

**CHALLENGES OF STRATEGY IMPLEMENTATION IN  
TULLOW COMPANY, 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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**D61/76436/2012**

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

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## **DEDICATION**

I wish to dedicate this project to my late wife Caroline C. Mutai whose impressive career and academic advancement inspired me to believe that I was capable of undertaking this project and to my wife Lilian and the children, without whom, this project would have been completed much earlier.

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## **ABBREVIATIONS AND ACRONYMS**

**CSR** Corporate Social responsibility

**PLC** Public Listed Companies



## **ABSTRACT**

Many oil and gas companies especially the BG Group Plc (British Multinational oil and gas company) are reluctant to proceed with the drilling of exploration wells due to lack of natural gas terms in the current model production contract which has a bias on oil terms. Need for new, breakthrough technologies that can help find, develop and produce more oil and gas. This creates a major hindrance for oil and gas companies to effectively drill oil and gas in developing economies like Kenya. The study sought to determine the challenges of strategy implementation by Tullow Company, to achieve this objective, the study used a case study of Tullow Company and the primary data was collected using an interview guide that sought answers through open ended questions gathered from the interviewees. Primary data was collected from all the three interviewees as planned. These included departmental heads of Finance, Marketing and Operations. Data analysis was done using content analysis. The study concludes that the main challenges facing Tullow Company in strategy implementation include failure to involve the local community, insecurity and political instability. These challenges according to the findings are a key hindrance towards the realization of strategy implementation. Poor means of communication between the head office and the drilling points led to lack of effective coordination of activities and information flow. To deal with these challenges, Tullow Company intends to engage with the local communities through training. This will enable them to understand and cooperate with other employees of Tullow since they feel as part of the process. Oil producing communities must feel tangible benefits both through employment and through local tenders for goods and services. The revenue that Kenya derives from oil must be shared out between the national government, the county government and regional committees where the oil is found. The government should consider reducing barriers through creating an enabling environment in order to provide conducive environment for attracting local and international partners. This is because investors play an important role in creating job opportunities and domestic tourism, this play an important role in growth and development of an economy. The study recommends that the legal and regulatory framework in Kenya should be improved. A new version of Kenya's petroleum law was last revised in 1986. Currently; it is being drawn up, notably in the light of new environmental requirements this will create a new upstream regulator and strengthen a number of other bodies, with the aim of leaving the ministry in charge of policy and creating a petroleum directorate responsible for ensuring that companies stick to the terms of their contracts. The existing National Oil Company (NOCK) should be the joint venture partner with oil companies in Kenya. The study limited itself to a case study of Tullow Company and thus the findings obtained cannot however be used to make generalization for all the international oil drilling companies in Kenya.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background**

Today's competitive environment requires careful analysis in designing the organization structures and culture most suitable to build and sustain competitive advantage. Strategic planning is critical to business success. Different from classic business planning, the strategic planning involves vision, mission and outside-of-the-box thinking. Strategic planning describes where an organization wants to go and is important to an organization because it provides a sense of direction and outlines measurable goals. Strategic planning is a tool that is useful for guiding day-to-day decisions and also for evaluating progress and changing approaches when moving forward. The firm's strategy is implemented in a changing environment, successful implementation requires strategic control to steer the firm through an extended future time period. The overriding concerns in executing strategies and leading a company are survival, growth and prosperity (Thompson and Strickland, 2002).

This study is informed by resource dependency theory: resource based theory proposes that actors lacking in essential resources will seek to establish relationships with others in order to obtain needed resources. Organizations attempt to alter their dependence relationships by minimizing their own dependence or by increasing the dependence of other organizations on them. Within this perspective, organizations are viewed as coalitions altering their structure and patterns of behavior to acquire and maintain needed external resources (Pfeffer and Salami, 2003). The theory of Explicitly Formulated Strategy emphasizes that strategy is smallest set of choices to guide all other choices of an organization (Eric Van den Steen, 2012).

The history of oil marketing in Kenya began in 1900s. Initially kerosene was the main import in tins but later gasoline was imported in tins and drums as well. Oil and gas marketing has been dominated by international oil companies with BP and Shell carrying out exploration work in the 1950s with the first exploration well being drilled in 1960. Other international oil and gas companies who have ventured into exploration work include Exxon, Total, Chevron, Woodside and CNOOC.(Deloitte 2013). In the recent past the government has encouraged local companies to enter into the industry. The major ones are currently involved in only oil marketing and they include National Oil, Kenol Kobil, Hashi Energy and Hass Petroleum.

The discovery of oil and gas in Kenya has attracted many drilling companies who have shown great interest in extracting the resources and are now engaged in cut-throat competition for drilling wells. Extraction of these resources will have significant impact on the economy as they are primary sources of energy and are important inputs in the production processes. Any rise in oil prices for example, invariably leads to increases in production costs which would result in increases in the prices of consumer goods and services. However, most of these oil and gas drilling firms are international and are unfamiliar with the local Kenyan environment in terms of culture, the people, the politics, technology and infrastructure among others. This raises the need for the oil exploration and drilling companies to implement strategy in order to counter challenges and thus effectively achieve their vision and mission.

Tullow Company plays an important role of drilling oil and gas in Kenya. As Tullow Company tries to carry out its operations it's faced with various challenges for example inadequate camp facilities, material storage yards and work areas for contractors, language barrier, technology. The plunged oil prices in the international market just when the firm was gearing up to go into production have introduced a new

twist into the already complicated oil marketing environment. In the local Kenyan operating conditions, the new constitution has created two levels of government, the county and the national. The county governments are semi-autonomous with powers to enact their own legislations. Many times the county legislations and county economic agenda are at variance with the national ones. These bring confusions as to how to comply with both differing legislations. These challenges slow down the company's operations and might impact negatively on its strategic goals and objectives.

### **1.1.1 Strategy Implementation**

Thompson (2005) asserts that strategy implementation is the process of allocating resources to support the chosen strategies. This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals. In trying to manage the implementation and execution of a strategy, the organization should take into account operations of the organizations to ensure that they are in line with the strategies to shape the performance of the core business activities in a strategic manner (Strickland, Gamble and Jain, 2008).

Strickland et al. (2002) points out that successful strategy implementation are important for an organization. Without implementation, even the most superior strategy is useless. The notion of strategy implementation might at first seem quite straightforward: the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure.

Transforming strategies into action is a far more complex and difficult task. Strategy implementation assists the organization to realize its vision and mission since it involves actual deliberation of the strategic plan. The significance of strategy implementation realization of the set targets and goals; that lead the firm towards achieving its vision this is achieved through aligning the organization and resources to the set strategic plan (Porter, 2008).

### **1.1.2 Challenges of Strategy Implementation**

A myriad of challenges face strategy implementation, these challenges are as follows:

This study has however discussed the following challenges: poor planning, resources, poor leadership and management commitment. According to Dooley et al. (2000) the process of putting together or identifying of strategies suitable for the firm to implement is often flawed as the planners are often not sincere to themselves about the company's situation and needs as well as the changes that are required to steer the company forward. Beer (2000) puts forth that the same planners sometimes fail to be realistic in the strategy identification and leaders who are overly ambitious may wrongfully develop strategies that unachievable in their bid to beat competitors in the same field. For this reason the strategies that are written are often way too difficult to achieve and some do not reflect the needs that the firm requires to move in the right direction. When organizations adopt such weak and unrealistic strategies, they end up making fruitless efforts without success (Dooley and Judge, 2000).

Sometimes lack of resources and facilities is a key challenge in strategy implementation. This is common to most organization; to effectively implement a strategy the organization should allocate adequate resources to ensure successful strategy implementation. On the other hand, there is a greater need to involve partners in the initial stage of planning in order to ensure their support that leads to success in

this undertaking. Hrebiniak (2006) argue that if the management of the firm is poor and does not care to work with all stakeholders and instead take it upon themselves to do the planning without consulting others, the implementation process is often doomed as it will lack the goodwill of the stakeholders.

Rumelt (2001), indicated that incompetent leaders of an organization tend to view the process of implementation as ending at the writing stage and are unwilling to put any efforts in the difficult stage of the process which is always the implementation and involves a strenuous task of decision making. This challenge is worsened by the failure of the stakeholders to demand accountability from such leaders. Prahalad and Hamel (2002), assert that in order to take important steps towards the success in the implementation process of strategies, there must be a general move by the people involved towards adopting the proposed changes.

### **1.1.3 Tullow Company Kenya**

Tullow oil Plc is a multinational oil and gas exploration company founded in Tullow, Ireland with its headquarters in London, United Kingdom. It has interests in over 150 licenses across 25 countries with 67 producing fields and in 2012 produced on average 79,200 barrels of oil equivalent per day (Some, 2013). Its largest activities are in Africa and the Atlantic Margins, where it has discovered new oil provinces in Ghana, Uganda, Kenya and French Guiana. The Group is entering its next phase of growth with a major focus on Africa and the Atlantic Margins basin, where Tullow is already a dominant player following exploration success in the named countries (Some, 2013).

Tullow's main production comes from six countries in Africa as well as the Southern North Sea and Asia. Ghana's offshore Jubilee oil field which was discovered in 2007

and started production in December 2010 is Tullow's largest discovery. In Kenya, the company discovered more than 250 million barrels of oil, at the Ngamia 1 and Twiga South wells in the Lokichar basin in North Eastern Kenya. It also made a discovery at Kenya's Etuko 1 well, while the Sabisa 1 well in Ethiopia encountered oil and heavy gas. The company, with partner Africa Oil, plans to drill about 10 wells in Kenya and Ethiopia to explore the Turkana Rift Basin. Oil and gas resources are among the few resources Kenya has that attracts international business Companies for instance Tullow. Global business has attributed to increased competition as more Companies seek opportunities for untapped resources.

## **1.2 Research Problem**

Implementation of strategy is one of the ways to deal with challenges in the business environment. Successful implementation of strategy enables the organization to realize its vision and mission however, it is not easy the organization has to ensure that its strategy is compatible with its goals and objectives. This involves putting resources and people together and working towards the strategic organizational goals. Reed & Buckley (2001) posit that implementation of strategy is a way in which an organization match its resources, structures, top leadership and culture with the vision and the mission. This provides a clear direction and a guide in realizing successful strategy implementation.

Many oil and gas companies especially the BG Group Plc (British Multinational oil and gas company) are reluctant to proceed with the drilling of exploration wells due to lack of natural gas terms in the current model production contract which has a bias on oil terms. Need for new, breakthrough technologies that can help find, develop and produce more oil and gas. This creates a major a hindrance for oil and gas companies to effectively drill oil and gas.

Tomaz and Pucko (2010) carried out a study on the factors of effective strategy implementation of 46 Slovenian companies in Kenya. It was concluded that poor leadership was the biggest challenge towards strategy execution. Gestion (2009) also investigated on the challenges of strategy implementation among law firms in Asia and the findings revealed that strategic planning remains a top priority among successful law firms. Salem (2005) did a study on the extent to which strategy implementation problems recurred in the Saudi Arabian Petrochemical Industry Two of the implementation problems were linked to human elements in the process of implementation. Research results indicate the need for effective management support systems for staff employees, strategy-structure alignment, effective compensation systems, and top management involvement in order to facilitate the process of implementation.

Studies have been done on challenges facing strategy implementation in Tullow Company: Anyango (2007) examined the challenges of strategy implementation: a survey of multinational manufacturing companies in Kenya. The findings revealed that high staff turnover, fear of change cultural restraint and inadequate staffing were the main challenges facing strategy implementation. Some (2013) did a study on the factors that attract Tullow Company to invest in oil and in Kenya. The results showed that some of the challenges faced by Tullow Company were lack of clear policies on oil and gas exploration and poor infrastructure development. Lomunan (2014) studied stakeholder involvement in the realization of strategic objectives at Tullow oil, Kenya. The results showed that proper stakeholder involvement led to increased efficiency and reduction of costs in their operations, as a result of greater cooperation and or reduced stakeholder conflicts. Kagu (2014) determine the challenges facing oil marketers in Kenya in the implementation of electronic payment systems as a strategy



to enhance performance. The findings revealed that lack of adequate funds, competent staff and resources was a major hindrance towards strategy implementation of electronic payment system.

From the above studies, none has so far examined the challenges facing Tullow Company in strategy implementation and ways of resolving these challenges. This study therefore attempts to answer the question: what are the challenges facing strategy implementation by Tullow Company Kenya?

### **1.3 Research Objective**

To determine the challenges of strategy implementation by Tullow Company Kenya.

### **1.4 Value of the Study**

The study findings have informed Tullow Company and other international oil and gas companies drilling or prospecting to drill oil and gas in Kenya. They have learned on the importance of strategy implementation and its contribution towards achieving their goals and objectives. They have also learned the challenges that face oil and gas companies when they prospect for oil and gas in Kenya and possible ways of dealing with these kinds of challenges.

The policy makers and the government might use the findings of this study to encourage and promote international oil drilling companies to implement strategies in order to effectively cope with the local environment and work towards realizing the goals. The government can also use the findings of this study to identify some of the unanticipated challenges faced by oil and gas drilling companies. This will help in putting up a regulatory framework to ensure that the environment is conducive for drilling oil by international companies. The study has contributed to the existing literature. It has also added more information on the challenges facing strategy

implementation by oil and gas companies and how they resolve these challenges. Researchers interested in this line of study might use the findings of this study as a reference point for further research.

### **1.5 Chapter Summary**

This chapter has provided the background of the study which brought out the conceptual discussion on the relevance of strategy implementation in a dynamic environment. This part critically reviews how the organization should adapt itself in order to survive in both the external and the internal environment.

The background also captures the theories that support this study; these theories are deemed to be an essential part in the background since they give a basis and support the variables under investigation. These theories are: resource dependency theory and institutional theory. In the background, that study has also contextualized the study by explaining some of the current challenges that Tullow Company Kenya face as it undertakes its operations in Kenya and how it responds to the various challenges in the external environment.

To effectively communicate to the reader, the study has discussed the following concepts: strategy implementation and challenges of strategy implementation. In addition, the study has discussed the situation analysis of Tullow Company Kenya to give a clear picture of its current situation, its operations, history and organizational structure. The problem statement shows the conceptual discussion, its motivation of this study, global and local studies that have researched in this field, knowledge gaps and research questions. The research objective has been stated to guide the entire study. The value of the study has also been discussed in terms of theory, policy and practice.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter covers the theoretical foundation, challenges of strategy implementation and ways of dealing with these challenges, empirical review and summary of the literature review and knowledge gaps.

#### **2.2 Theoretical Foundation**

This section covered the theories that support this study, these theories include: resource based theory and institutional theory.

##### **2.2.1 Resource Based Theory**

According to Pfeffer and Salancik (2003) actors lacking in essential resources will strive to establish relationships with others to get the resources. This theory is important to the study because it demonstrates the extent to which a firm can go to acquire resources to execute its plans in order to achieve its goals. Organizations attempt to alter their dependence relationships by minimizing their own dependence or by increasing the dependence of other organizations on them.

Organizations depend on multidimensional resources: labor, capital, raw material among others. Organizations may not be able to come out with countervailing initiatives for all these multiple resources. Hence organization should move through the principle of criticality and principle of scarcity. Critical resources are those the organization must have to function (Pfeffer and Salancik, 2003).

The challenge for organizational survival occurs not only because organizations depends on their environment, but also because the environment is not dependable (Porter, 2008). The environment change as resources and flow and new organizations

enter and exit. As the surrounding circumstances change, organizations face the prospect of either not surviving or adapting in response to these environmental challenges. The diversification of an organization's activities does not reduce its dependence on the environment, but merely alters the nature of the interdependence and structures of organizational dependence so that it is more readily managed (Pfeffer and Salancik, 2003).

The assumptions of this theory are that organizations comprise of internal and external coalitions which emerge from social exchanges that are formed to influence and control behavior. The environment is assumed to contain scarce and valued resources essential to organizational survival. As such, the environment poses the problem of organizations facing uncertainty in resource acquisition. Organizations work toward two related objectives these are acquiring control over resources that minimize their dependence on other organizations and control over resources that maximize the dependence of other organizations on themselves. Attaining either objective is thought to affect the exchange between organizations, thereby affecting an organization's power.

### **2.2.2 Institutional Theory**

North (1991) argues that organizations are influenced by normative pressures, sometimes arising from external sources such as the state, other time arising from within the organization itself. Under some conditions, these pressures lead the organization to be guided by legitimized elements from standard operation procedures to professional certification and state requirement, which often have the effect of directing attention away from task performance.

Adoption of these legitimized elements, leading to isomorphism with the institutional environment, increases the probability of survival. Institutions vary widely in their consequences for economic performance; some economies develop institutions that lead to growth and development, while others develop institutions that stagnate later. North first explores the nature of institutions and explains the role of transaction and production costs in their development (Weyland, 2005).

Thelen (2003), argues that institutions create the incentive structure in an economy, and organizations will be created to take advantage of the opportunities provided within a given institutional framework. North (1990) posits that the kinds of skills and knowledge fostered by the structure of an economy will shape the direction of change and gradually alter the institutional framework.

### **2.2.3 Open Systems Theory**

Boje and Gephert (1997), posit that an open system interfaces and interacts with its environment, by receiving inputs from and delivering outputs to the outside, is called an open system. They possess a permeable boundary that permits interaction across its boundary, through which new ideas are readily absorbed and thus allowing the integration and dissemination of useful ideas (Cherrington, 1994). This makes it easier to cope with the changes in the external environment which they operate. As the environment influence the system, the system also influence environment. Allowing the open system to ultimately sustains growth and serves its parent environment, and so have a stronger probability for survival.

The environment consists of four influences that originate from the geographic area in which the organization operates (Gortner, Julianne and Bell, 1997). These are: cultural values, which shape views about ethics and determine the relative importance

of various issues. Economic conditions include economic upswings, recessions, regional unemployment, and many other regional factors that affect a company's ability to grow and prosper. Economic influences may dictate an organization's role in the economy (Hatch and Mary, 1997).

Pfeffer (2003), argued that the legal or political environment effectively helps to allocate power within a society and to enforce laws. The legal and political systems in which an open system operates can play a key role in determining the long-term stability and security of the organization's future (Gortner, Julianne and Bell, 1997).

Hatch and Mary (1997), these systems are responsible for creating a fertile environment for the business community, but they are also responsible for ensuring regulations pertaining to operation and taxation that the needs of the larger community are addressed. On the other hand, quality of education is an important factor in high technology and other industries that require an educated work force. Businesses will be better able to fill such positions if they operate in geographic regions that feature a strong education system.

This theory shows that the organization is an open system that may be affected by the changes in both the external and internal environment. The organization gets its inputs from the external environment and generates its output. This process might be complex to achieve if certain factors in the environment inhibit or accelerate this process. In this case, due to changes in the external environment for example competition and technology that has accelerated competition in the oil industry; it is advisable for Tullow Company to adopt strategies in order to cope with this kind of competition.

## **2.3 Strategy Implementation**

Pearce and Robinson (2004) strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage.

Well designed and formulated strategies might be unsuccessful if they are not properly implemented. Strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure and resource-allocation process. Strategy implementation poses a threat to many managers and employees in an organization. New power relationships are predicted and achieved. New groups formal as well as informal are formed whose values, attitudes, beliefs and concerns may not be known. With the change in power and status roles, the managers and employees may employ confrontation behavior. The study has discussed some of the challenges that organizations faced during strategy implementation.

Strategies implementation is challenging and tedious to most firm managers due to complexity and risks involved. Most managers prefer to participate in the formulation of a strategy rather than its implementation because success in strategy implementation is not a guarantee. Unsuccessful strategy implementation may

negatively impact on the organization this may expose the organization to losses hence failure to achieve corporate goals (Pearce and Robinson, 2007).

According to Thompson and Strickland (2002), strategy implementation is about managing new opportunities. The strategy that is chosen should be one that optimizes the resources available in order to achieve organizational goals and objectives. Strategy Implementation has also been defined as “the process that turns strategies and plans into actions to accomplish objectives” .It addresses who, where, whom and how to carry out strategic implementation process successful.

Galbraith (2000), explains that adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include annual objectives, policies, resource allocation, management of conflict, organization structure, managing resistance to change and organizational culture. In developing policies during the implementation process, methods, procedures, rules and administrative practices are established. He further argues that, strategies which are implemented within an organization should support the culture associated with the firm.

Leaders should be at the forefront in dealing with sensitive issues in strategy implementation such as resource mobilization, restructuring, culture changes, technological changes, process changes, and leadership changes. If implementation is not effectively managed, the strategic plan may not be fruitful (Beer and Eisenstat, 2000). Visionary form of leadership is essential in motivating and inspiring through steering the organization to undertake changes which are necessary in strategy implementation. The top level management should cultivate team spirit and act as a vehicle in strategy implementation process. The middle level managers need to team



up with top managers in implementing strategy. Strategy implementation may necessitate leadership changes through transfers, retirements, demotions, promotions hiring and training. Some of these are necessary to pave way for the desired leadership. Corporate culture entails beliefs and values members of a certain organization share through unity in enhancing compatibility with strategies being implemented in the organization. According to Pierce and Robbinson (2007), organizational leadership and management's role is ensuring that culture and strategy are compatible and working together to achieve organizational goals and objectives.

## **2.4 Challenges Facing Strategy Implementation**

There are various challenges that hinder strategy implementation in an organization and this might interfere with the mission and the vision of the organization if immediate action is not taken to counter these challenges. These include Organizational structure.

Organizational structure is one of the challenges that face organizations during strategy implementation. This is because the structure of the organization has to accommodate the set goals and the objectives. The structure of the organization should be compatible with the strategies in place. The management and the employees should be aligned in a way that enhances effective coordination of activities in a manner that accommodates various changes in the environment. The structural setting of the organization should be flexible to allow exchange of ideas and concepts that are essential for successful strategy implementation. The controls in place should support the designed strategies to create an enabling environment for successful strategy implementation.

Bloisi (2007) highlights importance of structure as a mean of getting people work towards common goals thus acting as facilitator in pursuit of organizational goals. Looking simple but organization will have to make sure that employees identify with organizational thoughts and willingly forgo personal interests. Thus putting greater burden while designing structure which accommodates employees and harnesses an environment where staff takes organizational goals as their own and share believe of being valued through their work, hence good structure should provide right blend of command and control plus employee independence without feeling of resentment that hinders organization pursuit of its mission.

Superior structure promotes cultural values; cultivate integration and coordination as it seeks to strengthen relationship of individuals and tasks. Jones (2007) notes that from this relationship emerge norms and rules contributing to improved communications and common language that improves team performance. Contrary to Jones, Turner (2006) points to structure as primary reason why organization struggle with cultural change as these structure often box people in old styled formations which are not aligned to new business philosophies.

According to Turner (2006) one-to-one communications can be fraught with challenges and misunderstandings. By communicating purposefully and focusing on results and relationships, businesses can leverage effective communication strategies to effectively implement strategy. An open communication environment is one in which all members of the organization feel free to share feedback, ideas and even criticism at every level. Leaders who are committed to open communication build an environment of trust that can be the foundation for success.

An inclusive communication strategy is one in which explicit steps are taken to ensure that all employees feel they are involved in decisions that affect their day-to-day work. Organizations with a secretive communication environment shut people out, which can stifle involvement and result in lost ideas and opportunities. Employee involvement is a key factor that affects employee satisfaction and success. Effective communication plays a key role in training, knowledge dissemination learning during the process of strategy implementation. Communication is pervasive in most aspects of strategy implementation since it relates to complex ways of organizing processes, organizational context and implementation objectives which, in turn, have an effect on the process of implementation. Communication barriers are reported more frequently than any other type of barrier for example structural barriers (Mullins, 2007).

To effectively achieve strategy implementation, Tullow Company recognizes that, in these demanding times, it is important to continue maintain an open and transparent communication with shareholders and potential investors. This is achieved through meetings, presentations, investor conferences and ad hoc events with institutional investors and sell-side analysts.

Organizational culture includes the shared beliefs, norms and values within an organization. It sets the foundation for strategy. For a strategy within an organization to develop and be implemented successfully, it must fully align with the organizational culture. Thus, initiatives and goals must be established within an organization to support and establish an organizational culture that embraces the organization's strategy over time (Turner, 2006).

Culture is a major hindrance towards strategy implementation. To succeed in this, the organization should create an environment that connects employees to the organization's mission and that makes them feel comfortable. To reinforce the importance of focusing on strategy and vision, reward success. Develop some creative positive and negative consequences for achieving or not achieving the strategy. The rewards may be big or small, as long as they lift the strategy above the day-to-day so people make it a priority (Wernerfelt, 2001).

According to Beer and Eisenstat (2000) part of cultural alignment and strategy implementation is process implementation. Processes include utilizing technology to facilitate goal attainment and the results a company is looking for when working with customers to meet their needs. While most of the time the hard problems and needs of an organization get met, the culture becomes neglected in the process. That is where processes come into place and strategy implementation gradually comes into existence to uphold and maintain organizational culture and strategies.

When culture aligns with strategy implementation, an organization is able to more efficiently operate in the global marketplace. Culture allows organizational leaders to work both individually and as teams to develop strategic initiatives within the organization. These may include building new partnerships and re-establishing old ones to continue delivering the best possible products and services to a global market. Flexible, strong and unified cultures will approach strategy implementation and affect implementation in a positive manner by aligning goals. Goals can come into alignment when the organizational culture works to focus on productivity and getting the organization's primary mission accomplished (Noble, 2001).

Thompson (2005) posits that resources are one of the key hindrances towards successful strategy implementation. The organization should set aside sufficient funds and enough time to support implementation. Often, true costs are underestimated or not identified. True costs can include a realistic time commitment from staff to achieve a goal, a clear identification of expenses associated with a tactic, or unexpected cost overruns by a vendor. Additionally, employees must have enough time to implement what may be additional activities that they aren't currently performing (Jones, 2007).

People serve as key strategic resource; therefore it is essential for organizations to effectively utilize the know-how of their employees its employees to boost its core competence. The management is charged with the responsibility of allocating employees to their most useful tasks as well as coordinating and integrating activities of participating employees and functions (Thompson, 2002).

Pearce and Robinson (2004) indicate that as provided in the formulation and planning part of the strategy implementation there is also a need to choose the right people for the right responsibility. Important in this context is not to throw away important knowledge by the wrong allocation or by to little connection of employees. Thus a certain degree of freedom is necessary to leave room for experiments by the employees and develop creativity to solve challenges. Sometimes adjustments of some resources to improve the process are necessary, therefore the management should monitor the process closely to intervene at the right time (Buchanan and Huczynski, 2004).

It is worth noting that resources; facilities and finances are important in strategy implementation. They serve an important purpose in assisting in strategy

implementation. The top management should also give rewards and recognition to performing employees to encourage and motivate them to work harder.

Thompson and Strickland (2002) argue that most organizations fail due to lack of proper coordination in the organization. Team members must trust and respect each other. There must be open communication and a willingness to accept input from others. Since in all teams there are conflicting goals, decision-making must be based on a collaborative approach. Collaboration ensures that no one person, group, organization or institution is fully in charge of anything, but rather, many are involved and shoulder a certain amount of responsibility. This causes the strategic planning process to be more challenging and speaks to the need for more discussions, negotiations and coordination in the handling of affairs.

Mullins (2005), argues that cooperation is another partner in the strategic process. In the absence of cooperation is competition. Cooperation includes partnering with others in terms of resources, capabilities, and competencies in pursuit of mutual interests for the advancement of goals. This combination of efforts in production, purchase, or distribution is a form of joint benefit, very fundamental to success.

In any organization, country or initiative, all members must be organized in such a manner as to ensure that overall strategic objectives are achieved and each individual makes a contribution. Thus, coordination is vital. All departmental plans and budgets must be coordinated to ensure they are working together to achieve organizational aims. Coordination makes sure that all workers and departments know what they need to achieve and when. In this way, work flows from one department to another without obstruction (Rumelt, 2001).

## **2.5 How to Deal with Strategy Implementation Challenges**

To successfully deal with strategy implementation, then organization should allocate adequate resources for instance time to ensure successful strategy implementation. The process of implementation requires discipline, planning, and motivation; the top and lower level management must work together towards realizing goals and objectives. The firm's management should create adequate time in explaining the importance of strategy implementation to the employees to ensure that they understand its importance (White, 2006).

According to Thompson and Strickland (2002) the organization should uphold and implement effective communication from top to bottom. This is meant to enhance interaction and involvement of the middle level management, the employees and the top level management. Successful strategy implementation depends on the level of involvement of middle level managers since they relate and interact with employees directly and thus understand the challenges that the employees face during strategy implementation. Communication should be emphasized during implementation.

To deliberate on strategy implementation, the middle level managers must be fully involved in strategy implementation. Managers form part of the strategy implementation process since their motivation towards a successful implementation increase since they see themselves as an important part of the implementation process. The organization should adapt a flexible organizational structure that can effectively accommodate the changes in the environment. The set goals and objectives should be compatible with the strategy in place. Some of the strategy implementation instruments include the balance score card which is a popular and prevalent management system that considers financial as well as non-financial measures. It

provides a functionality to translate a company's strategic objectives into coherent set of performance measures (Noble, 2001).

Organizations succeed or fail in implementing their strategies primarily because they do not first evaluate their available resources. Resources include money, people and time. Evaluating resources means that your business considers all of the constraints and accelerators that can help it to implement its strategies. This includes budgeting, human resources and skill sets, the corporate culture and the reliability of key stakeholders. Assessing these things upfront helps the business to identify gaps and to put measures in place to deal with potential hitches.

Thompson and Strickland (2002), explain that organizations should invest in technological infrastructure that gives an organization valuable assistance in implementing new policies, procedures and initiatives. Firms make use of technology to enhance and maintain communication and accountability for the all relevant managers and operational employees throughout the change process, and to keep track of implementation and performance goals and their achievement. Technology is instrumental in strategy implementation and execution.

Team work plays an important role in strategy implementation. A highly motivated team work together and encourage each other in achieving organizational goals and objectives. In building up an effective team, it is important that the team members share the same vision and mission. This binds them to focus and work towards achieving similar goals and objectives. It easier to work in a team since through one can share ideas and information that is useful in strategy implementation (Rumelt, 2001).



## **2.6 Empirical Studies and Knowledge Gaps**

Thompson and Strickland (2002), studied the challenges of strategy implementation in service firms in United States. A survey of 96 managers operating manufacturing firms was carried out. The results found that matching between the strategy and capabilities of the firm was the greatest challenge.

Ortega (2010) argued that lack of resources was a key impediment towards successful strategy implementation. According to the white paper of strategy implementation of Chinese corporations in 2006, that 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process (White, 2006).

Nyambane (2012) did a study on the challenges facing strategy implementation of blue Ocean strategies in large indigenous banks in Kenya. The study used a descriptive survey research design. Primary data was collected through semi-structured questionnaire from 45 managers. The results concluded that the challenges of strategy implementation include organizational culture, organizational structure, resources and capacity building, leadership and senior management.

Mbogoh (2014), investigated the challenges of implementing corporate social responsibility strategies by commercial banks in Kenya; a cross-sectional research design was used and primary data was collected using a structured questionnaire. Data was collected from 35 respondents that were considered a sufficient representation of the whole population. The results concluded that the challenges affecting implementation of CSR strategies by commercial banks include macro-environment challenges, industry specific challenges and other challenges.

Polle (2012), studied the challenges of strategy implementation facing audit firms in Nairobi, Kenya. The study adopted a descriptive survey and primary data was collected using an interview guide. Six (6) senior managers were interviewed and the findings observed that there were several challenges facing audit firms in the implementation of strategy, mostly due to insufficient financial resources and technology to execute their duties.

The review show that organizations operate in a dynamic environment that keeps on changing. To survive in this kind of environment, firms must adopt and implement strategies as way of responding to these changes since they depend on external environment for their inputs. This conclusion is consistent with the findings and assumptions held by resource dependency and institutional theories. Some studies have been done on challenges of strategy implementation; however none of the studies have attempted to determine the challenges facing strategy implementation by Tullow Company Kenya and ways of dealing with these challenges.

## **2.7 Chapter Summary**

This chapter covered the theories that support this study which are; resource based theory, institutional theory and open systems theory. The resource based theory postulated that by Pfeffer and Salancik (2003) maintained that organizations attempt to alter their dependence relationships by minimizing their own dependence or by increasing the dependence of other organizations on them. Organizations depend on multidimensional resources: labor, capital, raw material among others. Institutional theory on the other-hand argued that organizations are influenced by normative pressures, sometimes arising from external sources such as the state, other time arising from within the organization itself. Open Systems Theory was put forth by Boje and Gephert (1997), posit that an open system interfaces and interacts with its

environment, by receiving inputs from and delivering outputs to the outside, is called an open system.

The study also discusses the importance of strategy implementation and its relevance in enabling the organization to realize strategy implementation. Strategy has been defined as a translation of chosen strategy into organizational action so as to realize strategic goals and objectives. The literature has also discussed the challenges that face an institution during strategy implementation some of the challenges emanate from the external environment while other challenges are inherent within the organization. However, ways of dealing with these kinds of challenges have been discussed as a way of enabling the organization to survive in the external environment. Some of these challenges involve huge resources and finances while others require improving working relations between the employer and the employee as well as environment conservation.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter gives the research methodology that was used to achieve the objectives of the study. It comprises of the research design, data collection tools and data analysis techniques.

#### **3.2 Research Design**

According to Kothari (2004), a research design is a detailed plan of how an investigation will take place, this includes how data will be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing the data collected. The study used a case study research design.

This study will use a case study research design. According to Goodwin (2012) a case study is an in-depth investigation of an individual or institution whose key goal is to determine the factors and relationships that led to the behavior under investigation. A case study is most appropriate when the study is focusing on a single organization. This is because it analyzes information in a systematic way to arrive at logical and plausible conclusions.

#### **3.3 Data Collection**

Primary data was used for purposes of data collection. This kind of data was collected using an interview guide that answers open ended questions gathered from the interviewees. Primary data was collected from three departmental heads namely; Finance, Marketing and Operations. This category of the respondents was chosen because they are highly involved in strategy implementation and thus they are well versed with the challenges faced by Tullow Company Plc in strategy implementation for the period that the organization has been in Kenya.

The interview guide contained three sections these sections include: A, B and C: section A contained questions on the general information about the company and the interviewees. Section B contained questions on the challenges facing Tullow Company Plc in strategy implementation. Section C contained questions on how Tullow Company Plc addresses the challenges facing strategy implementation.

To ensure accuracy and reliability of data collected, a face to face interview was conducted with the three heads of departments these are: the Exploration manager, the Operations Manager and the Marketing Manager. This is because they are highly involved in the process of strategy implementation at Tullow Company, Kenya. Appointments were sought from the departmental heads to ensure that the interview sessions are conducted at their convenient time that will ensure adequate and ample time to respond to the questions.

### **3.4 Data Analysis**

Content analysis allows researchers to analyze socio-cognitive and perceptual constructs that are difficult to study via traditional quantitative archival methods. At the same time, it allows researchers to gather large samples that may be difficult to employ in purely qualitative studies.

Content analysis is a class of research methods at the intersection of the qualitative and quantitative traditions. Case studies are promising for rigorous exploration of many important but difficult-to-study issues of interest to organizational researchers in areas as diverse as business policy and strategy, managerial and organizational cognition, organizational behavior, human resources, technology and social-issues management, technology and innovation management, international management, and organizational theory.

### **3.5 Chapter Summary**

The chapter provides the research methodology that was used to achieve the objective of this study. The study was conducted using a case study research design of Tullow Company Kenya. This research design was considered appropriate since the study concentrated on a single organization. With this design, the study was able to analyze information in a more systematic way which led to logical and plausible conclusions. The researcher was able to make an in-depth investigation that involved a direct interaction with the interviewees; this allowed for more details and first-hand information. The interviewer booked and arranged for the interviews with the three heads of departments who were the exploration managers, the operations managers, and the marketing managers. The interviewees turned up for the interviews and created adequate time to respond to the various questions that were posed by the interviewer.

The interview guide was used for data collection; it consisted of three which were structured in three sections to allow the researcher to collect relevant and accurate information that was intended to answer the research questions. The interview guide was structured as follows: section A that consisted of questions on the general information about the company and the interviewees. Section B that consisted of questions on the challenges facing Tullow Company Plc in strategy implementation. Section C that consisted of questions about the measures that Tullow Company Kenya took to counter challenges that faced strategy implementation. Data analysis was done using content analysis because it allowed the researcher to analyze socio-cognitive and perceptual constructs that were difficult to study through traditional quantitative archival methods. The researcher was able to gather large samples of data that was difficult to employ in purely qualitative studies.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter provides data analysis and findings that were collected and gathered from the interviews in line with the objective of the study which was to determine the challenges of strategy implementation by Tullow Company Kenya. The chapter is structured as follows: Background information, challenges of strategy implementation by Tullow Company and ways of dealing with the Challenges Facing Strategy Implementation at Tullow Company.

#### **4.2 Background Information**

The interviewees were asked to indicate the department that they belonged; it was found that two of the interviewees worked in the Operations department while one of the interviewees worked in the Finance department. Both the Exploration and the Marketing Manager worked in the Operations department while the Human resource Manager worked in the human resource department. These categories of interviewees were considered to understand the challenges that Tullow Company was facing in all its operations here in Kenya. The findings indicate that the interviewees were: Operations Manager, Exploration manager and the Marketing Manager. This category of interviewees was deemed to be experienced to give responses as per the objective of the study. The study found that two of the interviewees had worked in Tullow Company for a period of five years while one of the interviewee had worked in Tullow Company for a period exceeding six years. This was an indication that the interviewees had worked for the organization for a considerable period of time. About the length of service that the interviewees had served in their current position, the findings indicated that out of the three interviewees, one of the interviewee worked in

his current position for a period of four years and the other two of the interviewees worked in their current positions for a period just exceeding three years. This was an indication that most of the interviewees had worked in their current positions for a period of more than three years.

From the findings the interviewees showed a thorough understanding of the company's operations. This was gained through experience having worked in the company for more than three years and also being involved in the day-to-day running of the organization. This makes the findings of this study a true reflection of the exact position of the organization.

### **4.3 Challenges of Strategy Implementation by Tullow Company**

The study found that Tullow Company faced a number of challenges during strategy implementation which include the following:

#### **4.3.1 Language Barrier**

Language barrier makes it difficult to communicate and interact with the local communities in arid areas like Turkana since most of them could only speak their mother tongue, Turkana. This posed a major challenge when seeking for labor since it was difficult to communicate and agree on important issues. Rivalry from the neighboring communities was also an issue that affected the smooth flow of activities by Tullow Company at drilling points.

#### **4.3.2 Uncooperative Local Community**

When asked about one of the unanticipated factors that inhibit strategy implementation at Tullow during strategy implementation, the interviewees explained that Tullow ran into difficulties in July 2013 after pastoralists in the Turkana County of Kenya rejected the firm's proposal to move to a new exploration site at the Twiga 2



oil site in the Lokichar basin. They complained that the ongoing oil exploration in the region has interfered with pasture land and that future pastures for their animals would be decimated.

Further, it was revealed that in late October 2013, local communities in Turkana County staged demonstrations demanding jobs and other benefits from any potential future operations in the region, prompting the firm to suspend drilling and sending the firm's share price down. The locals also managed to gain entry to facilities and two oil blocks, resulting in looting and vandalism.

There are rising tensions between the oil companies and the local communities that have already led to protests. There have been recent complaints that the oil companies had not hired a sufficiently large number of workers from the local community. Meanwhile, exploration activities are under way in earnest in Kenya. The country and its offshore waters have been carved up into blocks, and licenses have been awarded to explore almost every block in the country.

The interviewees indicated that recently there were no competing activities apart from threats that were posed by Turkana community that had threatened to sabotage operations at the drilling site besides block any form of operations by the oil exploration company. The Turkana community raised claims that they were not involved in the formal contract as a key player in the exploration contract. They indicated that they were not consulted and informed about the oil exploration and how they would benefit since the discovery and subsequent production. Resumption of drilling was only achieved after peace talks were agreed with local leaders in mid-November.

### **4.3.3 Low and Ever Falling Oil Prices**

The other challenge that faced Tullow Company was the falling oil prices and the sector as a whole experienced some negative shareholder sentiment. Tullow recognizes that, in these demanding times, it is important to continue to maintain open and transparent communication with shareholders and potential investors. This is achieved through meetings, presentations, investor conferences and ad hoc events with institutional investors and sell-side analysts. It was revealed that over the years the Investor Relations team and Senior Management had met some 300 institutions and the Group participated in 23 investor conferences and roadshows around the world. Executive Directors and Senior Management met institutional investors in the UK, Europe, Ghana, Asia Pacific, South Africa and North America.

The findings revealed that the top management provides adequate facilities and resources to assist in strategy implementation. These includes drilling equipment, communication devices facilities, protective clothing among other important items that are needed to ensure a successful drilling process.

This is intended to motivate employees to work extra harder towards achieving the goals and strategic objectives. These findings are line with the suggestions of Okumus (2001) who indicated that the management is charged with the responsibility of providing both financial and human resources to support in the process of strategy implementation. This is also supported with the findings of Pearson and Robinson (2007) who argued that to ensure successful strategy implementation the management should provide resources and facilities to enhance strategy implementation.

The company also outsources expertise in order to provide guidance on key Strategic Business Units' strategy. The top management offers training and capacity building

programs to its employees to enable them to sharpen their skills and knowledge in strategy implementation. The top management organizes for a strategy implementation committee that is charged with the responsibility of monitoring and supervising the process of strategy implementation. These committees act as an intermediary between project implementers and the top management. They report the progress of the project raising key issues that needs to be addressed by the management; this assists the management to make decisions based on priority.

The findings indicated that the top management provided adequate support to facilitate strategy implementation. Before commencement of the actual drilling operations, the management conducted a series of pre-drilling activities to ensure that the process was successful. This included consultations with host communities and their leaders, as well as seeking regulatory approvals from Government agencies including the National Environmental Management Authority (Nema). The interviewees indicated that they got support in terms of resources and facilities that they needed to execute their mandate.

#### **4.3.4 Bureaucracy and Red Tape**

When asked whether Tullow Company is able to meet the deadline during strategy implementation, the findings indicated that in most cases it was difficult to meet the deadlines for example the procedures for approval by National Environmental management Authority (NEMA) causes delays and hinders the company from meeting its deadlines. This regulation is however important because it safeguards the local communities and the country from health hazards and to ensure security in the working environment for the employees and the management of emergencies.

The findings indicated that if appraisal confirms that development of a discovery will be commercially and financially viable, the company begins to work on a development plan. Development plans involve extensive stakeholder engagement and must consider environmental, social and operational issues. These plans are approved by governments and regulatory authorities this consumes a lot of time and bureaucracy and especially in country like Kenya where the government adapts a bureaucratic structure. The interviewees however indicated the ultimate aim of success development is to achieve production in a safe, environmentally conscientious and cost effective way.

The findings further revealed that in order to explore Tullow Company must first be granted a license by the government of the country in which it wishes to invest in. After extensive analysis, exploration campaigns are planned to find oil and gas fields or, more strategically, open new basins. When the company makes a significant discovery, wells are then drilled to determine the size and the quality of the discovery. Appraisal wells are drilled to confirm the size of a new field or to define the extent of a geological play over much larger areas.

#### **4.3.5 Internal Factors**

Tullow Company faces various challenges in the implementation of strategies as it strives to cope with the external environment, these challenges delay successful implementation of strategy. The internal challenges that face strategy implementation are organizational culture, social cultural, political challenges, inadequate resources, and leadership and communication barriers.

### **4.3.6 Organizational Culture**

When asked whether organizational culture was a factor affected strategy implementation, the findings revealed that Sustained exploration success requires many capabilities and characteristics, including world-class geoscience skills, the ability to operate in difficult environments, strong business development networks, and the financial discipline to manage risks effectively.

The findings revealed that self-reinforcing patterns of beliefs, thoughts, and behaviors contribute more significantly to their success than any particular technology or technique. For example, one of the most successful global exploration companies identifies entrepreneurship, teamwork, open communication, and respect for geoscience as key drivers of growth. These findings are coherent with the suggestions of Turner (2006) who indicated that organizational culture includes the shared beliefs, norms and values within an organization. It sets the foundation for strategy. For a strategy within an organization to develop and be implemented successfully, it must fully align with the organizational culture. Thus, initiatives and goals must be established within an organization to support and establish an organizational culture that embraces the organization's strategy over time.

The findings found that culture is a major hindrance towards strategy implementation. To succeed in this, the organization should create an environment that connects employees to the organization's mission and that makes them feel comfortable. To reinforce the importance of focusing on strategy and vision, reward success. The findings further found that Wernerfelt (2001) develops some creative positive and negative consequences for achieving or not achieving the strategy. The rewards may be big or small, as long as they lift the strategy above the day-to-day so people make it a priority. Similar, according to Beer and Eisenstat (2000) part of cultural alignment

and strategy implementation is process implementation. Processes include utilizing technology to facilitate goal attainment and the results a company is looking for when working with customers to meet their needs. While most of the time the hard problems and needs of an organization get met, the culture becomes neglected in the process. That is where processes come into place and strategy implementation gradually comes into existence to uphold and maintain organizational culture and strategies.

#### **4.3.7 Organizational Structure**

On whether the structure of the organization influenced strategy implementation, the findings revealed that the company's workers and their capabilities, the value it places on them, and the motivational tools it uses to align these resources. Secondly the processes and procedures used in the organization this involves both formal and informal decisions and the flow of information within the organization were matched to the strategic goals and objectives. It was found that the company's formal structure, its hierarchies, and the division of responsibility between its central and local units enjoyed autonomy and worked as independent units.

#### **4.3.8 Inadequacy of Resources**

The study findings revealed that inadequacy of resources was also a major hindrance towards strategy implementation. Tullow as an international company engaged in mega projects that required a lot of capital resources to implement in terms of physical, financial, technological, human resources among others. Sometimes getting contracts was also a challenge for Tullow Company because most of its competitors were competitive while some of them had a large capital base in terms of assets and experience as compared to Tullow Company for example BG which is an international oil drilling and exploration company in Britain. These findings are

consistent with Thompson and Strickland (2002), they indicated that organizations succeed or fail in implementing their strategies primarily because they do not first evaluate their available resources. Resources include money, people and time. Evaluating resources means that your business considers all of the constraints and accelerators that can help it to implement its strategies. This includes budgeting, human resources and skill sets, the corporate culture and the reliability of key stakeholders. Assessing these things upfront helps the business to identify gaps and to put measures in place to deal with potential shortcomings.

Thompson and Strickland (2002), explain that organizations should invest in technological infrastructure that gives an organization valuable assistance in implementing new policies, procedures and initiatives. Firms make use of technology to enhance and maintain communication and accountability for the all relevant managers and operational employees throughout the change process, and to keep track of implementation and performance goals and their achievement. Technology is instrumental in strategy implementation and execution.

The interviewees agreed that Tullow Company was making efforts to link its reward systems to strategy implementation. This according to the interviewees was one of the ways to motivate employees to perform extra herder and develop a culture of hard work which is essential in accomplishing the set goals and objectives. The interviewees pointed out that a new culture of performance was inculcated into the entire system to improve their performance. The interviewees indicated that it tool sometime for them to cope with the new environment and ways of doing things. This however slowed their productivity and efficiency.

The findings revealed that Tullow Company reviewed and aligned rewards in order to defuse internal competition for funding that can lead to a suboptimal portfolio. Reward systems and performance contracts were all aligned to the incentives of all units with corporate goals. Successful exploration companies generally place a high value on geoscience talent. They often link rewards and performance of the whole company or exploration group, rather than individual accomplishments. Processes such as the evaluation of risk are usually simple, widely understood, and consistently applied. Open discussions of successes and failures facilitate sharing of best practices and ensure that lessons learned from exploration ventures are disseminated across the organization and inform future actions.

The other challenge that hinders strategy implementation in Tullow Company is lack of professionals and competent staff with an adequate experience in drilling of oil. Tullow Company lack laborers and support staffs that have an adequate experience in drilling of oil and gas. Most of the local communities lack relevance experience in drilling and exploration, Tullow company have to train them to be able to work this is however costly and inefficient for the company. This is a major hindrance towards strategy implementation. This is consistent with arguments by Thompson (2002) who indicated that people serve as key strategic resource; therefore it is essential for organizations to effectively utilize the know-how of their employees its employees to boost its core competence.

The management is charged with the responsibility of allocating employees to their most useful tasks as well as coordinating and integrating activities of participating employees and functions. Similarly, Pearce and Robinson (2004) indicate that as provided in the formulation and planning part of the strategy implementation there is also a need to choose the right people for the right responsibility.



Important in this context is not to throw away important knowledge by the wrong allocation or by too little connection of employees. Thus a certain degree of freedom is necessary to leave room for experiments by the employees and develop creativity to solve challenges. Sometimes adjustments of some resources to improve the process are necessary, therefore the management should monitor the process closely to intervene at the right time. The interviewees pointed out that sustained exploration success requires many capabilities and characteristics, including world-class geoscience skills, the ability to operate in difficult environments, strong business development networks, and the financial discipline to manage risks effectively.

The findings indicated that Kenya had comparatively well-trained human resources like engineers, but they haven't worked in the oil industry. Similarly, plant operators will have to be trained since they lack experience in the oil industry. Though there was a lack of expertise skills like welding that needed high skills that were not available. These findings conform to Leigh (2009) who explains that organizations that develop career training and development programs could find success in maintaining top performers. In particular, young workers are interested in knowing they have a future with their current employer. Outlining potential career paths provides better opportunities for employees, but managers also need the ability to identify if specific skills have been learned and what interests individuals. Training and development programs assist employees to manage change by helping them to be more adaptable to unforeseen events that happen in their work life. It enables the employees towards self-help actions on their skills, knowledge and behavioral growth to ensure that they meet the organizational goals and objectives and thus improves the overall performance of the organization.

On the other hand the findings revealed that the demand by international oil companies to explore oil and gas in Africa had increased tremendously due to availability of affordable labor in most parts of Africa that had oil. The findings further observed that involvement of senior management in strategy implementation and training coupled with communication to all the staff on the importance of strategic change was a key move towards overcoming most of the cultural related challenges of strategy implementation by Tullow Company.

The interviewees acknowledged that in order to effectively cope with the dynamic of the new environment the management had put up integrated communication systems from the drilling points in Turkana in Ngami II to enhance and sharing of information. This was essential in monitoring and supervision of drilling process to enhance effective coordination of activities and processes. These findings are in line with a study by Turner (2006) who pointed out that an open communication environment is one in which all members of the organization feel free to share feedback, ideas and even criticism at every level. Leaders who are committed to open communication build an environment of trust that can be the foundation for success. Further, it was revealed that an inclusive communication strategy is one in which explicit steps are taken to ensure that all employees feel they are involved in decisions that affect their day-to-day work. Organizations with a secretive communication environment shut people out, which can stifle involvement and result in lost ideas and opportunities. Burnes (2007) argue that communication serves as a key ingredient towards achieving successful implementation of projects. The top management should not be self-driven to impose their interest in the project. They should serve the purpose of all the stakeholders who benefit from the project. This achieved by applying good corporate

governance practices that open up communication channels for improved decision making based on mutual agreements.

Mullins (2007) explains that employee involvement is a key factor that affects employee satisfaction and success. Effective communication plays a key role in training, knowledge dissemination learning during the process of strategy implementation. Communication is pervasive in most aspects of strategy implementation since it relates to complex ways of organizing processes, organizational context and implementation objectives which, in turn, have an effect on the process of implementation. Communication barriers are reported more frequently than any other type of barrier for example structural barriers.

#### **4.3.9 Insecurity**

Security is also a challenge to Tullow Company and its employees who currently live and work in Kenya. Kenya has had several attacks ever for the last five years that had intensified the state of insecurity in the country locally and internationally. Key among them is Westgate attack that happened last year (2014) that left 67 people dead and over 100 injured. The other attack took place at the beginning of this year (2015) at Garissa University College leaving over 147 people dead most of whom were students. This has affected strategy implementation in one way or another since most of these employees work in fear since their security is not guaranteed. One of the interviewees indicated that sometimes they had to stop working when there was an attack, this highly affected their productivity. Further the study found that insecurity cases were trending at an alarming rate in the Northern parts of the country that were prone to inter-community conflicts due to scarce resources such as water and pasture for livestock. In addition boundary conflicts between the Pokot and Turkana

communities were coupled with frequent cattle rustling activities in the area this inhibited Tullow company from drilling and exploration activities.

#### **4.3.10 Lack of Proper Coordination**

The other challenge that hinders strategy implementation by Tullow Company is poor coordination of activities, lack of training and lack proper communication channels were also identified to persist in most implementation stages making staff miss the priority purpose of the strategy. There was found to exist disconnect between the employees and management and thus the intended strategy was not clearly communicated to the entire organization. The study further found that majority of the respondents indicated that poor communication was responsible for most resistance to change as majority employees did not understand what was expected of them and were also afraid of the unknown consequences. These findings are consistent with the suggesting of Thompson and Strickland (2002) who argued that most organizations fail due to lack of proper coordination in the organization. Team members must trust and respect each other. There must be open communication and a willingness to accept input from others. Since in all teams there are conflicting goals, decision-making must be based on a collaborative approach. Collaboration ensures that no one person, group, organization or institution is fully in charge of anything, but rather, many are involved and shoulder a certain amount of responsibility. This causes the strategic planning process to be more challenging and speaks to the need for more discussions, negotiations and coordination in the handling of affairs.

The interviewees pointed out that Tullow Company faced challenges in coordination of activities and people. One of the major hindrances was communication breakdown between the head offices and drilling points. This was attributed to the remoteness of the drilling points in Turkana where there was poor communication infrastructure. By

and large Tullow Company has been able to use the strategy implementation committees in devising ways of carrying out regular audits of implementation progress.

#### **4.3.1 Poor Value-Chain Management**

To succeed in strategy implementation, Tullow Company engages in contractor management, the findings revealed that the work carried out by contractors and sub-contractors directly involved in Tullow projects accounted for almost 80% of the hours worked. From the records it was found that in August 2014, some of the Tullow's sub-contractors staged a protest about wages and benefits in Kenya. This led to a slow-down in activity at some of its sites. This event was a strong indication that Tullow needed to work more closely with its suppliers to ensure that the same types of jobs receive the same level of wage. This triggered a meeting with the ministry of Energy, county leaders, suppliers and the employees which led to an agreement on wages and benefits and this marked the start of wage review.

The interviewees indicated that as Tullow company continues to explore and appraise its stage of operations in North West Kenya, rigs move one location to another after only a few months. This means that the majority of employment opportunities that Tullow and its contractors are able to offer to local people are short-term. The findings indicated that the local workers were aware from the outset that they are employed on short-term contracts. As drilling operations are completed and rigs are moved, the contractors and employees will come to an end. It was found that in September 2014 employees in Turkana and some of the suppliers of Tullow Company protested against the end of their contracts this resulted in a slow-down in the activities of their sites.

Further, the findings also reveal that Tullow Company operates as a responsible business within the national labor laws of its host countries. In this case, their suppliers provided employees with all the statutory notices and benefits required by Kenya's national employment laws. Later, Tullow Company resolved these issues through discussions and negotiations with the Ministry of Energy and Petroleum, Ministry of Labor, the County leaders and their suppliers.

To achieve its strategic objectives Tullow Company invests heavily in the recruitment, training and development of the local community. This is aimed at ensuring that they have a competent work force to deliver their strategic goals and objectives. One of the interviewees pointed out that a well-trained and motivated local workforce creates a safer and more productive operating environment. He argued that the best ambassadors for Tullow in-country are their own employees. However, they insisted that they believed that providing on-the-job and classroom training and scholarships for tertiary education was instrument in helping the employees to create the next generation of leaders who would drive the economic development of the host countries.

The findings revealed that Tullow Company has a board committee that is charged with the responsibility of supervising, monitoring and evaluating strategy implementation. This committee also assists the Executive Directors in running the Group in various ways, including managing the delivery of the approved budget and business plan, ensuring effective integration and driving cost and organizational efficiency throughout the business.

The findings also indicate that the board is collectively responsible for risk management and each Executive Director is responsible for designated strategic risks.

The Executive Committee assists the Executive Directors in running the business. The Vice Presidents and Business Unit leadership teams manage the delivery of the Group's business plan and day-to-day operations. Corporate functions manage designated Group-wide corporate risks and assurance of Business Unit activities and operational and financial performance.

When asked whether the practiced safety measures since drilling of oil pollutes the environment, the findings revealed that environment, health and safety (EHS) was paramount to the success of Tullow Company since it is one of the key business drivers. The findings further revealed that the biggest priority is to keep people safe, including their staff, contractors and local communities. The interviewees indicated that that was a cornerstone of their approach to operating responsibly. They argued that they had a unique opportunity in most of their major projects to apply world-class environmental standards and techniques to manage environmental footprint.

It was also revealed that high-impact exploration campaigns and the significant expansion in development and production activities was set to drive change in a manner that Tullow company managed environment, health and safety in ensuring that the company consistently achieved top quartile industry performance standards. The interviewees agreed that good governance and regulatory compliance was part of their key pillars in conducting business. It was revealed that ethical values acted as a guide to correct actions, protecting value and corporate reputation.

The findings maintained that the board had an overall responsibility for strategic leadership, risk management and the stewardship. It focuses on making sure that Tullow is well run, achieves its business plans and takes a balanced and transparent approach in all its activities. The Company was committed in all aspects of good

corporate behaviors by putting in place policies and processes to ensure that the company complies fully with all legislative and regulatory requirements. The company fostered responsible standards where local requirements are inadequate or non-existent

The findings revealed that retention and succession of staff for critical roles remains a long-term risk that we manage proactively to minimize impact to business performance and continuity. We continue to make good progress in this area with 90% of all senior roles having named succession options. Of our 2014 job vacancies, 45% were filled internally, indicating a strengthened internal talent pipeline.

A more consistent approach to talent management has helped us get a better understanding and transparency of people's career aspirations, strengths and competencies. In order to ensure the long-term sustainability of their business, the company brings greater focus to core and critical skills development, diversity and future leadership capability. Talent retention is also an important part of building a sustainable business Tullow combines both competitive and fair reward packages, training and career development opportunities; effective performance management and engagement strategies to help its employees to remain motivated and committed to the company and each other.

These findings tally with the conclusion made by Tansley (2009) who believes that the future success of the company is based on having the right talent so managing and nurturing talent is part of the everyday process of organizational life. Implementation of talent management requires extensive involvement of top management at all levels. Talent management mindset must cascade from the top, with the top manager as a driver. In accordance with Mihelic and Plankar (2010) the talent mindset is defined as



a deep-seated belief that having better managers at all levels allows the organization to outperform its rivals in terms of performance. It is the recognition that better talent pulls all other performance levers. This belief motivates the leaders to strengthen their pool of talents with the realization that talent management is part of the organizational goals.

#### **4.4 How to deal with the Challenges Facing Strategy Implementation at Tullow Company**

Tullow Company Kenya should allocate adequate resources to facilitate strategy implementation. This includes engaging with the local communities and training them in advance before the process of strategy implementation commences. This will enable them to understand and cooperate with other employees of Tullow since they feel as part of the process.

The findings indicated the ways of dealing with these challenges was to ensure that there was an engagement between contractors, the local community and government at national and county level in such a way that the local people see tangible benefits. Oil producing communities are expected to feel tangible benefits both through employment and through local tenders for goods and services. The revenue that Kenya derives from oil must be shared out between the national government, the county government and regional committees where the oil was found. In order to create a conducive environment for drilling of oil, the government should consider reducing environment barriers through providing an enabling environment for attracting local and international partners. This is because of the important role that they play in contributing towards growth and development of a country.

## **4.5 Chapter Summary**

The chapter has comprehensively discussed the findings that were collected using interview guides from three interviewees who were: the operations manager, finance manager and the marketing manager. This group of interviewees was deemed to be relevant in providing accurate and reliable information relating to the operations of Tullow Company Kenya and the challenges that they faced in strategy implementation.

The study concluded that the major challenges that faced Tullow Company Kenya were uncooperative local community; they felt out in oil contracts, this made them to resist. Language barrier was a major challenge. There was communication breakdown between project implementers and the Turkana community this interfered with drilling and thus delayed the processes.

The study also concluded that poor infrastructure; poor road and communication network affected communication and cooperation between project implementers and Tullow Company Kenya. This led to increased communication costs and slowed the process of implementing decisions. The terrain was also unfavorable which made it difficult to access drilling points this delayed excavation. The bureaucratic nature of government system consumed a lot of time this delayed approvals and the process of drilling and thus impacted negatively on strategy implementation.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides the summary and also gives the conclusion and recommendations of the study based on the study objective. The objective of the study was to determine the challenges facing strategy implementation at Tullow Company.

#### **5.2 Summary**

The findings observed that most of the interviewees were qualified and had a relevant experience on strategy implementation in Tullow Company. The interviewees were: Exploration manager, the Operations Manager and the Marketing. This category of interviewees was deemed to be experienced to give responses as per the objective of the study.

The study found that there were a myriad of challenges that impacted negatively on strategy implementation. The findings observed that Tullow Company experienced various challenges that hindered strategy implementation. These challenges are language barrier. It was difficult to communicate and interact with the local communities in arid areas like Turkana since most of them could only speak using their mother tongue. This posed a major challenge when giving instructions since it was difficult to communicate and agree on important issues.

The other challenge that faced Tullow Company was the falling oil prices and the sector as a whole experienced some negative shareholder sentiment. Tullow recognizes that, in these demanding times, it is important to continue to maintain open and transparent communication with shareholders and potential investors. The findings concluded that there were rising tensions between oil companies and the

neighboring communities since they left out in the contract and were not informed of the expected air pollution due to drilling. The local communities also felt that their grazing fields were interfered with.

The interviewees also revealed that sometimes it was difficult for the company to meet the deadline due to bureaucracy, procedures and protocols that were involved in the process of drilling for example the company had to get a clearances and approvals from National Environmental Management Authority (NEMA). These always take long and thus delay drilling hence affecting the allocated time lines for the project.

The challenges that face strategy implementation are organizational culture, social cultural, political challenges, inadequate resources, and leadership and communication barriers. It was revealed that self-reinforcing patterns of beliefs, thoughts, and behaviors contribute more significantly to their success than any particular technology or technique. For example, one of the most successful global exploration companies identifies entrepreneurship, teamwork, open communication, and respect for geoscience as key drivers of growth. These findings are coherent with the suggestions of Turner (2006) who indicated that organizational culture includes the shared beliefs, norms and values within an organization. It sets the foundation for strategy.

It was also observed that the company's workers and their capabilities, the value it places on them, and the motivational tools it uses to align these resources. Secondly the processes and procedures used in the organization this involves both formal and informal decisions and the flow of information within the organization were matched to the strategic goals and objectives. It was found that the company's formal structure,

its hierarchies, and the division of responsibility between its central and local units enjoyed autonomy and worked as independent units.

The other challenge that hinders strategy implementation in Tullow Company is lack of local professionals and competent staff with an adequate experience in drilling of oil. Tullow Company lack laborers and support staffs that have an adequate experience in drilling of oil and gas. Most of the local communities lack relevance experience in drilling and exploration, Tullow company have to train them to be able to work this is however costly and inefficient for the company. This is a major hindrance towards strategy implementation. This is consistent with arguments by Thompson (2002) who indicated that people serve as key strategic resource; therefore it is essential for organizations to effectively utilize the know-how of their employees its employees to boost its core competence.

Security is also a challenge to Tullow Company and its employees who currently live and work in Kenya. Kenya has had several attacks for the last five years that have intensified the state of insecurity in the country locally and internationally. Key among them is Westgate attack that happened last year (2014) that left 67 people dead and over 100 injured. The other attack took place at the beginning of this year (2015) at Garissa University College leaving over 147 people dead most of whom were students. This has intensified a state of fear and uncertainty and thus affecting the process of strategy implementation at Tullow Company.

The other challenge that hinders strategy implementation by Tullow Company is poor coordination of activities, lack of training and lack proper communication channels were also identified to persist in most implementation stages making staff miss the priority purpose of the strategy.

### **5.3 Conclusion**

The study concluded that the major challenges that faced Tullow Company Kenya were uncooperative local community; they felt out in oil contracts, this made them to resist. Language barrier was a major challenge. There was communication breakdown between project implementers and the Turkana community this interfered with drilling and thus delayed the processes.

Poor infrastructure; poor road and communication network affected communication and cooperation between project implementers and Tullow Company Kenya. This led to increased communication costs and slowed the process of implementing decisions. The terrain was also unfavorable which made it difficult to access drilling points this delayed excavation. The bureaucratic nature of government system consumed a lot of time this delayed approvals and the process of drilling and thus impacted negatively on strategy implementation.

Tullow Company Kenya came up with measures to deal with challenges of strategy implementation. These involved engaging the local communities in contract dealings which made them feel as part of the process and thus enhanced a sense of belongings. Tullow Company educated the local community on the importance of drilling and how they would benefit from the extracted oil and the country at large. The government made efforts to mitigate barriers that inhibited investors to invest in Kenya. This was intended to create an enabling environment to attract investors. Tullow Company Kenya provided adequate resources and facilities to enable its staff and project implementers to execute their role effectively. Local contractors were engaged and the local community was educated to enable them to learn and interpret national languages.

## **5.4 Recommendations**

The legal and regulatory framework in Kenya should be improved. It worth noting that a new version of Kenya's petroleum law was last revised in 1986. Currently; it is being drawn up, notably in the light of new environmental requirements this will create a new upstream regulator and strengthen a number of other bodies, with the aim of leaving the ministry in charge of policy and creating a petroleum directorate responsible for ensuring that companies stick to the terms of their contracts. The existing National Oil Company (NOCK) should be the joint venture partner with oil companies in Kenya.

The study recommends that it is important to manage local expectations; Kenya has human resources issues to address, including the inclusion of local communities who expect to see a share of the oil wealth. The Kenya government should manage the huge expectations of Kenyans; people expect to see prices at the pump drop immediately.

The study also recommends the necessity of key stakeholder policies by the Kenyan government to guarantee an enabling environment for international dealings when engaging and attracting international businesses to Kenya. Business partners should be fairly treated to strengthen ties and relationships locally and internationally. With a stable stakeholder involvement policy investors can invest locally without hindrances and Kenya can be able to expand its market globally through attracting foreign investors.

The Kenyan government should invest on security through, securing the borders, providing proper training to the military and the police force, increasing intelligence and other security agencies. Foreigners need to be confident while investing in a

foreign country and the government should take all the necessary measures to ensure that foreigners feel safe when engaging in business deals and partnership.

It is important to note that political instability and insecurity is threatening not only the commencement of Kenya's oil production, but also its exit to international markets on the coast. Kenya's coastal and north-eastern communities have longstanding social and political grievances with the central government in Nairobi. Internal politics alone has the capacity to create insecurity for the oil industry if planned pipeline and other downstream infrastructure are targeted. But there is also the possibility that these disputes could become a toxic mix with the incursion of the Somalia-based militant group Al-Shabaab, delaying and hampering large-scale investments. Al-Shabaab may be positioning itself to exploit social and political tensions to win support from local populations on Kenya's coast. But if the Kenyan government is able to advance political devolution to coastal counties, while working to contain Al-Shabaab in an a political manner, then there is a strong likelihood that, with regional and international support, Nairobi can curb the militant group's activities, providing the oil industry with a relatively secure environment. If Kenya is to become the transit hub for East Africa's oil boom then relative stability and security on the coast must be achieved.

### **5.5 Suggested areas for Further Studies**

A replicate of a similar study should be conducted on the same topic but in international oil drilling company which is similar in terms of size and areas of intervention then findings can be compared then areas of commonalities and unique factors can be identified.



Kenya is a middle income economy whereby its level of infrastructure is more likely to improve with time due to the demand to cope with the changing needs of its citizens. Government policies are more likely to change to accommodate more investors in order to grow and expand the economy. These among other factors like modern technology and communication networks are likely to be improved with time. These developments will provide a more stable and enabling environment for international drilling firms that intend to conduct business in Kenya. Therefore, it is advisable for future researchers to conduct further research and establish whether these findings will hold.

Future researchers who are interested in this field of study should investigate the factors affecting performance at Tullow Company Kenya. These findings will shed more light on the key factors affecting performance at Tullow Company and ways of addressing these factors in order to boost performance.

A comparative study should be conducted in another industry other international oil drilling companies an example would include multinational corporations that deal with either consumer products, manufacturing or banking. This will provide a window for comparative findings on the challenges facing international firms in strategy implementation. Then findings can be drawn upon which reliable conclusion may be drawn based on solid facts.

## **5.6 Limitations of the Study**

This study was limited to a case study of Tullow Company therefore; the findings obtained in this study cannot be used for direct application in another international drilling oil company. But rather for making generalization in all the International oil drilling firms in Kenya.

The other challenge that was faced by the researcher was time and cost constraints. Booking, scheduling and preparation for the interview process consumed a lot of time. The researcher had to create sufficient time for the interview as well as handle the different demands of the process, this was not easy.

The study used an interview guide whose quality of data obtained highly depends on the ability of the interviewer. Some interviewers have the natural ability to conduct an interview and gather the data well. The likelihood of the entire interviewing staff having those skills is low. Some interviewers may also have their own biases that could impact the way they input responses. This might affect the accuracy and the validity of data and thus interfere with the findings and the conclusion obtained in this study.

The other limitation of this study is that the researcher cannot draw cause and effect relationships from case study. This is because the study focused on the current information to answer the research question. The findings obtained in this study might not be accurate and reliable since they do not provide a clear picture of the cause of the current situation.

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**APPENDICES**

**APPENDIX I: INTRODUCTION LETTER**



**UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA PROGRAMME**

Telephone: 020-2059162  
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DATE.....

**TO WHOM IT MAY CONCERN**

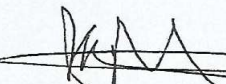
The bearer of this letter MR. PAUL KIPKEMOI DAWATI  
Registration No. D6176436/2012

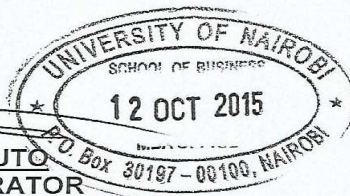
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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.

  
✓ **PATRICK NYABUTO**  
MBA ADMINISTRATOR  
SCHOOL OF BUSINESS



## **APENDIX II: INTERVIEW GUIDE**

### **Goal of the Interview Process**

To determine the challenges of strategy implementation by Tullow Company Kenya and how the company is dealing with these challenges

### **Section A: Respondent Background interview**

- i. Which department do you belong to?
- ii. Which position are you in?
- iii. What is the highest level of education you have achieved?
- iv. How long have you worked for the organization?
- v. How long have you worked in your current position?

### **Section B: Challenges of Strategy Implementation by Tullow Company**

- i. What are some of the issues that you face during strategy implementation?
- ii. Are there any unanticipated factors that inhibit strategy implementation process?
- iii. Are there competing activities that cause distractions thus hindering strategy implementation in your organization?
- iv. Does top management provide adequate support during strategy implementation?
- v. Are you able to meet the deadline during strategy implementation?
- vi. Are you provided with adequate resource and facilities during strategy implementation
- vii. Is your organization able to coordinate activities and people during strategy implementation?
- viii. In what ways is culture a hindrance towards strategy implementation?
- ix. How does the structure of your organization affect strategy implementation?



- x. Does Tullow company engage contractors or outsource to facilitate strategy implementation
- xi. Does Tullow Company act (operate) responsibly in the host country?
- xii. The organization offers training and development programed to its employees
- xiii. The organization had an audit committee that conducts regular audits of strategy implementation process?
- xiv. The organization puts in place safety measures in all its drilling activities and functions?
- xv. The organization maintains ethical standards and integrity in business?
- xvi. The organization have a talent retention programme and a succession plan for its employees

### **Section C: Measures to deal with Strategy Implementation Challenges**

- i. What strategies do you think would effectively help in overcoming the factors that affect strategy implementation?
- ii. How did the management handle any unanticipated distractions during strategy implementation?
- iii. Please, indicate your views on how strategy implementation challenges should be resolved in your organization?