kenya.

All the answers will be treated objectively; there will be no right or wrong answers to the questions. Information obtained from the survey shall be confidential and is strictly for academic purposes.

Your honest participation will be highly appreciated and will go a long way in contributing to the success of this dissertation.

Part A

1. What is the name of your company……………………………………
2. How long has the company been in the oil business? ………………………….
3. What is the scope of business in Kenya? (Please tick relevant box).
    a) Importation :
        i. Crude [ ]
        ii. White products [ ]
        iii. Others (specify) [ ]
    b) Distribution :
        i. Bulk [ ]
        ii. Retail [ ]
    c) Other (specify) [ ]

4. What percentage local market share of petroleum products does your company currently hold?

0-0.9% [ ] 1-4.9% [ ] 5-9.9% [ ] 10-20% [ ] Over 20% [ ]

Part B (1)

The oil industry experiences various challenges that impacts on its performance. In a scale of 0 to 4, please indicate the extent to which you consider the following items as challenges in your company. Indicate by ticking (√) the appropriate box where 0 is no issue, 1 is a slight challenge with 4 being a major challenge.

Item No.	Challenge	Rating of challenge				
		0	1	2	3	4
1	Legal requirement to process a percentage of a firm’s oil market share as crude oil at KPRL					
2	Unreliable/inefficient KPRL performance					
3	Storage capacity limitations at KOT					
4	Pipeline (KPC) throughput limitations					
5	Volatility of international crude oil prices					
6	Inefficient & narrow network of Railways service leading to the more					

	costly road transportation of oil products					
7	Consistent products quality offered to the customers					
8	Long lead time from crude oil order to delivery of products to customers					
9	High operational costs (distribution, financing, administrative, etc)					
10	Inadequate tax incentives for capital investments					
11	Large oil tankers (over 80,000 tons) cannot be handled at the port of Mombasa					
12	Health, safety and environment concerns					
13	Strategy implementation in the Kenyan context					

PART B (2)

Please apply the following score when rating the importance of strategy implementation practices:

Importance of strategy implementation practice – applicable scores

Not important (1) Slightly important (2) Important (3)

Very important (4)

Strategy implementation Initiatives

Please indicate a score on the importance you assign to the strategy implementation initiatives your company is employing to enhance performance from the list given. If a strategy implementation initiative is not applicable in your company, indicate N/A.

a. Strategic management Practices

i. How is strategic management viewed? [ ]

ii. How is the firm's strategic management practices held? [ ]

iii. How is the involvement of all stakeholders taken in strategy formulation? [ ]

iv. What is the importance of company structure for strategic management? [ ]

v. The importance of adequate strategy communication (horizontally/vertically)[ ]

vi. Other management practices (please elaborate) [ ]

………………………………………………………………………….

b. Strategy formulation

i. Adequate stakeholders buying [ ]

ii. Creating clear mission and vision statements [ ]

iii. Strategy design [ ]

iv. Performance audit analysis [ ]

v. Gap analysis [ ]

vi. Action plan development [ ]

vii. Contingency planning [ ]

viii. Policy deployment [ ]

ix. Evaluation [ ]

Others (specify)

x. ………………………………………………… [ ]

c. Strategy implementation

i. Technology [ ]

ii. Reward system [ ]

iii. Firm structure [ ]

iv. Resource allocation [ ]

v. Job responsibilities [ ]

vi. Prioritization [ ]

vii. Organization structure [ ]

viii. Values [ ]

ix. Beliefs [ ]

x. Individual actions [ ]

xi. Resistance to change [ ]

Others (please specify)

xii. …………………………… [ ]

d. Strategy control

  i. Environmental factors [ ]
  ii. Industry factors [ ]
  iii. Environmental scanning [ ]
  iv. Contingency planning [ ]
  v. Monitoring strategic thrust [ ]
  vi. Milestones review [ ]

  Others (specify)

viii. ……………………………………………… [ ]

e. Strategy innovation

  i. Innovation practices [ ]
  ii. Incremental innovation application [ ]
  iii. Continuous Improvement [ ]
  iv. Operators involved in routine maintenance work [ ]
  v. Every employee from top management to workers involved in strategy innovation management [ ]

f. Business Outsourcing. (Please tick if not used, partially used or fully used

	Not used	Partially	Fully
i. Transportation of petroleum through KPC	[ ]	[ ]	[ ]
ii. Processing of crude at KPRL	[ ]	[ ]	[ ]
iii. Maintenance of facilities	[ ]	[ ]	[ ]
iv. Depot facilities	[ ]	[ ]	[ ]

v. LPG bottling	[ ]	[ ]	[ ]
vi. Lubricant blending	[ ]	[ ]	[ ]
Others (please specify)			
vii. …………………………	[ ]	[ ]	[ ]
viii. ……………………	[ ]	[ ]	[ ]

g. **Strategy implementation practices**

Please indicate the Strategy implementation practices (in order to achieve a competitive advantage for the firm and their customers) your firm has undertaken or is planning to transform the organization. These may be radical changes in business strategy, organizational restructuring and technological investments among others.

	Done	Not done
Planning		
i. …………………………………………………………	[ ]	[ ]
ii. …………………………………………………………	[ ]	[ ]
iii. …………………………………………………………	[ ]	[ ]
iv. …………………………………………………………	[ ]	[ ]

Appendix II – Letter to Respondents

John Kihara Chege

School of Business, University of Nairobi

P.O.Box 30197, Nairobi

August, 2012

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a post graduate student at the University of Nairobi, School of Business. In partial fulfillment of the Master of Business Administration Degree requirements, I am supposed to undertake a management research project in strategy implementation. The title of the study is;

"CHALLENGES OF STRATEGY IMPLEMENTATION FOR THE FIRMS IN THE PETROLEUM INDUSTRY IN KENYA"

I am glad to inform you that your firm has been selected to participate in the survey. This is to kindly request you to assist in data collection by participating in a brief interview. The information you provide will be used exclusively for academic purposes and will be treated with strict confidence.

Your assistance and cooperation will be highly appreciated.

Yours faithfully,

John Kihara Chege	**Dr. Z. B. Awino**
MBA Student	Senior Lecturer (Supervisor)
School of business	School of business
University of Nairobi	University of Nairobi

Appendix III- List of Petroleum Firms

1. Kenol Kobil Limited

2. Total Kenya Limited

3. Kenya Shell Limited

4. Libya Oil Kenya limited

5. Gapco Kenya Limited

6. National Oil Corporation of Kenya

7. Hass Petroleum Ltd

8. Gulf Energy Limited

9. Fossil

10. Bakri International Energy Co. (K) Ltd

11. Hashi Energy Limited

12. Galana Oil Kenya Limited

13. Addax Kenya Limited

14. Engen Kenya Limited

15. Banoda Oil Limited

16. MGS International (K) Limited

17. Trojan International Ltd

18. Royal

19. Jade Petroleum Ltd

20. Oilcom Limited

21. Dalbit Petroleum Ltd

22. East African Gasoil Limited

23. Ainushamsi
24. Riva Petroleum Dealers Ltd
25. Tosha Petroleum Kenya Limited
26. Petro Oil Kenya
27. Global Petroleum Limited
28. Primefuels Kenya limited
29. Intoil Limited
30. Olympic
31. Oilcity
32. Millenium
33. Muloil
34. Al-Leyl
35. Regnol
36. Alba
37. Kenya Pipeline Company Limited
38. Kenya Petroleum Refineries Limited

Source; *Petroleum Institute of East Africa*, List of Petroleum Firms year, 2011.

Appendix IV: Data Collection Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 01/10/2012

TO WHOM IT MAY CONCERN

The bearer of this letter JOHN KIHARA CHEGE

Registration No. D61/P/8594/2005

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
01 OCT 2012
MBA OFFICE
P.O. Box 30197 - 00100, NAIROBI

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

Appendix V: Project Proposal Correction Form

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

PROPOSAL CORRECTION FORM

Student Name: JOHN KIHARA CHEGE

Registration Number: D61/P/8594/2005

Department: Business Administration

Specialization: Strategic Management

Title of Project Proposal: Challenges of Strategy Implementation for firms in the Petroleum Industry in Kenya

The student has done all the corrections as suggested during the Proposal Presentation and can now proceed to collect data.

Name of Supervisor: DR. ZB AWINO Signature .... Date: 1/10/2012

Appendix VI: MBA Project Supervision Allocation Form

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UNIVERSITY OF NAIROBI
DEPARTMENT OF BUSINESS ADMINISTRATION
MBA PROJECT SUPERVISION ALLOCATION FORM

SECTIONA: (To be completed by the student) all details are mandatory.

Name of student.... Gitonga John Kihara .... Mobile phone No. [illegible]

Reg. No. D61/P/[illegible]/2005 Email address.... [illegible]

Proposed Title of the Study..... THE CHALLENGES OF STRATEGY IMPLEMENTATION IN KENYAN PETROLEUM INDUSTRY

....

....

Specialization (Tick as appropriate)

Marketing .... [ ]
Human Resource Management .... [ ]
Strategic Management .... [✓]
International Business .... [ ]
Insurance / Risk Management .... [ ]
Other (specify) ....

Preferred Supervisors (in order of preference):
1. Prof. Ogutu .... 2. Dr. Awino .... 3. [illegible]

Signature of student........ [signature] .... Date 15/06/2012

SECTION B: (To be completed by Allocation Committee)

Name of Supervisor Allocated...... Dr. Awino .... Mobile No 0720-56531

Name of Co-Supervisor, if any........ Mobile No........

Total number of students allocated to the supervisor within the year to date........

Name of person who will Moderate the Proposal...... Prof. Ogutu

Committee Secretary:

Name........ Signature........ Date........

Thematic Coordinator:

Name........ Signature........ Date........

Chairman of Committee Maalu .... Signature [signature] .... Date 18/6/[illegible]

Name........

Chairman of Department: [signature] .... Signature [signature] .... Date 1/8/20[illegible]

Name........

CHAIRMAN
BUSINESS ADMINISTRATION DEPT.
UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
P. O. Box 30197, NAIROBI.

Note:

1. This form is available in the department. Students get their copies later from the department after allocation is done.
2. The approved copy of this must be attached to the proposal when submitting for moderation and presentation.

Original to be filled in the Department
Copy 1 (photocopy) to be filed by Thematic Coordinator
Copy 2 (photocopy) to be filed by the Supervisor
Copy 3(photocopy) to be filed by the student