

**EFFECTS OF KENYA GOVERNMENT REGULATIONS  
ON THE STRATEGIC PLANNING PROCESS OF  
NATIONAL OIL CORPORATION OF KENYA**

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## DECLARATION

This research project is my original work and has not been presented for examination in any other university.

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## **DEDICATION**

This project is dedicated to my loving family: To my parents, brothers and sisters and friends who have consistently encouraged and supported me throughout this course. May God bless you.

## **ABSTRACT**

The objective of the study was to establish the effects of Kenya government regulations on the strategic planning process of oil marketing firms in Kenya with a focus on National Oil Corporation of Kenya. The research was conducted through a case study. This study sought to collect both primary and secondary data. The data was obtained in both oral and written form. Oral data was obtained from interviews based on an interview guide. There were five interviewees made of senior managers at NOCK namely; Managing Director, Finance Director, Marketing Director, Operations Director and the Human Resources Director. The interviewees were selected because they were in positions of authority and possess key strategic and operational experience on matters related to the strategic planning process at NOCK. Content analysis technique was used to analyze the cleaned data. The findings were presented in prose form. The study established that the government regulations address international safety standards public hygiene standards in order to provide individual safety to Kenyans, to address investors' concerns about security-related increase in cost of doing business in Kenya, and to protect lives and property. the Kenya government safety regulations on business premises affect the strategy evaluation in that the government controls the evaluation of the corporations strategic millage, information delivery, technological advancement, new service/product & client taste and government regulations/laws and political environment. The government safety regulations on operating procedures affect strategy formulation by regulating the areas of business focus, controlling the legal compliance and price controls. The study concludes that Kenya government safety regulations on business premises affect the following strategic planning processes at NOCK. In addition, safety regulations, product quality regulations, price ceilings and price floors affect the following strategic planning processes at NOCK. The study recommends that it is important to put in place mechanisms for continued review of the legal and policy frameworks to ensure it is up to date and the industry remains competitive. Further, it is necessary to adopt a minimalist government intervention approach in oil production and distribution. The management of NOCK should seek to enhance their operating efficiency and quality of products or services in order to improve their strategic planning amid the many government regulations in the sector in which they operate.

## TABLE OF CONTENTS

<b>DECLARATION .....</b>	<b>ii</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>iii</b>
<b>DEDICATION .....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>v</b>
<b>ABBREVIATIONS AND ACRONYMS.....</b>	<b>viii</b>
<b>CHAPTER ONE:INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Strategic Planning Process.....	2
1.1.2 Kenya Government Regulations.....	4
1.1.3 Petroleum Sector in Kenya .....	6
1.1.4 National Oil Corporation of Kenya .....	7
1.2 Research Problem .....	9
1.3 Research Objective .....	13
1.4 Value of the Study .....	13
<b>CHAPTER TWO:LITERATURE REVIEW.....</b>	<b>15</b>
2.1 Introduction.....	15
2.2 Theoretical Foundation .....	15
2.2.1 Resource Dependence Theory .....	15
2.2.2 Stakeholder Involvement Theory .....	16
2.3 Concept of Strategy .....	17
2.4 Strategic Planning Process.....	19
2.5 Nature of Kenya Government Regulations.....	21
2.5.1 Safety Standards .....	21

2.5.2 Quality Standards.....	22
2.5.3 Price Regulations .....	23
2.6 Empirical Literature.....	24
<b>CHAPTER THREE:RESEARCH METHODOLOGY .....</b>	<b>27</b>
3.1 Introduction.....	27
3.2 Research Design .....	27
3.3 Data Collection .....	27
3.4 Data Analysis.....	28
<b>CHAPTER FOUR:DATA ANALYSIS,RESULTS AND DISCUSSION .....</b>	<b>30</b>
4.1 Introduction.....	30
4.2 General Information.....	31
4.3 Government Regulations on the Strategic Planning Process of NOCK.....	35
4.4 Discussion of the Findings.....	41
<b>CHAPTER FIVE:SUMMARY,CONCLUSION AND RECOMMENDATIONS..</b>	<b>45</b>
5.1 Introduction.....	45
5.2 Summary.....	45
5.3 Conclusion .....	49
5.4 Recommendations for Policy and Practice .....	50
5.5 Recommendation for Further Studies .....	51
<b>REFERENCES .....</b>	<b>52</b>
<b>APPENDICES.....</b>	<b>57</b>
APPENDIX I: INTERVIEW GUIDE .....	57
APPENDIX II: TITLE CASES .....	<b>Error! Bookmark not defined.</b>

## **ABBREVIATIONS AND ACRONYMS**

<b>CSR</b>	:	Corporate Social Responsibility
<b>EHS</b>	:	Environment Health and Safety
<b>ERC</b>	:	Energy Regulatory Commission
<b>ISO</b>	:	International Standard Organization
<b>KPC</b>	:	Kenya Pipeline Corporation
<b>KPRL</b>	:	Kenya Petroleum and Refineries Limited
<b>LPG</b>	:	Liquefied Petroleum Gas
<b>NOCK</b>	:	National Oil Corporation of Kenya
<b>NPL</b>	:	National Petroleum Laboratory
<b>SBM</b>	:	Single Buoy Mooring
<b>SPR</b>	:	Strategic Petroleum Reserves

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organizations cannot afford to ignore the laws and regulations set by government agencies because such violations might lead to suspension of trading licenses and ultimate closure of businesses (Pearce & Robinson, 2004). The stakeholder involvement theory proposed by Scott, Frank, Schultz and Hekman, (2006) holds that the modern organization must respond to the concerns of the various stakeholders in which it relates to and must operate within the legal framework established by the moderate state. A prudent organization must adhere to laws and regulations set by authorities like business associations and government agencies. The organization is also expected to treat its employees with dignity and within the existing labor laws. The customers expect the organization to produce quality goods and services while the shareholders expect a return on their investment (Pearce & Robinson, 2004).

Olsen and Johnson (2003) contend that a stakeholder is anyone whose actions can affect an organization or who is affected by the organization's actions. They hold the view that stakeholders can be of any form, size and capacity. They can be individuals, organizations, or unorganized groups. The stakeholder management theory (Olsen and Johnson, 2003) holds that the main role of management teams in the decision-making process for large business corporations, government agencies, and non-profit organizations is to consider the needs and expectations of their stakeholders in the delivery of products and services. The idea of stakeholders management, or a stakeholder approach to strategic management, suggests that managers must formulate strategies which satisfy all and only those groups who have a stake in the business (Olsen and

Johnson, 2003). The central task in this process is to manage and integrate the relationships and interests of stakeholders, employees, customers, suppliers, communities and other groups in a way that ensures the long-term success of the firm.

In Kenya, the enactment of the Energy Act (2006) recommended the formation of a single energy sector regulator, Energy Regulation Commission (ERC), to regulate electricity, downstream petroleum, renewable energy and other forms of energy (ERC, 2015). Strategy researchers, writers and practitioners largely agree that every strategy context is unique. Moreover, they are almost unanimous that it is usually wise for strategists to adopt the strategy process and strategy content to the specific circumstances prevalent in the strategy context. Indeed, all organizations, whether for-profit or nonprofit, private or public, have found it necessary to engage in strategic planning in order to achieve their corporate goals (Wit and Meyer, 2001). In addition, the strategy implementation theory by Shaw (2002) suggests that strategy implementation should involve assigning responsibility of specific tasks or processes to specific individuals or groups to enhance the enterprises' relationships with government, employees, suppliers, competitors, management and society in general.

### **1.1.1 Strategic Planning Process**

Strategy is about being able and ready to adapt to an ever changing external business environment. Maylor (2003) holds that strategic planning is a tendency that remains stable over time and its main goal is to fold the future into the present. Cole (2004) holds the view that strategy involves deciding which customer to serve, with which products and services, and meeting those customers' legitimate needs and wants by allocating resources in the most advantageous way.

Waterman *et al* (1980) argues that effective management of strategy entails attending to the relationship between the following seven factors: Strategy, structure, systems, style, staff, skills and subordinate goals. Therefore, organizations would engage in strategic planning due to the need to sustain, invigorate and direct the organization's human and other resources in the profitable fulfillment of the needs of customers and other principal stakeholders.

The strategic planning process is guided by the organization's value system, or culture, which is manifested not only in the organization's mission statement, policies, and strategic goals, but also in the behavior of top management and other key managers in the organization (Bigler, 2001). For instance, if an organization wishes to address issues of service delivery and performance management based on strategy focus, then service delivery must become one of the values of that organization and the managers must be seen to live that value in their everyday lives and for this to happen, there needs to be a well thought strategic management system working throughout the organization (Neale, 2004).

To ensure that a chosen strategy is effective as well as efficient, one needs to be aware of the related strategic and operational issues, challenges and opportunities that arise at various stages of the implementation and execution process as well as need to be flexible enough to adapt to changes to compete in the market (Cole, 2004). Strategy implementation and execution has attracted much less attention than strategy formulation or strategic planning (Bigler, 2001). According to Kiruthii (2001) implementation is a key part of strategic management although it is often considered after formulation of strategy.

In implementing the strategy, the organization leaders must direct and control actions and outcomes and adjust to change (Pearce & Robinson, 2005). Strategy researchers, writers and practitioners largely agree that every strategy context is unique. Moreover, they are almost unanimous that it is usually wise for strategists to adopt the strategy process and strategy content to the specific circumstances prevalent in the strategy context (Wit & Meyer, 2001).

### **1.1.2 Kenya Government Regulations**

The Government of Kenya regulates the petroleum sector through its agency, the Energy Regulatory Commission (ERC) which was established under the Energy Act (2006). The ERC has the following objectives and functions: To regulate the electrical energy, petroleum and related products, renewable energy and other forms of energy, to protect the interests of consumer, investor and other stakeholder interests, to maintain a list of accredited energy auditors as may be prescribed and to monitor, ensure implementation of, and the observance of the principles of fair competition in the energy sector, in coordination with other statutory authorities, to provide such information and statistics to the Minister as he may from time to time require. In addition to collect and maintain energy data, prepare indicative national energy plan and perform any other function that is incidental or consequential to its functions under the Energy Act (2006) or any other written law (ERC, 2015).

One of the functions of the ERC is licensing of petroleum import, export, transport, storage, refining and sale. Construction permits are also to be issued by ERC for all petroleum related facilities in order to check proliferation of substandard sites. All

petroleum operators are required to comply with provisions for Environment Health and Safety (EHS). Petroleum products should also meet the relevant Kenya Standards. Section 102 of the Energy Act (2006) empowers the cabinet secretary to make regulations upon recommendation by the Commission on petroleum related activities including importation, exportation, and landing, open tender systems for importation, minimum operational stocks, and determination of retail prices for petroleum products among others.

Petroleum companies are required to purchase such quantities of petroleum products from the Kenya Petroleum Refineries Limited (KPRL) as the cabinet secretary may prescribe having regard to market share (ERC, 2014). Petroleum companies in Kenya are required to maintain minimum operational stocks as per Legal Notice Number 44 dated 10th April 2008. The companies are also required to ensure that product imported and offered for sale in Kenya meets the relevant Kenya Standards for such products. The law also stipulates that export product and domestic kerosene be marked with chemical markers at the depot except black oils, Liquefied Petroleum Gas (LPG) and aviation fuel. The companies are also required to ensure that product meant for export does not find its way back to the country (dumping) and low valued products like illuminating Kerosene is not mixed with high value products (adulteration) (ERC, 2014).

Licensing regulations range from components like the term of the license, the territory within which the license is valid, renewal provisions, and other limitations deemed vital to the licensor. The term of the license indicates the particular length of time within which the license remains valid. Expiry of such a term invalidates the license. The term of a license protects the licensor should the value of the license increase, or market

conditions change. It also preserves enforceability by ensuring that no license extends beyond the term of the agreement. Second component is territory of the license which stipulates the geographical scope within which the rights granted pertain to. For example, a license with a territory limited to Kenya would not permit a licensee any protection from actions for use in Japan.

Lastly is the component of renewal which stipulates the basic requirements for a licensee to get a new license or extend the term or territory of the existing license. This aspect assists to deter any practitioners who have infringed the terms of their current license from continuing the infringement unless they provide evidence to the contrary (ISO, 2014).

### **1.1.3 Petroleum Sector in Kenya**

The petroleum sector in Kenya boasts of over 30 oil importing and marketing companies which include the government owned National Oil Corporation of Kenya (NOCK) (ERC, 2014). Currently, there are eleven major oil companies in Kenya namely, Shell Kenya Limited, Libya Oil Kenya Limited, Total Kenya Limited, Kenol Kobil, Hashi Energy, National Oil Corporation of Kenya, Addax petroleum, Hass petroleum, Galana Oil, Engen, Vesh Energy Limited. There are also numerous retail traders in petroleum products all over the country (ERC, 2014).

In the Kenyan petroleum sector, petroleum fuels constitute the main source of commercial energy in Kenya. Kenya is a net importer of petroleum products and has a refinery owned and managed by the Kenya Petroleum Refineries Ltd (KPRL) and an 800 km cross country oil pipeline from Mombasa to Nairobi and Western Kenya with

terminals in Nairobi, Nakuru, Eldoret and Kisumu, run by the Kenya Pipeline Company (KPC) (ERC, 2014). The employees offer services to the marketers' customers and expect their remuneration, welfare and other working conditions to be upheld by the oil companies. The suppliers provide services and products to the oil companies and expect payments and fair procurement services from the oil companies.

The customers buy the goods and services offered by the oil companies and hence expect superior value from the products and services of the oil companies. The communities provide an ideal business environment and generate the employees, customers and suppliers for the oil companies. The main expectation of communities is that the oil companies would give back to communities through Corporate Social Responsibility (CSR) initiatives. Lastly, the shareholders of the oil companies expect growth in the value of their investments through dividends and appreciation of share prices (Scott et al, 2006).

#### **1.1.4 National Oil Corporation of Kenya**

National Oil Cooperation of Kenya (NOCK) was incorporated in April 1981 with a mandate to participate in all aspects of the petroleum industry. The Corporation is wholly owned by the Government of Kenya through a joint ownership by the Ministry of Energy and Petroleum and The National Treasury. NOCK became operational in 1984 and its initial operations were limited to exploration activities delegated from the then Ministry of Energy. In 1988, NOCK went downstream and actively started participating in the importation and sale of petroleum products including crude oil, white fuels, lubricants and LPG.

Therefore, NOCK is a fully integrated state corporation involved in all aspects of the petroleum supply chain covering the upstream oil and gas exploration, midstream petroleum infrastructure development and downstream marketing of petroleum products. In the upstream, the company facilitates and directly participates in oil and gas exploration activities in Kenya. As a facilitator, the company is tasked with the marketing of Kenya's exploration acreage, management of gas and exploration data and the running of the National Petroleum Laboratory (NPL) among other attendant responsibilities (NOCK, 2015).

NOCK is among the few African national oil companies directly involved in the search for oil and gas. It operates its own exploration acreage and in the midstream development of petroleum infrastructure, it has identified and is working on the development of an offshore floating jetty technically known as a Single Buoy Mooring (SBM), the establishment of Strategic Petroleum Reserves (SPR) and the crafting of a Petroleum Development Master Plan for Kenya. NOCK aims to position the Kenyan coast as an important petroleum trading hub in the same league as Fujairah, Amsterdam and Rotterdam as well as prepare for the anticipated oil and gas production from Kenya and the East African region following recent discoveries. In addition, NOCK has an active downstream business segment with a growing retail network of over 109 service stations spread throughout the country. The Corporation also serves a cross-section of resellers, industrial and government businesses.

NOCK has also developed and deployed a number of innovative products and services including its SupaGas brand of Liquefied Petroleum Gas (LPG), the Supa range of motor and industrial lubricants, an advanced electronic fuel management system named

SupaCard and a vibrant alternative business unit that deals with non-fuel businesses (NOCK, 2015). The Vision of NOCK is to be a fully integrated world class oil and gas company. Its Mission is providing security of supply of petroleum in Kenya through living of corporate values, growing a sustainable, responsible and profitable company that contributes to national development by exploring, developing and producing oil and gas resources for the benefit of the Kenyan people. Its Strategic Intent is to be a premier oil and gas company, excelling in downstream, enhancing midstream and developing a vibrant upstream sector. The core values include customer service, quality products, integrity, leadership and valued employees (NOCK, 2015).

Currently the strategic objectives of NOCK include: To achieve sustained market leadership in downstream marketing, importation and distribution of petroleum products and services, to commence midstream infrastructure development including participation in development of strategic petroleum resources, to develop a robust oil and gas exploration agenda for the country including capacity building, scaling up the work programme in oil exploration with a view of drilling one exploration well within the plan period, to identify and participate in appropriate partnerships to develop oil and gas opportunities in Kenya and the region; and to build internal and national capacity that will be at the heart of driving the oil and gas industry in Kenya and drive development of local content industry in Kenya (NOCK, 2015).

## **1.2 Research Problem**

Strategic management involves deciding which customer to serve, with which products and services, and meeting those customers' legitimate needs and wants by allocating resources in the most advantageous way (Cole, 2004). Indeed, Waterman et al (1980)

argued that effective strategy implementation is essentially attending to the relationship between the following seven factors: Strategy, structure, systems, style, staff, skills and subordinate goals. The main challenges facing the oil companies in Kenya relates to the volatility of global oil prices and the strict regulations stipulated by the Government of Kenya through its agency, ERC. In addition, the petroleum sector faces several challenges including proliferation of substandard petroleum dispensing and storage sites which pose environment health and safety risks; diversion of petroleum products destined for export into the local market by unscrupulous business people to evade tax and a dominance of the market by a few companies among others. The Government of Kenya noted these challenges in its energy policy contained in Session Paper No. 4 of 2004 on Energy and recommended review of the Petroleum Act Cap 116 and other energy sector statutes and the introduction of a new energy sector legislation to cover petroleum, electricity and renewable energy (Oduol, 2012).

The Energy Act (2006) and the establishment of the Energy Regulatory Commission in 2007 were expected to be the solution to the woes of the energy sector in Kenya. Indeed, the oil marketers in Kenya are required to comply with the new laws and regulations of the newly established regulator and exhibit compliance in their long term objectives, strategic planning and day to day operations (ERC, 2015). In the international scene, some studies have been conducted to establish the roles played by various stakeholders in the strategic management processes of organizations. Decker (2002) conducted studies in the United States of America (USA) on the style of involvement of stakeholders in the wildlife sector. His findings indicated that the safety standards stipulated by the government had the least effect on the attainment of strategic plans of wildlife management organizations in the USA. Buysee & Verbeke (2003) conducted a study in Belgium and assessed the impact of quality standards stipulated by the environmental

management authorities on the overall environmental strategies adopted by the conservation groups and Non-Governmental Organizations (NGOs). Their findings indicated that the quality standards informed the content of the strategic plans. Schultz & Hekman (2006) focused on the role of quality standards on the balancing of stakeholder interests in Canadian organizations and established that the decision of managers was mostly informed by the larger stakeholder interests and that the quality standards prescribed by authorities were not given higher weight than the other stakeholders' interests.

Bigler (2001) studied the effects of organizational leaders on the efficiency in wealth creation for selected companies in Britain and established that the experience and level of skills of the incumbents affected the speed and amount of wealth created by organizations. In the local scene, studies have been conducted to ascertain the effects of stakeholder involvements on the strategic processes of organizations. Mwaniki (2012) studied the factors influencing brand loyalty in the oil industry and established that price was the main determinant of loyalty among the public transporters in Kenya. Oduol (2012) studied the competitive strategies adopted by oil lubricant marketers in Kenya and ascertained that the main competitive strategies include promotion, service quality and geographical expansion. The findings of the study also indicated that promotion strategy was the least popular among oil marketers in Kenya due to oligopolistic tendencies among oil marketers in Kenya. His findings indicated that service quality was the most popular competitive strategy adopted by oil marketing firms in Kenya though the service quality standards were similar across all the oil marketing firms with minimal differentiations. Lastly, the study established that geographical expansion was limited by the bureaucratic licensing procedures from government agencies in Kenya.

Njoki (2012) also studied the effect of price regulation on competition among oil marketing firms in Kenya and established that price controls have minimized competition and increased cases of collaboration among the oil marketers. She also observed that price regulations had the effect of neutralizing oligopolistic tendencies among oil marketing firms in Kenya. Ngenoh (2014) studied the effects of government regulations on strategic planning of oil marketers in Kenya and noted that the government regulations have varied effects on the strategic plans of individual oil marketers. She observed that licensing regulations were the main bottlenecks to geographical expansion of oil marketing retail chains in Kenya. She also observed that product quality regulations were given the highest priority by oil marketing firms in Kenya due to the stringent enforcement policies by government agencies and as a basis of differentiating the products of one oil marketing firm from the other.

The above studies indicate that the government regulations range from price regulations, product quality regulations, safety regulations and licensing regulations. The studies have also established that licensing regulations have a direct effect on the contents of strategic plans of oil marketing firms in Kenya. However, there has been no specific empirical study that has been conducted to ascertain the effects of price regulations, product quality regulations and safety regulations on the strategic planning process of oil marketers in Kenya including the formulation process, implementation process and the evaluation process. Therefore, there existed a knowledge gap that this study sought to fill by answering the question: What are the effects of Kenya government regulations on the strategic planning process of National Oil Cooperation of Kenya?

### **1.3 Research Objective**

The objective of the study was to establish the effects of Kenya government regulations on the strategic planning process of oil marketing firms in Kenya with a focus on National Oil Corporation of Kenya.

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

The government of Kenya would use the findings of this study to inform the content of government regulations so as to encourage growth of the industry or create suitable regulations to maintain the expected standards and quality of products and services in the industry. In addition, the regulatory agency in Kenya, ERC, would use the findings of this study to come up with universally applicable strategies and policies that can improve the control of prices, safety standards, expansion and start-ups of oil retailers and the general quality of oil products.

The players in the oil industry in Kenya including the private owned oil marketing firms would use the findings of this study to lobby for amendment of regulations that inhibit the geographical expansion of oil marketers. They would also use the findings of this study to lobby for introduction of regulations that will ensure a level playing ground for all the players in the industry.

The management team at NOCK and other oil marketing firms in Kenya and other parts of the country would use the findings of this study to shed light on the best way of managing the day-to-day activities and practices of oil marketing firms in order to make the best out of the existing government regulations. This would lead to high performance

levels among the managers and also aid in the achievement of the oil marketers' strategic objectives.

Lastly, the academia and business researchers in Strategic Management may borrow from the findings of this study to support literary citations as well as develop themes for further research. The findings of this study would also contribute to professional extension of existing knowledge in Strategic Management by helping to understand the current implications of government regulations on the processes of strategic planning in oil marketing firms and by extension other similar firms in Kenya and all over the world.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents the theoretical and empirical findings from past studies on the effects of stakeholders on the strategic plans of organizations. The theories that would be reviewed include resource dependency and stakeholder involvement theory. The chapter will also present the theoretical foundations on the concept of strategy. The empirical studies will focus on nature of government regulations and the role of government regulations on the strategic planning process of organizations.

#### **2.2 Theoretical Foundation**

This section discusses two theories on which this study will be anchored: Resource dependence theory and stakeholder involvement theory.

##### **2.2.1 Resource Dependence Theory**

This theory was formalized in the 1970s and it seeks to explain how the external resources of organizations affect the behaviour of the organization. It postulates that the procurement of external resources is an important tenet of both the strategic and tactical management of any company (Pfeffer and Salancik, 1978). The theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links, and many other aspects of organizational strategy.

The basic argument of resource dependence theory can be summarized as follows: Organizations depend on resources, these resources ultimately originate from an

organization's environment, the environment, to a considerable extent, contains other organizations, the resources one organization needs are thus often in the hand of other organizations, resources are a basis of power, legally independent organizations can therefore depend on each other and power and resource dependence are directly linked (Hillman, Withers and Collins, 2009).

This theory would be expected to confirm that strategic planning is about resource allocation among the various functions of the firm and therefore the resources controlled by various stakeholders of a firm are the basis upon which the stakeholders will influence the contents of strategic plans of the firms (Scott, 2003).

### **2.2.2 Stakeholder Involvement Theory**

The stakeholder involvement theory is a development of the stakeholder management theory and was coined by Scott, Frank, Schultz, David & Hekman (2006). It postulates that the modern organization must factor in stakeholder interests in order to enhance the enterprises relationships with society and secure better prospects of financial success. It emphasizes the use of stakeholder analysis in making firm decisions which should go beyond the narrow interests of shareholders investing in a business. The theory holds that good stakeholder involvement develops integrated business strategies that are viable for stakeholders over the long-run.

The theory holds that managing strategy should be an operations-oriented, make-things-happen activity aimed at shaping the performance of core business activities in a strategy-supportive manner. Therefore, management's handling of strategy can be considered successful if things go smoothly enough that the company meets or beats its

strategic and financial performance targets and shows good progress in achieving management's strategic vision geared towards efficient and effective service delivery to its intended clientele (Scott et al, 2006).

The stakeholder involvement theory will confirm that different categories of stakeholders seek different levels of involvement in the strategic planning of the organization. For instance, listeners would be those who need to be informed but do not feel a need to be actively involved in policies and projects (Johnston and Clark, 2001); Observers, while not actively involved, would be watching the policy assessment process and may become active if access to information is cut off or if they are surprised by events in the assessment. Reviewers would actively watch the assessment process and will review ideas and materials. Lastly, advisors would contribute their own time and energy and will be willing to be actively involved (Olsen & Johnson, 2003).

### **2.3 Concept of Strategy**

A strategy aims to steer the direction of the overall organization. It affects the long-term well-being of the organization has a long time horizon, usually measured in years rather than months or weeks and may set goals to be achieved five or more years in the future (Bigler, 2001). Waterman *et al* (1980) also hold the view that a strategy has an impact that is more likely to be felt throughout the entire organization rather than within a single component of the organization. They also hold that a strategy builds on and exploits to the fullest extent the organization's resources and abilities with an aim to create the best possible fit between the organization and its mission, on one hand, and the organization's external environment, on the other hand.

Wit & Meyer (2001) hold the view that strategic decisions require major resource commitments and are difficult to reverse. They observe that a strategy is distinguished by the strength of the organization's commitment to it and reluctance with which it considers changing it. Therefore, for those organizations in a competitive environment, a strategy is frequently aimed at gaining an advantage over competitors. This means that an organization should focus its resources and energies on a few distinct strategies at onetime, perhaps no more than six or seven.

Neale (2004) holds the view that a strategy is future oriented and marked by uncertainty and risk. A strategy calls upon the organization to do something that it is not doing now. This inevitably requires change, sometimes profound, in many aspects of its operations. Therefore, a successful strategy is the result of a collaborative effort by many parts of the organization. On the other hand, formulation and implementation of a new strategy is a statement that an organization intends to make some sort of change in its operations. The change can vary greatly in the extent to which it is a departure from the current state of operations. Therefore, strategy planners must be conscious of how much they are asking of the organization and its people for such requests have implications throughout the strategic management process.

Cole (2004) holds that an incremental change is more likely to be carried out satisfactorily while revolutionary change may stir greater resistance that slows or prevents success. A revolutionary strategy may be necessary to give the organization a breakthrough in gaining a sustainable competitive advantage over its competitors. In

contrast, a well-conceived incremental strategy that leverages a unique resource, competence, or value activity may be more effective than a dramatic, high risk, mis-targeted revolutionary strategy. This implies that the type of strategy must be consistent with an organization's culture and that a firm with a tradition of risk avoidance probably should not attempt a revolutionary strategy. In conclusion, the chosen strategy type must be backed by sufficient resources, particularly financial while a revolutionary strategy may require more working capital to sustain it until the strategy succeeds and finances reach the break-even point (Maylor, 2003).

#### **2.4 Strategic Planning Process**

For an organization to survive in a turbulent business environment, it must clearly define its objectives and assess both the internal and external situation then proceed to formulate its strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track. The aforementioned actions entail the strategic planning process. This strategic planning process is cyclic in nature and should be entrusted to a team of persons who understand the environment of the concerned organization. Ideally, strategic planning is a five step process involving setting of the strategic direction of the organization, scanning of the internal and external environment, formulation of strategic plans, implementation of strategic plans and evaluation and control of the results thereof (Porter, 2010).

The first step is defining the goals of the organization. These goals may have single or multiple objectives. The objectives generally involve increasing or maximizing effectiveness and efficiency. The mission statement describes the company's business

vision, including the unchanging values and purpose of the firm and forward-looking visionary goals that guide the pursuit of future opportunities. Guided by the business vision, the firm's leaders can define measurable financial and strategic objectives. Financial objectives involve measures such as sales targets and earnings growth. Strategic objectives are related to the firm's business position, and may include measures such as market share and reputation (Mintzberg, 1990).

The environmental scan includes the following components: Internal analysis of the firm, analysis of the firm's industry (task environment) and external macro-environment (This includes political, environmental, social and technological factors analysis). The internal analysis can identify the firm's strengths and weaknesses and the external analysis reveals opportunities and threats. A profile of the strengths, weaknesses, opportunities, and threats is generated by means of a SWOT analysis. An industry analysis can be performed using a framework developed by Michael Porter known as Porter's five forces. This framework evaluates entry barriers, suppliers, customers, substitute products, and industry rivalry (Stoffels, 1994).

Given the information from the environmental scan, the firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats. To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. A competitive advantage can be based on cost or differentiation. Michael Porter identified three industry-independent generic strategies from which the firm can choose i.e. cost leadership strategy, differentiation strategy and

focus strategy. Strategy implementation involves acting on what has to be done internally to put the chosen (formulated) strategy into place and achieve the targeted results.

Strategies and policies are translated by management into action through the development of programs, budgets, and procedures. The implementation of the strategy must be monitored and adjustments made as needed. Evaluation and control consists of the following steps: First the planner out to define parameters to be measured then proceed to define target values for those parameters. Thirdly, the planner performs measurements of the results of the implemented plan and proceeds to compare measured results to the pre-defined standard. Lastly, the planner makes necessary changes to the strategic plan to ensure attainment of the desired results (Porter, 2010).

## **2.5 Nature of Kenya Government Regulations**

In Kenya, the government regulations may take the form of safety standards, quality standards, licensing regulations and price regulations. The nature and content of various standards that are applied by governments is mainly derived from the International Organization for Standardization (ISO).

### **2.5.1 Safety Standards**

Safety standards are guidelines designed by government agencies to ensure the safety of products, activities or processes. They may be advisory or compulsory and are normally laid down by an advisory or regulatory body that may be either voluntary or statutory. The concept of safety standards can take various forms including international safety standards that are generally accepted practices that guarantee safety to the public. For

instance, the guidelines on conduct of the public in international airports would be considered an international safety standard (ISO, 2015).

Secondly, there are health and safety standards which stipulate the guidelines to ensure the public lives in an environment free of accidents and disease. For instance, government regulations on public hygiene standards and firefighting guidelines are examples of health and safety standards. Thirdly, are the construction safety standards which provide the guidelines to be observed in residential and commercial buildings so as to ensure that the occupants of such buildings are not exposed to dangers of poor aeration, inaccessibility, injuries and death (ISO, 2015).

### **2.5.2 Quality Standards**

Quality standards have the same basic purpose of setting out agreed principles or criteria so that the users of products and services can make reliable assumptions about a particular product, service or practice. Most quality standards can be categorized according to the function they need to perform. The most common is the specification, which is a highly prescriptive standard setting out detailed absolute requirements in a product, service or practise. It is commonly used for product safety purposes or for other applications where a high degree of certainty and assurance is required by its user community(ISO, 2015).

Second, is the code of conduct which recommend sound good practice to be undertaken by competent and conscientious practitioners. The codes of practice are drafted to incorporate a degree of flexibility in application, whilst offering reliable indicative

benchmarks. They are commonly used in the construction and civil engineering industries. Third are the methods which set out an agreed way of measuring, testing or specifying what is reliably repeatable in different circumstances and places, wherever it needs to be applied. Lastly, quality standards can take the form of guides which are published to give less prescriptive advice which reflects the current thinking and practice amongst experts in a particular subject (ISO, 2015).

### **2.5.3 Price Regulations**

Price regulations are also commonly referred to as price controls. They are governmental restrictions on the prices that can be charged for goods and services in a particular market. The reason for price regulations is the desire of the government authorities to maintain affordability of staple foods and goods, to prevent price gouging during shortages, and to slow inflation, or, alternatively, to insure a minimum income for providers of certain goods or a minimum wage (ISO, 2014).

There are two primary forms of price control namely price ceiling and minimum price. A price ceiling is the maximum price that can be charged on a product or service. On the other hand, a minimum price also called price floor is the least price that can be charged on a good or service. Historically, governments all over the world have employed price controls as part of fiscal policies aimed at regulating the extent of incomes fetched by business people and the level of wages earned by employees in an economy. These controls assist governments to stabilize their economies by reducing instances of inflation and high interest rates. Although price controls are sometimes used by governments, economists usually agree that price controls do not accomplish what they are intended to do and are generally to be avoided (Adam, 1992).

## **2.6 Empirical Literature**

The role of government regulations in the strategic planning processes of organizations has been studied from the perspective of the effects of the safety standards, quality standards and price regulations on the strategy of organizations. Decker (2002) conducted studies on the designing of stakeholder involvement strategies to resolve wildlife management controversies in the United States of America (USA). His findings indicated that the style of involvement of stakeholders ranged from consultative, consensus building, regulatory and participatory. The findings also indicated that safety standards stipulated by the Federal Government of USA on the safety of wildlife from illegal poaching and habitat destruction was the most prominent form of stakeholder involvement in wildlife management in the USA. However, their findings indicated that the safety standards stipulated by the government had the least effect on the attainment of strategic plans of wildlife management organizations in the USA. On the other hand, participatory, consultative and consensus building approaches had higher impacts and enabled the organizations to attain their strategic objectives (Decker, 2002).

Buysee & Verbeke (2003) focused on the role of proactive quality standards on the resultant environmental strategies in Belgium. The scholars assessed the impact of quality standards stipulated by the environmental management authorities on the overall environmental strategies adopted by the conservation groups and Non-Governmental Organizations (NGOs) in Belgium. Their findings indicated that the quality standards informed the content of the strategic plans but also observed that the art of balancing the various stakeholder interests and expectations was crucial in the attainment of the strategic plans of organizations.

Schultz & Hekman (2006) focused on the role of quality standards in form of constraints and its impact on the managerial decision-making and its implications on the balancing of stakeholder interests. They found out that the decision of managers was mostly informed by the larger stakeholder interests and that the quality standards prescribed by authorities were not given higher weight than the other stakeholders' interests. Nonetheless, their findings indicated that it was not possible to meet all the expectations and interests of the stakeholders but a compromised balance was desirable if the organizations were to achieve their strategic objectives.

In a bid to establish the effects of price regulations on the strategy of organizations, Bariti (2009) conducted a study focusing on the management perception of stakeholder involvement at Nature Kenya while Gekonde (2011) conducted a study to assess the influence of stakeholders on the overall performance of Nature Kenya. The findings of the studies indicated that the management teams held various perceptions on the role of various stakeholders while the influence of the various stakeholders was reflected in the overall performance of Nature Kenya.

One of the common findings was that government regulations on prices of products and services offered by the affiliates of Nature Kenya including the National Museums of Kenya, National Parks and Wildlife Conservancies were given more weight in the drafting of strategic plans than the influence of other stakeholders like communities, employees, customers, suppliers and competitors. Therefore, they held the view that

government regulations, especially on the price of key products and services in the tourism sector, were a key determinant of the strategic direction of NGOs in the tourism sector in Kenya.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter contains the research design used and explains the reason of choosing the design. It also explains the types of data to be collected, sources of data relied on and the data collection instruments. Finally, the chapter discusses the data analysis and presentation techniques.

#### **3.2 Research Design**

The research was conducted through a case study. This design was adopted because there shall be only one unit of study: National Oil Corporation of Kenya (NOCK). Yin (2003) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.

The design was appropriate for carrying out a holistic, in depth and comprehensive investigation where much emphasis was placed on the full analysis of the effects of Kenya government regulations on the strategic planning processes of NOCK. It also provided a very focused and valuable insight on the solutions that can enhance strategy formulation, implementation and evaluation at NOCK.

#### **3.3 Data Collection**

This study sought to collect both primary and secondary data. The data was obtained in both oral and written form. Oral data was obtained from interviews based on an

interview guide (Appendix I). The interview guide consisted of three sections dealing with the bio data of the respondents, the general awareness on government regulations at NOCK and specific information on the effects of safety, quality and price regulations on strategy formulation, strategy implementation and strategy evaluation at NOCK.

There were five interviewees made of senior managers at NOCK namely; Managing Director, Finance Director, Marketing Director, Operations Director and the Human Resources Director. The interviewees were selected because they were in positions of authority and possess key strategic and operational experience on matters related to the strategic planning process at NOCK. Secondary data was collected from the NOCK Strategic Plan, NOCK website, NOCK Performance Contracting Report, and NOCK Auditor General's Report which provided data on the achievements of NOCK in relation to the execution of its strategic plan.

The data collection tools enabled a trade-off between cost, speed, accuracy, detail, comprehensiveness, response rate, clarity and anonymity which are useful for validity and reliability. Permission to conduct interviews was sought through an introduction letter (Appendix II).

### **3.4 Data Analysis**

The raw data from the interview was cleaned and checked for completeness by eliminating unusable data, interpreting ambiguous answers and eliminating contradictory data from related questions. Content analysis technique was used to analyse the cleaned data. Mugenda (2003) holds that content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and

detailed description of objects, items or things that comprise the study through a systematic analysis which involves grouping and interpretation of key issues being investigated in a thematic approach to come up with findings.

Therefore, the content analysis technique allowed for objective, systematic and qualitative description of the content of the collected data and also enabled generalization of detailed information. It also guarded against selective perception of the content and provide for the rigorous application of reliability and validity criteria. The findings were presented in prose on the basis of the research questions.

## **CHAPTER FOUR**

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

#### **4.1 Introduction**

This chapter provides the data analysis, presentation and interpretation of the results of the study as set out in the research methodology. The purpose of the study was to establish the effects of Kenya government regulations on the strategic planning process of oil marketing firms in Kenya with a focus on National Oil Corporation of Kenya. This chapter presents the research findings and the subsequent discussions which take cognition of the pre-stated objective of the study.

This chapter also discusses the findings in comparison with relevant theory and literature as established by other authors in the same field of study. The data was collected through structured interview specifically designed to generate data relevant to the research objective and analyzed through content analysis. To enhance data quality of data obtained, unstructured questions were used whereby respondents indicated their views and opinions about the effects of Kenya government regulations on the strategic planning process of National Oil Cooperation of Kenya.

The interviewees targeted of the study were the senior managers at NOCK who included Managing Director, Finance Director, Marketing Director, Operations Director and the Human Resources Director since they were in positions of authority and possess key strategic and operational experience on matters related to the strategic planning process at NOCK. Content analysis was used in this study due to the research instrument used was an interview guide hence the data collected was qualitative.

## **4.2 General Information**

The study involved the management staffs currently serving in NOCK who are directly dealing with the day to day management of the Corporation since they are the ones conversant with the effects of Kenya government regulations on the strategic planning process of National Oil Cooperation of Kenya. In order to get the pertinent information on the effects of Kenya government regulations on the strategic planning process of National Oil Cooperation of Kenya, the demographic data of the respondents was investigated in the first section of the interview guide.

The study sought to establish the duration that the interviewees had worked for NOCK. The length of service/working in an organization determines the extent to which one is aware of the issues sought by the study. In the wake of technological advancements and globalization, there are likely to be many changes in institutional and operating environments that the respondents should know when responding to the issues sought by the study. Majority of the respondents reiterated that they had worked in NOCK for a period of between 2 years and 5 years. The interviewee with the longest experience in NOCK was 19 years and 15 years while the least period was 1 year. Other Interviewees had a working experience of 7 years, 6 years, 5 years, 4 years, 3 years and 2 years in NOCK. Based on these experiences, majority of the informants had enough experience on the effects of Kenya government regulations on the strategic planning process of National Oil Cooperation of Kenya.

The respondents experience as demonstrated by the years of practice in their current role was important in examining how reliable the information given by the respondents in the study was. Most of the interviewees indicated that they held their current positions for a

period of about 4 years. The longest period served in the current position was 9 years followed by 6 years then 5 years. Other respondents they had served in their current positions for a period of 3 years, 2 years, 1 year and 9 months, 1 year and 5 months hence the lowest duration served in the current position. These interviewees are therefore largely perceived to have a better understanding of the various government regulations and their effect on strategic planning process of National Oil Cooperation of Kenya.

The interviewees were also required to describe the NOCK's Core Business. According to the interviewees, NOCK was strategically set up to become a special instrument for the Government of Kenya to have greater control of the petroleum sector which is key to the country's economic performance. It is also the Government's policy instrument in matters related to oil and gas specifically in the upstream exploration of oil and gas, mid-stream petroleum infrastructure development and the downstream marketing and distribution of petroleum products and services. The Corporation is involved in all aspects of the petroleum supply chain covering the upstream oil and gas exploration, midstream petroleum infrastructure development, and downstream marketing of petroleum products.

According to Kimani (2013) the Company is tasked with the marketing of Kenya's exploration acreage, management of gas and exploration data and the running of the national petroleum laboratory among other attendant responsibilities. In the midstream development of petroleum infrastructure, NOCK has identified and is working on three key projects including the development of an offshore floating jetty technically known as a Single Buoy Mooring (SBM), the establishment of Strategic Petroleum Reserves (SPR) and the crafting of a Petroleum Development Master Plan for Kenya. Moreover, NOCK

has an active downstream business segment with a growing retail network of 103 service stations spread throughout the country offering various products to the Kenyan market.

The study also sought to establish the contents of the strategic plan of NOCK. A strategic plan consists of various aspects focusing on the strategic plans of a given organization. Accordingly, all the interviewees unanimously reported that the vision statement of NOCK is 'to be a fully integrated world class oil and gas company. Its Mission is providing security of supply of petroleum in Kenya through living of corporate values, growing a sustainable, responsible and profitable company that contributes to national development by exploring, developing and producing oil and gas resources for the benefit of the Kenyan people.

In addition, the interviewees reiterated that the mission statement of NOCK is to be a premier oil and gas company, excelling in downstream, enhancing midstream and developing a vibrant upstream sector. The interviewees also indicate that the core values of NOCK are customer service, quality products, integrity, leadership and valued employees. According to NOCK (2015) the strategic objectives of NOCK include to achieve sustained market leadership in downstream marketing, importation and distribution of petroleum products and services, to commence midstream infrastructure development including participation in development of strategic petroleum resources, to develop a robust oil and gas exploration agenda for the country including capacity building, scaling up the work programme in oil exploration with a view of drilling one exploration well within the plan period, to identify and participate in appropriate partnerships to develop oil and gas opportunities in Kenya and the region; and to build

internal and national capacity that will be at the heart of driving the oil and gas industry in Kenya and drive development of local content industry in Kenya (NOCK, 2015).

The study also sought to establish the role played by the key informants in NOCK's strategic planning process. Strategic planning is now generally accepted as the foundation of good leadership and management in any organisation. The interviewees indicated that the steps in the strategic planning process that include formulating, implementing and evaluation of the strategic plan. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of products and services, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, products and services.

The roles played by the various key informants in strategy formulation, strategy implementation and strategy evaluation in NOCK include development, formulation, implementation and periodic review of the strategic plan, development of key strategic project and business cases formulation and implementation of policies, formulating institutional frameworks for petroleum supply chain in Kenya, authorizing transactions, management of customers relationship to enhance better growth, managing customers feedbacks and ideas on improvement in customer service, capturing, analysing and evaluating customers complaint or correspondence. They also indicated that they are involved in establishing a vision-the benefit that shareholders can expect, establishing a mission-clarifying what business the Corporation is in, developing of key strategies that contribute to the overall vision and development of specific measurable realistic and time-bound strategic goals.

The interviewees recapped that strategy evaluation is about proper allocation of resources, human resource development, employee's performance targets and market expansion. Accordingly, a well formulated, implemented and evaluated strategic plan facilitate efficiency in the Corporation and how NOCK and other organizations can make any necessary changes to ensure harmony between its strategic plans and the level of performance. The interviewees see that strategic planning affects the efficiency of NOCK's operations.

#### **4.3 Government Regulations on the Strategic Planning Process of NOCK**

The study sought to establish how the interviewees would describe the environment in which NOCK operates. The interviewees indicated that the internal environment is a facilitative and accommodating culture for strategic planning. According to the interviewees, the internal environment of NOCK is comprehensive, adaptable, efficient and realistically focused to the objectives. They further indicated that the internal environment has a tight fit between strategy and the organization competencies, capability and structure; strategy and budgetary allocations; strategy and policy; strategy and internal support systems; strategy and reward system and strategy and organization culture. The interviewees added that the external environment is described to be very dynamic and complex environment in that it often present new opportunities and new ways to reach the objectives for various competitors in the petroleum industry in Kenya.

The interviewees further indicated that the external environment comprises of political, socio-cultural, economic, ecological and technological factors as well as customers, suppliers, competitors and regulators who mainly complicate the attainment of the

strategic intent of the Corporation. Strategic leadership requires the ability to accommodate and integrate both internal and external business environment of the organization and to manage and engage in complex information processing. While issues of strategic planning have presented challenges to strategic leaders, it is in the area of strategy implementation where leaders have encountered a number of challenges. Hrebiniak (2006) reported that although formulating a consistent strategy and making it worth is fairly easy, implementing it through the organization is even more difficult.

The study sought to establish the various stakeholders in strategy formulation at NOCK. Strategic planning was a team effort which involves all levels and functional units of the Organisation—top executives, middle managers and supervisors, and employees. The GM at the helm is the one vested with overall responsibility for NOCK's strategy formulation. The Corporation has a strategy committee whose purpose is to develop strategic plans for NOCK. It comprises of all the department heads and chaired by the CEO. The board members also play an important role in the planning process. They assist in developing the mission, principles, and vision of NOCK. They also provide valuable feedback during the planning process. They work closely with the GM in defining the NOCK's mission, expressing the NOCK's principles, and crafting an NOCK's -wide vision; they also set goals to provide direction for the whole organisations and to address identified issues, problems, and opportunities; and also monitor overall progress and results.

On the various stakeholders involved in strategy implementation at NOCK, majority of the interviewees indicated that various departments are charged with implementing various aspects of the Corporation's strategic plans. As such the functional heads are charged with the overseeing that their departments are approaching the strategic plans.

They foresee the analysis of Organizational structure and systems before strategy implementation as well as analysis of culture power and conflict. integrate the activities of several different functions. These activities help to achieve the best integration of people, structure, processes and resources in reaching Organizational purposes.

The interviewees were also asked to indicate the various stakeholders involved in strategy evaluation at NOCK. The interviewees reported that strategy evaluation is usually done by external evaluators usually appointed by NOCK. They conduct periodic reviews including impact assessments. Monitoring and evaluations outcomes and reports are shared with staff and stakeholders to generate continuous programme adjustments necessary to keep the strategy implementation on track.

The study was also inquisive of how the Kenya government safety regulations on business premises affect the various strategic planning processes at NOCK .With regard to strategy formulation, the interviewees recapped that the government regulations address international safety standards public hygiene standardsin order to provide individual safety to Kenyans, to address investors' concerns about security-related increase in cost of doing busines in Kenya, and to protect lives and property.

With regard to strategy implementation, the interviewees indicated that implementation of any strategic endeavors by the corporations are guided by Rule of Law which is a priority in realization of Kenya's Vision 2030. The Government vested interests include sustainability and expansion of physical infrastructure, assigning responsibility of specific tasks or processes to specific individuals or groups to enhance the enterprises'

relationships with government, employees, suppliers, competitors, management and society in general.

The interviewees further reported that the Kenya government safety regulations on business premises affect the strategy evaluation in that the government controls the evaluation of the corporations strategic millage, information delivery, technological advancement, new service/product & client taste and government regulations/laws and political environment. This implies that the government safety regulations on business premises of the Corporation's strategic planning in its operations would help to improve their service delivery.

The interviewees were also required to indicate how the Kenya government safety regulations on operating procedures affect the various aspects of strategic planning processes at NOCK. The interviewees reiterated that government safety regulations on operating procedures affect strategy formulation by regulating the areas of business focus, controlling the legal compliance and price controls. In addition, they indicated that the Government places a huge emphasis on the potential value from more innovation across the sector. In strategy implementation and strategy evaluation the Government also controls the introduction of suspended duty on refined products imported directly into the country to cushion the refinery from competition from efficient refineries in the gulf region. Government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable prices and the government laws establish a legal framework in order to prevent market distortions, ensuring unconstrained access of foreign investors to domestic financial markets.

The study further sought to establish how the Kenya government product quality regulations affect the various strategic planning processes at NOCK. According to the interviewees, in strategy formulation, strategy implementation and strategy evaluation the government provides NOCK to develop a model for assessing the consumer satisfaction index with quality and service standards and that Corporation is required to give preference to Kenyan materials, supplies and services for use in petroleum operations as long as their prices, quantities and timeliness of delivery are comparable with the prices, quality, quantities and timeliness of delivery of non-Kenyan materials and supplies and a requirement to employ and train nationals. Further, the government requires NOCK to adhere to the objectives of ensuring adequate, quality, cost effective and affordable supply of energy to meet development needs, while protecting and conserving the environment.

The study also sought to ascertain how the Kenya government service quality regulations affect strategy formulation, strategy implementation and strategy evaluation in strategic planning at NOCK. The key informants opined that they affect the establishment of core values-what the organization stands for and believes in, communication of organizational vision, mission and key policies, development of short and long term operational goals; subdividing goals and allocating sub-goals with careful attention to details, participating, schedules and milestones, monitoring and evaluation- measure the progress toward attaining operational and strategic goals with key performance indicators and corrective action-review and address gaps between current position and the targeted goals.

On how the Kenya government price ceilings affect strategy formulation, strategy implementation and strategy evaluation in the strategic planning processes at NOCK, majority of the interviewees indicated that government control of commodity and fuel prices, price changes, price reductions and revenue regulations by the ERC affect the strategy planning processes. In addition, the interviewees added that Creating and sharing an organizational goal, communication of strategic rationales, utilization of firm resources and encouraging creativeness.

With regard to other issues that arise during strategy formulation, implementation and evaluation process at NOCK, the interviewees indicated that Other challenges that are market related include; liberalization, globalization, scarcity of resources, green revolution of products and services and the fast growing regional economies. Exchange rates also affect the costs of exporting goods and the supply and price of imported goods in an economy. Most of the interviewees pointed out that technology is in the heart of their business. There is a very large synergistic force that drives this company that has a primary competitive advantage with the combination of their website, its IT infrastructure and client-provided software. This infrastructure serves as an umbrella between the different companies operations combined with the philosophy of competing collectively, and operating independently. This is because most clients do their shipment bookings online. They also track their shipments as from when they release them till they are at their right destination.

One of their strategies is to implement new technological innovations to differentiate themselves from the competition. There has been a challenge of meeting new customer requirements in terms of customization, simplicity, convenience, transparency and speed

driven by the digital revolution. There has been a great need for scalable and industry specific solutions due to new generation of well informed customers expecting higher level of flexibility.

The political state especially the level at which the government of Kenya intervenes in the economy affects business at NOCK. Another challenge that NOCK faces is the social factors. There have been new public expectations regarding corporate contributions to solve global problems. The organisation is also faced with a challenge of ensuring that corporate responsibility is an obligation but not just nice to have it. There has been an increasing importance of sustainability and public reputation for long term success that calls for exclusive shareholder value focus and broader stakeholder focus.

#### **4.4 Discussion of the Findings**

According to Pearce & Robinson, (2008), Strategic planning practices involve formulation of vision and mission statement, performance of situation analysis and finally strategy formulation and choice Strategic decision determines the organizational relations to its external environment, encompass the entire organization, depends on input from all of the functional areas in the organization and have a direct influence on the administrative and operational activities and are vitally important to the long term health of an organization. The foregoing results indicate that the internal environment is a facilitative and accomodating culture for strategic planning. The intranal environment of NOCK is comprehensive, adaptable, efficient and realistically focused to the objectives. The external environment is described to be very dynamic and complex environment in that it often present new opportunities and new ways to reach the objectives for various competitors in the petroleum industry in Kenya.

The Corporation has a strategy committee whose purpose is to develop strategic plans for NOCK. It comprises of all the department heads and chaired by the CEO. The board members also play an important role in the planning process. The various departments are charged with implementing various aspects of the Corporation's strategic plans. As such the functional heads are charged with the overseeing that their departments are approaching the strategic plans. Strategy evaluation is usually done by external evaluators usually appointed by NOCK. They conduct periodic reviews including impact assessments. Monitoring and evaluations outcomes and reports are shared with staff and stakeholders to generate continuous programme adjustments necessary to keep the strategy implementation on track. While issues of strategic planning have presented challenges to strategic leaders, it is in the area of strategy implementation where leaders have encountered a number of challenges. Hrebiniak (2006) reported that although formulating a consistent strategy and making it worth is fairly easy, implementing it through the organization is even more difficult.

The government regulations address international safety standards public hygiene standards in order to provide individual safety to Kenyans, to address investors' concerns about security-related increase in cost of doing business in Kenya, and to protect lives and property. The Government vested interests include sustainability and expansion of physical infrastructure, assigning responsibility of specific tasks or processes to specific individuals or groups to enhance the enterprises' relationships with government, employees, suppliers, competitors, management and society in general. Decker (2002) indicated that the style of involvement of stakeholders ranged from consultative, consensus building, regulatory and participatory. Buysee&Verbeke (2003) assessed the impact of quality standards stipulated by the environmental management authorities on the overall environmental strategies adopted by the conservation groups and Non-Governmental Organizations (NGOs) in Belgium and found that the quality standards informed the content of the

strategic plans but also observed that the art of balancing the various stakeholder interests and expectations was crucial in the attainment of the strategic plans of organizations.

The Kenya government safety regulations on business premises affect the strategy evaluation in that the government controls the evaluation of the corporations strategic millage, information delivery, technological advancement, new service/product & client taste and government regulations/laws and political environment. Government safety regulations on operating procedures affect strategy formulation by regulating the areas of business focus, controlling the legal compliance and price controls. In strategy formulation, strategy implementation and strategy evaluation the government provides NOCK to develop a model for assessing the consumer satisfaction index with quality and service standards and that Corporation is required to give preference to Kenyan materials, supplies and services for use in petroleum operations as long as their prices, quantities and timeliness of delivery are comparable with the prices, quality, quantities and timeliness of delivery of non-Kenyan materials and supplies and a requirement to employ and train nationals. Schultz & Hekman (2006) also found out that the decision of managers was mostly informed by the larger stakeholder interests and that the quality standards prescribed by authorities were not given higher weight than the other stakeholders' interests.

The Kenya government service quality regulations affect strategy formulation, strategy implementation and strategy evaluation in strategic planning at NOCK. They affect the establishment of core values-what the organization stands for and believes in, communication of organizational vision, mission and key policies, development of short and long term operational goals; subdividing goals and allocating sub-goals with careful attention to details, participating, schedules and milestones, monitoring and evaluation- measure the

progress toward attaining operational and strategic goals with key performance indicators and corrective action-review and address gaps between current position and the targeted goals. This also concurs with Gekonde (2011) who found that the management teams held various perceptions on the role of various stakeholders while the influence of the various stakeholders was reflected in the overall performance of Nature Kenya.

## **CHAPTER FIVE**

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

#### **5.1 Introduction**

This is the final chapter in this study which gives the summary of the findings, the conclusions and recommendations of the study based on the objective of the study. It comes after identifying the background, problem at hand and the objectives in chapter one, literature review was done in chapter two, chapter three set out the methodology that the study used to collect data and chapter four analyzed the data obtained from the study. From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objective of the study. The research study sought to establish the effects of Kenya government regulations on the strategic planning process of oil marketing firms in Kenya with a focus on National Oil Corporation of Kenya. The chapter finally presents the suggestions for further studies.

#### **5.2 Summary**

The study sought to establish the effects of Kenya government regulations on the strategic planning process of oil marketing firms in Kenya with a focus on National Oil Corporation of Kenya. The study established that the mission statement of NOCK is to be a premier oil and gas company, excelling in downstream, enhancing midstream and developing a vibrant upstream sector. The strategic objectives of NOCK include to achieve sustained market leadership in downstream marketing, importation and distribution of petroleum products and services, to commence midstream infrastructure development including participation in development of strategic petroleum resources, to

develop a robust oil and gas exploration agenda for the country including capacity building, scaling up the work programme in oil exploration with a view of drilling one exploration well within the plan period, to identify and participate in appropriate partnerships to develop oil and gas opportunities in Kenya and the region; and to build internal and national capacity that will be at the heart of driving the oil and gas industry in Kenya and drive development of local content industry in Kenya.

The study found that the steps in the strategic planning process that include formulating, implementing and evaluation of the strategic plan. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of products and services, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, products and services. From the study strategy formulation, strategy implementation and strategy evaluation in NOCK include development, formulation, implementation and periodic review of the strategic plan, development of key strategic project and business cases formulation and implementation of polices, formulating institutional frameworks for petroleum supply chain in Kenya, authorizing transactions, management of customers relationship to enhance better growth, managing customers feedbacks and ideas on improvement in customer service, capturing, analyzing and evaluating customers complaint or correspondence.

According to the study, that strategy evaluation is about proper allocation of resources, human resource development, employee's performance targets and market expansion. As such a well formulated, implemented and evaluated strategic plan facilitate efficiency in the Corporation and how NOCK and other organizations can make any necessary changes to ensure harmony between its strategic plans and the level of performance.

The study found that the internal environment is a facilitative and accommodating culture for strategic planning; the internal environment of NOCK is comprehensive, adaptable, efficient and realistically focused to the objectives; the internal environment has a tight fit between strategy and the organization competencies, capability and structure; strategy and budgetary allocations; strategy and policy; strategy and internal support systems; strategy and reward system and strategy and organization culture.

The study also found that the external environment is described to be very dynamic and complex environment in that it often present new opportunities and new ways to reach the objectives for various competitors in the petroleum industry in Kenya. The external environment comprises of political, socio-cultural, economic, ecological and technological factors as well as customers, suppliers, competitors and regulators who mainly complicate the attainment of the strategic intent of the Corporation. Strategic leadership requires the ability to accommodate and integrate both internal and external business environment of the organization and to manage and engage in complex information processing.

According to the study, strategic planning is a team effort which involves all levels and functional units of the Organisation—top executives, middle managers and supervisors, and employees. The GM at the helm is the one vested with overall responsibility for NOCK's strategy formulation. The Corporation has a strategy committee whose purpose is to develop strategic plans for NOCK. The analysis of Organizational structure and systems before strategy implementation as well as analysis of culture power and conflict. integrate the activities of several different functions. Strategy evaluation is usually done

by external evaluators usually appointed by NOCK. They conduct periodic reviews including impact assessments. Monitoring and evaluations outcomes and reports are shared with staff and stakeholders to generate continuous programme adjustments necessary to keep the strategy implementation on track.

The study established that the government regulations address international safety standards public hygiene standards in order to provide individual safety to Kenyans, to address investors' concerns about security-related increase in cost of doing business in Kenya, and to protect lives and property. the Kenya government safety regulations on business premises affect the strategy evaluation in that the government controls the evaluation of the corporations strategic millage, information delivery, technological advancement, new service/product and client taste and government regulations/laws and political environment.

The study found that government safety regulations on operating procedures affect strategy formulation by regulating the areas of business focus, controlling the legal compliance and price controls. Government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable prices and the government laws establish a legal framework in order to prevent market distortions, ensuring unconstrained access of foreign investors to domestic financial markets. The political state especially the level at which the government of Kenya intervenes in the economy affects business at DHL Express, Kenya. This includes goods and services which the government wants to provide or be provided and those that the government does not want to be provided.

### **5.3 Conclusion**

The study concludes that Corporation had adopted strategic planning in their operations which would help to improve their service delivery. The NOCK also has a formal documentation of vision and mission statements. This further illustrates that, NOCK has adopted modern methods on management through formulation of vision and mission to guide their management. The study concludes that NOCK applied the various steps of strategic planning process; develop of key strategies that contribute to the overall vision, development of specific measurable realistic and time –bound strategic goals communication of organizational vision, mission and key policies, development of short and long term operational goals; subdividing goals and allocating sub-goals with careful attention to details, participating, schedules and milestones, monitoring and evaluation- measure the progress toward attaining operational and strategic goals with key performance indicators respectively.

The study also concludes that environment in which NOCK operates is characterised with very dynamic and complex environment in that it often present new opportunities and new ways to reach the objectives for various competitors in the petroleum industry in Kenya and comprises of political, socio-cultural, economic, ecological and technological factors as well as customers, suppliers, competitors and regulators who mainly complicate the attainment of the strategic intent of the Corporation.

The study further concludes that Kenya government safety regulations on business premises affect the following strategic planning processes at NOCK. In addition, safety regulations, product quality regulations, price ceilings and price floors affect the following strategic planning processes at NOCK. Government places a huge emphasis on

the potential value from more innovation across the sector. In strategy formulation, strategy implementation and strategy evaluation the government provides NOCK to develop a model for assessing the consumer satisfaction index with quality and service standards and that Corporation is required to give preference to Kenyan materials, supplies and services for use in petroleum operations as long as their prices, quantities and timeliness of delivery are comparable with the prices, quality, quantities and timeliness of delivery of non-Kenyan materials and supplies and a requirement to employ and train nationals.

The study concludes that the government regulations affect the establishment of core values-what the organization stands for and believes in, communication of organizational vision, mission and key policies, development of short and long term operational goals; subdividing goals and allocating sub-goals with careful attention to details, participating, schedules and milestones, monitoring and evaluation- measure the progress toward attaining operational and strategic goals with key performance indicators and corrective action-review and address gaps between current position and the targeted goals.

#### **5.4 Recommendations for Policy and Practice**

From the foregoing, there are various aspects of government policies affect the strategic plan implementation such as privatization of government stakes, legal compliance, licensing and interest rate regimes in this regard, the study thus recommends that it is important to put in place mechanisms for continued review of the legal and policy frameworks to ensure it is up to date and the industry remains competitive. Further, it is necessary to adopt a minimalist government intervention approach in oil production and distribution. The essence of this approach is restricting the role of the government strictly

to regulatory and policy-making roles without giving it an opportunity to participate in the market as a commercial player. As such, the private sector is given a free hand to innovate the best approaches to steer the industry forward.

The study recommends that, the management of NOCK should seek to enhance their operating efficiency and quality of products or services in order to improve their strategic planning amid the many government regulations in the sector in which they operate. The study also recommends that state corporations in Kenya should adopt a hybrid approach in the strategic planning process to revamp their responses to government regulations and market demands.

The study also recommends that the management of NOCK should offer continuous training to the employees on strategic planning adopt clear communication of strategy so as to equip them with skills that will help them in their mandates. This will assist the firms' human resource to work more efficiently and increase the corporations' performance.

### **5.5 Recommendation for Further Studies**

Given that petroleum is a key component of the energy sector in Kenya, petroleum infrastructural requirements as well as investment requirements and options for financing petroleum promoting projects including public private partnerships, project financing and/or an appropriate throughput tariff structure that will spur investment in petroleum industry development are imminently needed. There is need for a more focused research on all the other possible strategic approaches of enhancing strategic planning process of the petroleum firms in Kenya and the industry as a whole.

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## **APPENDICES**

### **APPENDIX I: INTERVIEW GUIDE**

#### **Section 1: Respondents Profile**

- 1) How long have you worked for NOCK?
- 2) How long have you worked in the current role?

#### **Section 2: General Information**

- 3) What is your description of NOCK's core business?
- 4) What are the contents of the strategic plan of NOCK:
  - a) Vision statement?
  - b) Mission statement?
  - c) Core values?
  - d) Strategic objectives?
- 5) What role do you play in NOCK's strategic planning process:
  - a) Strategy formulation?
  - b) Strategy impementation?
  - c) Strategy evaluation?

#### **Section 3 : Specific Information**

- 6) How will you describe the environment in which NOCK operates?
  - a) Internal Environment:
  - b) External Environment:
- 7) Who are the various stakeholders in strategy formulation at NOCK?
- 8) Who are the various stakeholders in strategy implementation at NOCK?
- 9) Who are the various stakeholders in strategy evaluation at NOCK?

- 10) How do Kenya government safety regulations on business premises affect the following strategic planning processes at NOCK?
- i) Strategy formulation
  - ii) Strategy implementation
  - iii) Strategy evaluation
- 11) How do Kenya government safety regulations on operating procedures affect the following strategic planning processes at NOCK?
- i) Strategy formulation
  - ii) Strategy implementation
  - iii) Strategy evaluation
- 12) How do Kenya government product quality regulations affect the following strategic planning processes at NOCK?
- i) Strategy formulation
  - ii) Strategy implementation
  - iii) Strategy evaluation
- 13) How do Kenya government service quality regulations affect the following strategic planning processes at NOCK?
- i) Strategy formulation
  - ii) Strategy implementation
  - iii) Strategy evaluation
- 14) How do Kenya government price ceilings affect the following strategic planning processes at NOCK?
- i) Strategy formulation
  - ii) Strategy implementation
  - iii) Strategy evaluation

- 15) How do Kenya government price floors affect the following strategic planning processes at NOCK?
- i) Strategy formulation
  - ii) Strategy implementation
  - iii) Strategy evaluation
- 16) a) What other issues arise during strategy formulation process at NOCK?  
b) How can the above issues be solved?
- 17) What other issues arise during strategy implementation process at NOCK?  
b) How can the above issues be solved?
- 18) What other issues arise during strategy evaluation process at NOCK?  
b) How can the above issues be solved?

**END**