CHALLENGES OF CORPORATE RESTRUCTURING AT NATIONAL OIL CORPORATION OF KENYA

BY
DAVID AKOKO OBADO

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DECLARATION

STUDENT'S DECLARATION

This project is my original work and has not been presented for award of any degree in any other University.

OBADO DAVID AKOKO

Signature: ________________ Date: ________________________

D61/61051/2013

SUPERVISOR'S DECLARATION

This project has been submitted with my approval as university supervisor.

Signature: _____________________ Date: ___________________________

Lecturer

Mr. Alex Jaleha

School of Business

University of Nairobi

DEDICATION

I would like to dedicate this research work to my family who are my pillars and source of great inspiration. My colleague Patricia Kosom for great encouragement to undertake the MBA programme, my friends Kennedy Horace, James Mutua, Lawrence Mulama and Carolyne Obuya for tremendous support during the programme God bless you all.

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TABLE OF CONTENTS

DECLARATION .... **ii**

DEDICATION .... **iii**

ACKNOWLEDGEMENT .... **iv**

ABBREVIATIONS AND ACCRONYMS .... **vii**

ABSTRACT .... **viii**

CHAPTER ONE: INTRODUCTION **1**

1.1 Background 1

1.1.1 Concept of Corporate Restructuring 2

1.1.2 Challenges of Corporate Restructuring 4

1.1.3 Petroleum Sector in Kenya 5

1.1.4 National Oil Corporation of Kenya 7

1.2 Research Problem 9

1.3 Objective of the Study 11

1.4 The Value of the Study 12

CHAPTER TWO: LITERATURE REVIEW **13**

2.1 Introduction 13

2.2 Theoretical Foundations 13

2.2.1 Contingency Theory of Organization 13

2.2.2 The Complex System Theory 15

2.3 Corporate Restructuring 16

2.4 Challenges of Corporate Restructuring 20

2.6 Knowledge Gaps 22

CHAPTER THREE: RESEARCH METHODOLOGY 24

3.1 Introduction.. 24

3.2 Research Design 24

3.3 Data Collection 25

3.4 Data Analysis.. 25

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION 27

4.1 Introduction.. 27

4.2 Corporate Restructuring at NOCK 29

4.3 Challenges Encountered in Restructuring 32

4.4 Measures to Deal with the Challenges of Corporate Restructuring 35

4.5 Discussions 36

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS....... 41

5.1 Introduction.. 41

5.2 Summary of the Findings.. 41

5.3 Conclusion 46

5.4 Implications for Policy and Practice.. 47

5.5 Limitations.. 50

REFERENCES 52

APPENDIX... 58

Appendix I: Interview Guide 58

ABBREVIATIONS AND ACCRONYMS

BP	:	British Petroleum
CAS	:	Complex Adaptive System
CEO	:	Chief Executive Officer
ERC	:	Energy Regulatory Commission
GDP	:	Gross Domestic Product
ICT	:	Information and Communication Technology
IEBC	:	Independent Electoral & Boundaries Commission
KIPPRA	:	Kenya Institute for Public Policy Research and Analysis
LPG	:	Liquefied Petroleum Gas
NNT	:	Nairobi National Terminal
NOCK	:	National Oil Corporation of Kenya
PARE	:	Potential and Resilience Evaluation
SBM	:	Single Buoy Mooring
SPR	:	Strategic Petroleum Reserves

ABSTRACT

Modern companies operate within competitive national and international markets and must embrace change management in efforts to consistently take advantage of opportunities within their operating environments. Some of these changes have focused on lean production and efficiency. Many improvement efforts fail because the organization is not properly geared to support the processes being implemented. The general objective of the study was to establish the challenges facing National Oil in implementing corporate restructuring. The research study adopted a case study research design. The researcher used both primary and secondary data. Primary data was collected using self-administered interview guides while secondary data was collected by use of desk search techniques from published reports and other documents. Content analysis was employed. The study found that the main goal was to change the corporation from a functional structure to one having different departments being answerable to one divisional head and have a more effective management model. The study conclude that restructuring in the Corporation was faced by human resource management, internal communication, organizational culture, and top management support challenges. The study recommends that management staff should be equipped with techniques of how to handle organization changes which will enable them to continue serving in their respective places. By so doing the corporation will mitigate the challenges inherent in restructuring within the corporation. The organization should include measures to eliminate communication related challenges within the company since clarity of the same is not only critical to the success of the process, but also ensures that planned programmes are executed timely. Consistent engagement with the personnel should be listed as priority considering that restructuring may lead to loss of employment and therefore traumatic to the families affected. There should be open, clear, concise and timely communication to reduce misunderstanding, anxiety, speculation and staff de-motivation, the policies to be used during the process should be well communicated, there should be openness about the aims and the consequences behind the restructuring exercise. The study also recommends that Corporations undertaking structural changes should also consider its remuneration and training opportunities for its employee to eliminate employee based challenges like employee turn-over as they seek for greener pastures in other industries. Based on the limitations of the study, areas for further research have been pointed out.

CHAPTER ONE

INTRODUCTION

1.1 Background

The ability of organizations to manage and survive change is becoming increasingly important in an environment where competition and globalization of markets are ever intensifying (Cao and McHugh, 2005). Substantial changes and turbulence in business environments are dramatically affecting the way firms compete. Corporate restructuring is one such strategic initiative often deployed by various organizations specifically to align the internal structure of a firm to the ever changing external environment. According to Byars & Rue (2009), organization structure is the framework that defines the boundaries of the formal organization and within which the organization operates. The structure of an organization reflects how groups compete for resources, where responsibilities for profits and other performance measures lie, how information is transmitted and how decisions are made.

The concept of restructuring can be explained from different theoretical perspectives Contingency theory and complex systems theory. Contingency theory which borrows widely from systems theory, postulates that there is no one best way of managing organizations (Jones, 2010). Complex systems theory views organizations as complex systems whose component structures must align and reconfigure to be in tandem with the dictates of changing environment (Buckley, Clegg & Tan, 2005). The theory treats organizations as collections of strategies and structures which are complex but dynamic. In the contingency approach to management, different situations and conditions require different management approaches. There is no one best way to manage; the best way depends on the specific circumstances (Byars & Rue, 2009). A method that leads to high productivity or morale under one set of circumstances may not achieve the same results in another (DuBrin, 2009).

National Oil Corporation from inception was mandated to spearhead exploration activities through the Ministry of Energy (www.nationaloil.co.ke, 22nd August 2015). NOCK ventured into downstream activities following intense competition from other players to ensure sustainability. In 2013, the National Oil Corporation of Kenya (NOCK) reorganized its formal organization into three divisions namely; Upstream, Downstream and Administration & Finance each headed by a General Manager reporting to the Chief Executive Officer. National Oil Corporation’s management was restructured and went back to the drawing board. From a paltry 6 petrol stations in 2007 to the current count of 102 stations, National Oil is easily one of Africa’s fastest growing oil companies. The launch of the 2008-2013 strategic plan coincided with the improvement in the company’s fortunes, followed up by the three year strategic plan of 2013. However, some notable challenges like of unsupportive government policies, bureaucracy, staff resistance, salary determinations mismanagement and political interference in the administration of the Corporation impedes effective implementation of corporate restructuring.

1.1.1 Concept of Corporate Restructuring

Norley, Swanson and Marshall (2008) define restructuring as the act of reorganizing the legal, ownership, operational or other structures of a company for the purpose of making it more profitable and better organized for its present needs. Alternate reasons for restructuring include a change of ownership or ownership structure, demerger, a response to a crisis or major change in the business such as bankruptcy, repositioning or buyout. Norley et al.

(2008) note that a company that has been restructured effectively will theoretically be leaner, more efficient, better organized and focused on its core business with a revised strategic and financial plan. Restructuring has been adapted by managers in several industries so as to streamline cost, increase productivity and revenues, improve employees' welfare, increase shareholders wealth, enhance efficiency and improve performance among other reasons (Norley et al., 2008).

Pearce, Robinson & Mital (2010) asserts that restructuring is focusing on redesigning an organizational structure with the intent of emphasizing and enabling activities most critical to a firm's strategy to function at maximum effectiveness. Jones (2010) asserts that restructuring is a process by which managers change task and authority relationships and redesign organizational structure and culture to improve organizational effectiveness. He further emphasizes that as the environment changes, and as the organization's strategy changes, managers must analyze how well their structure now fits them. Bowman and Singh (2003) state that corporate restructuring strategies consists of three modes; Organizational, financial and portfolio restructuring.

The human resources sections need to enable change management. For instance, Burnes (2009) indicates that rationalization of the present pay structure should be accomplished in order to maintain the internal and external equity among the employees. There are symptoms that may indicate the need for organizational restructuring. According to Hane (2000), such symptoms include, parts of the organization are significantly over or under staffed; organizational communications are inconsistent, fragmented, and inefficient;

technology and/or innovation are creating changes in workflow and production processes; significant staffing increases or decreases are contemplated; new skills and capabilities are needed to meet current or expected operational requirements; accountability for results are not clearly communicated and measurable resulting in subjective and biased performance appraisals; personnel retention and turnover becomes a significant problem; stagnant workforce productivity or deteriorating morale.

1.1.2 Challenges of Corporate Restructuring

Corporate restructuring as a strategy is not without its fair share of challenges. It represents some of the most problematic issues facing organizations and their employees. The most critical stage in a firms' strategic journey is implementation. Lin, Lee and Peterson (2006) described a number of challenges involved in the process which included a lack of buy in from some change agents/staff members; anxiety and low staff morale which finally affects performance; financial constraints; legal challenges; challenges of physical separation of each office; redundancies and associated with this the possibility of litigation.

As a result, the alignment between leadership style, strategies, systems, and structures has become inadequate. Inevitably this causes aggravations inside and outside the enterprise, and sub-optimizes the effectiveness of the whole organization. According to Wachira (2011), the importance of strategy implementation is primarily to gear the firm towards achieving positive energy among the divisions and functional areas in order to establish and maintain the organization's distinctive competence. Pearce & Robinson (2011) emphasizes strategy implementation as the manner in which an organization should develop, utilize and amalgamate organizational structure, control systems and culture to follow strategies that lead to competitive advantage and better performance.

Pearce & Robinson (2011) further attribute the reasons for success or failure revolving around the nature of the strategy itself, policies and support systems, resource allocations, structure, leadership and communication process. The biggest challenge is how to align the strategy to the environment in what Grant (2010) describes as strategic fit. Grant (2010) opines that for strategy to be successful, it must be consistent with the firm's external environment and with its internal environment – its goals and values, resources, capabilities, structure and systems. The negative effect of restructuring charge on the firm's income can also affect the timing of the decision. Finally, organizational restructuring might be hard to implement if employees resist the change as this will reduce their morale and consequently the organizational performance.

1.1.3 Petroleum Sector in Kenya

The petroleum sector in Kenya has attracted interests the world over since it is a major driver of industrial growth. Kenyan government is keen to harness this sector and crystallize it into a major driver of economic growth through the commercial and industrial sectors. By the year 2000, these products provided 67% of the commercial and industrial fuels and demand projection was 3-5% annually (The Point, 2000). Petroleum products therefore constitute the major sources of energy in Kenya with the exception of wood.

For instance, petroleum over the years has accounted for approximately 80% of Kenya's energy requirements and demands for domestic petroleum fuels has approximately stood at 2.5 million tons per year (Mbendi, 2014). Total petroleum consumption hit 5.024 million MT in 2014 having progressively risen from 2.9 million MT in 2004. Since Kenya does not have a fully developed upstream oil sector, the country imports all its petroleum products (Petroleum Institute of East Africa - PIEA, 1st Quarter, 2015).

According to The Point (2000) bulletin, this importation consumed up to 4% of the GDP by the year 2000 hence a major driver of inflation. The Kenyan Petroleum industry has its roots in the multinationals such as the Royal Dutch Shell, the British Petroleum (BP), and later on Exxon Mobil, Caltex and Total. This was mainly because the much needed knowledge, expertise and capital outlay were a preserve of the multinationals. Many of these multinationals had the experience and capabilities within their fields of operation dating several years. Notable players in the industry today include Shell Vivo Energy, Total (K) Ltd, National Oil Corporation of Kenya, Libya Oil, Petro Oil, Kenol Kobil, Hashi Energy, Hass Petroleum, Bakri, Gulf Energy and Galana amongst close to one hundred oil marketing companies registered in Kenya.

Of the above, only seven oil marketing companies control the bulk of the market share with Total (K) 20%, Vivo Energy 19.1%, Kenol Kobil 13.2%, Libya Oil 5.9%, Hashi 4.9% , Gapco 4.8% and National Oil 4.7% Petroleum Insight: The Magazine of the Petroleum Institute of East Africa. 1st Quarter, January – March (2015). National Oil Corporation is one such oil marketing company that has tremendously mutated through restructuring to position itself for competitiveness out of emerging industry issues. This study focuses on National Oil Corporation of Kenya to investigate the challenges of corporate restructuring in Kenya.

1.1.4 National Oil Corporation of Kenya

National Oil Corporation 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 (Kimani, 2013). The firm 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 Liquefied Petroleum Gas (LPG). The formation of NOCK was precipitated by the oil crises of the 1970's (1973/74 and 1979/80) and the corresponding supply disruptions and price hikes which resulted in the country's cost of Oil hitting an all-time high.

Kimani (2013) adds that the firm 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. NOCK has since remained 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 (KIPPRA, 2010). In its strategic scope, 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. In the upstream, NOCK 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 among other attendant responsibilities (www.nationaloil.co.ke).

According to Kimani (2013), NOCK is among the few African National Oil companies directly involved in the search for oil and gas. As a result, the state-owned firm operates its own exploration acreage. 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 (www.nationaloil.co.ke). 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 restructuring of the National Oil Corporation of Kenya as a future vehicle to carry Kenyan equity participation required an early attempt to unbundle the Corporation to separate downstream marketing roles and the more risky and highly capitalized upstream oil and gas (Inyange, 2014). However, these objectives have been met by challenges emanating from poor communication, human resource challenges, financial positioning, lack of a clear corporate strategy, unfeasible long-term goals, inability to source competitively and access new markets and poor competitive pricing occasioned by multinational competitors. These have had quite a negative impact due to the high competition in the sector. Accordingly, a study seeking to uncover the specific challenges facing corporate restructuring in the NOCK would lead to possible measures of mitigating the challenges.

1.2 Research Problem

In an increasingly turbulent environment where forces of globalization and technological changes are affecting the way firms operate, competition has intensified. According to Grant (2010), corporates worldwide have been aggressively trying to build new competencies and capabilities, to remain competitive and grow profits. It has also brought with it challenges even as firms continue to pursue growth opportunities. Corporate bodies have to continually configure themselves in a manner that enhances the capacity to satisfy the demand of stakeholders. Mintzberg & Quins (1991) explain that 90% of well formulated strategies fail at implementation stage. Corporate restructuring are usually faced with several challenges including financial constraints; legal challenges; challenges of physical separation of each office; challenges of shaving costs and increasing efficiency without compromising quality and customer service (Lin *et al.*, 2006). Moreover Acharya (2009) is categorical that corporate restructuring is a contemporary solution issue to managing and anticipating change.

National Oil Corporation from inception was mandated to spearhead exploration activities through the Ministry of Energy (www.nationaloil.co.ke). NOCK ventured into downstream activities following intense competition from other players to ensure sustainability. National Oil had to contend with the industry cartels of the multinationals that were controlling supply to the industry, intellectual property rights and infrastructure. National Oil currently has reorganized its formal organization into three divisions namely; Upstream, Downstream and Administration & Finance each headed by a General Manager reporting to the Chief Executive Officer. Various departments have been merged to create synergy like downstream now handling; operations, logistics, marketing, supply planning and customer service. Finance and administration is focusing on the support functions of recruitment, safety, ICT and Finance, while upstream is purely handling exploration activities. This internal restructuring was focused on making the organization more efficient in service delivery considering the intense competition from the multinationals and reduce costs while enhancing responsiveness to new opportunities in the market place. However, these have been hindered by several challenges in the implementation of the restructuring strategy prompting the current study.

Several studies have been conducted by researchers and scholars in Kenya on restructuring. Wachira (2011) focused on the challenges of implementing corporate restructuring at Kenya Commercial Bank Group Limited. Onyango (2011) researched on corporate restructuring on employee satisfaction also in Kenya Commercial Bank in Nairobi region. Its main focus was on customer satisfaction and employee morale without regard to costs and sustainability in the face of declining company performance. Imbo (2014) studied implementation of corporate restructuring at IEBC (Independent Electoral & Boundaries Commission. Imbo found out that there is need for structural reform but without giving a clear direction of nature of restructuring and how the same would enhance a credible election. Munene (2013) studied Strategic positioning and organizational performance of the top five Oil companies in Kenya. Munene looked at positioning globally of the top five Oil Marketing companies and did not link the superior performance to restructuring and therefore could be due to other factors. Tirop (2014) studied sustainable competitive advantage at the National Oil Corporation of Kenya which focused on gaining and sustaining competitive advantage and not from the concept of strategic restructuring.

Despite the growing interest in research on restructuring, little attention has been paid to challenges of corporate restructuring in corporations in Kenya. The foregoing studies therefore have not given enough focus on the current situation of corporate restructuring and the challenges faced by corporations in the current era of globalization and technological advancements which have adversely changed their environmental dynamics. This is despite the fact that NOCK is one of the major oil companies in Kenya and its restructuring challenges could point to the possible experiences for corporations and other organizations in their attempt of restructuring strategies. With the studies done by various researchers above showing knowledge gaps, there was need to carry out this study to address the identified gaps and answer this research question; What are the challenges of corporate restructuring at National Oil Corporation of Kenya?

1.3 Objective of the Study

The objectives of the study were:

i) To establish the challenges of corporate restructuring at National Oil Corporation of Kenya

ii) To suggest possible measures to deal with the challenges of corporate restructuring at National Oil Corporation of Kenya

1.4 The Value of the Study

This study was expected to provide a new dimension in theory regarding corporate restructuring. This would be realized through presentation of the Kenyan case into the existing literature and comparative assessment with other contextual findings. This was intended to add value to Government's strategic intent of enacting drastic restructuring of Parastatals in the country's history to boost their efficiency and effectiveness that is currently being undertaken.

In addition, this study would be of immense benefit to a number of people. These include academics who are interested in furthering their knowledge on corporate restructuring as the results to be obtained are capable of adding new insight to the present state of knowledge in the field and may therefore be found useful for teaching and for developing a body of management theory.

Equally important is the fact that the study would be of great benefit to practicing managers at the NOCK and other organizations in Kenya who might be willing to consider the usefulness of restructuring in managing and strengthening their organizations. The findings, thus, would be instrumental in designing policy direction and guidance in implementation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter delves into the literature on the challenges of corporate restructuring with the ultimate aim of establishing a research gap. The chapter also reviews literature done by other scholars touching on the area of strategic restructuring in corporations. As such, the specific areas covered here include theoretical foundations, corporate restructuring and challenges of corporate restructuring at the National Oil Corporation of Kenya.

2.2 Theoretical Foundations

This section discusses the theories on which this study will be anchored. The idea that firms should adopt new structures through organizational restructuring and restructure as often as their strategy changes has been developed in the strategy-structure theories. The theories underpinning this study are Contingency Theory and Complex System Theory.

2.2.1 Contingency Theory of Organization

The contingency theory of organization views organizations as rational entities capable and willing to make internal changes to achieve a technical fit between environment and structure. Contingency theory views effective organizations as those having structures that both support the unique nature of their production process and that are customized to complement their environment as argued by Byars & Rue (2009). As the environment changes, the structure of the organization undergoes change to meet the new environmental conditions and avert a decline in performance.

According to Manktelow (2015) contingency theory became an instrument for political commentary as well as an explanatory framework as it couched its arguments in terms of the consequences of substituting cash crops for subsistence farming and replacing local consumer goods with export commodities destined for developed markets. Although the contingency theory literature discusses a number of environmental factors that influence organization structure, one of the most studied is uncertainty in the operating environment (Young, Parker, & Charns, 2001).

Higher levels of environmental uncertainty require organizational accommodation that expands information processing capabilities. The shift to case mix methodologies by both federal and state payers significantly increased the degree of uncertainty in the nursing home environment, particularly with respect to the predictability of reimbursement levels. Under cost-based reimbursement, revenues were generally determined by the volume of services provided (Young, Parker, & Charns, 2001).

Organizational success is contingent upon achieving the best match between an organization and its environment. The contingency approach to management emphasizes that there is no single best way to manage people or work in every situation. A method that leads to high productivity or morale under one set of circumstances may not achieve the same results in another (DuBrin, 2009). In the contingency approach to management, different situations and conditions require different management approaches. There is no one best way to manage; the best way depends on the specific circumstances (Byars & Rue, 2009). The aim of debt restructuring is to reduce the immediate financial burden on the company by reducing the size of the regular debt repayments the company makes.

2.2.2 The Complex System Theory

The Complex System Theory views organizations as complex systems whose component structures must align and reconfigure in order to be in tandem with the dictates of changing environment. The theory treats organizations as collections of strategies and structures which are complex but dynamic. They are adaptive and self organize corresponding to changes in the environment, a subscription to Complex Adaptive System (CAS) paradigm (Olson & Eoyang, 2001). In recent years, the field of systems thinking has been developed to provide techniques for studying systems in holistic ways to supplement more traditional reductionistic methods (Hinrichsen and Pritchard, 2005).

The Complex System Theory underscore the necessity of continuous inter-play between the micro- and macro environments, where the sub-systems in the organizations have to aggregately form a synergy and aptly adapt to the demands of ever changing macro-environment. The assumption of complex systems theory is that the survival of the organization depends on how aptly and incessantly the adaptation lasts. Complex systems theory provides a cognitive theory of humor which he calls cognitive restructuring.

According to the theory, an expectation is built up, and then fails to be fulfilled, but the surprising outcome makes sense anyway. According to Byars and Rue (2009) the contingency approach should be viewed as a process of assessing the relevant variables and then choosing the most appropriate structure for the situation largely because most of the relevant variables are dynamic and management therefore should periodically analyze and appraise the organization's structure in light of the any relevant changes. Contingency approach – An extension of the systems approach that implies organizational variables (e.g. strategy, structure, and systems) and their success of performance are dependent upon environmental influences (forces). There is therefore, no one best way to structure or manage organizations; rather it must be dependent upon the contingencies of the situation.

According to DePamphilis (2008), actions taken to expand or contract a firm's basic operations or fundamentally change its asset or financial structure are referred to as corporate restructuring. To reiterate more precisely, theory is composed of at least four elements: the expectation, its lack of fulfillment (in some other view of the situation), implicitly, the fact that the expectation makes sense of the situation and explicitly, the fact that the violation of the expectation also makes sense of it. However, cognitive restructuring view lacks the affective element, that in one of the views the situation is normal - whether neutral, unthreatening and safe, or positively valued, desirable, good - and the other view is a violation of something about which the perceiver cares that things ought to be a certain way (Grant 2010).

2.3 Corporate Restructuring

Corporate restructuring refers to the changes in ownership, business mix, assets mix and alliance with a view to maximize shareholders' wealth and improve firm value. Gibbs,

(2007) defined restructuring as a change in the operational structure, investment structure, financing structure and governance structure of a company. It may involve ownership, business and asset restructuring. Corporate restructuring is a crucial strategy implemented to remain relevant in the business world. Restructuring is characterised by the fact that they question existing structures and routines and seek to change them through targeted and explicit interventions. This happens especially during periods of high organisational dynamics.

Restructuring indicates that the firm is dealing with severe problems, and raises the question of whether the firm can survive long enough to reap the benefits of its restructuring. With regard to effects of restructuring, Greasly et al, (2009) argue that restructuring is expected to have economic as well as organizational benefits. The major economic benefit is increased value to shareholders. The rationale is that future costs are more predictable than future revenues; therefore, cutting costs will improve revenues. The rising global competition, the influence of advances in information technology and the re-engineering of business processes are some of the imperatives that force organisations to restructure internally.

According to Pearce and Robinson (2011), restructuring is one of those terms that reflect the critical stage in strategy implementation where managers attempt to rationalize and recast their organizational structure, leadership, culture, and reward systems to ensure a basic level of cost competitiveness, capacity for responsive quality, and the need to shape each one of the terms to accommodate unique requirements of their strategies. Restructuring is probably also one of the most misunderstood and misinterpreted contemporary phenomena.

Bowman and Singh (2003) refer portfolio restructuring to the change in the firm's configuration of lines of business. Singh and Chang (2002) argue that portfolio restructuring occurs via the sale of business lines, which are relatively less important to firm's long-term strategy, while activities along portfolio restructuring have focused on reducing the scope of companies' business. This was a decade of privatization, statutory constraints on industrial relations, mergers and acquisitions, strategic alliances, joint ventures, process re-engineering and the like transforming the workplaces into free market, hot house cultures.

Strategic restructuring and supplier development have become important elements in the competitive strategies of firms faced with the challenge of saving their costs and increasing efficiency without compromising quality and customer service. Hitt, Ireland and Hoskinsson (2007) noted that organizational restructuring has increasingly become a staple of management life and a common phenomenon around the world as unprecedented number of companies across the world have reorganized their divisions, restructured their assets, streamlined their operations and spun-off their divisions. In effective change management, the focus should be on information gathering, communication and learning so as to engage all stakeholders. On the other hand, some organizations have registered an increase in profits and customer satisfaction in return to proper execution of restructuring strategy.

Jones (2010) argues that organizations restructure to support corporate strategy or to take advantage of a business opportunity. Restructuring equips the firm with the requisite competences needed to capture opportunities that present themselves in the operating environment through leadership in focused value. The other benefits include reduced cost base while creating more efficient structures, effective processes and high labour output. According to Cascio (2002) organizational restructuring process involves employees and board members in discussions of decision-making, communication, and accountability. Based on those discussions, staff recommends possible models for organizational structure and decision-making.

As Lin et al., (2006) posits electronic support tools have an effect at different levels. Not only do they speed up certain processes that hinge on the processing or dissemination of information, they also permit certain activities to be restructured and re-engineered, or carried out at lower cost, or with greater accuracy and reliability (Hoskinson & Turk, 2009). Oloyede and Sulaiman (2012) in their study on comparative analysis of post restructuring performance of firms in financial and real sectors in Nigeria found that restructuring has significant effect on the profitability, liquidity and solvency of firms in real sectors and that restructuring does not have any significant effect on firms in the financial sector.

Udoka & Anyingang (2012) undertook a study on the effect of corporate restructuring in the banking industry and economic growth in Nigeria. The findings revealed that foreign direct investment, aggregate capital to the private sector, significantly influenced economic growth in Nigeria. The result also revealed that pre-tax profit for all banks and number of employees of banks significantly influenced economic growth in Nigeria. Lal et al., (2001) undertook a study on organizational restructuring in European telecommunications and established that a firm's decision to restructure is influenced by a change in the firm's objectives, political/legal, technological, economic and socio-cultural factors; with a greater weight being set on the firm's objectives, technological change and economic factors.

2.4 Challenges of Corporate Restructuring

When firms are dealing with negative earnings and/or economic downturns, operational restructuring is often initiated as a rescue tool. Such environmental changes have placed corporations under increased competition domestically and internationally. Lin, Lee and Peterson (2006) described a number of challenges involved in the process which included a lack of buy in from some change agents/staff members; anxiety and low staff morale which finally affects performance; financial constraints; legal challenges; challenges of physical separation of each office; redundancies and associated with this the possibility of litigation. Waves of restructuring, and re-engineering have left many an enterprise with incongruous procedures, a patchwork of processes, and ultimately in a strategic quandary.

As a result, the alignment between leadership style, strategies, systems, and structures has become inadequate. Inevitably this causes aggravations inside and outside the enterprise, and sub-optimizes the effectiveness of the whole organization. However, organization must realize that organizational restructuring is not an easy exercise. According to Jin, Dehuan & Zhigang (2004) any change in the organization is likely to cause uncertainty among workers as it challenges their sense of control and competence.

Many organizational changes fail or do not realize their intended outcome. Other than that, after change has been implemented, some firms recover and prevail, while others fail to survive. Workers begin to feel high levels of stress. These developments in turn do adversely impact on employees' performance, commitment to work and their physical and psychological wellbeing (Lin et al., 2006). This also creates a huge burden for managers since their workload increases whilst they have to manage angry employees. Organizational restructuring makes the workers feel powerless.

The process of organizational change should therefore be implemented in a more structured and professional way. It should not only focus on change management but also should ensure that individuals are empowered (Cascio, 2002). Organizational restructuring is a process that requires a great deal of change management. Effective communication with employees plays a vital role during the restructuring period of any organization as it helps to properly inform the employees about the changes. This helps to remove the uncertainty and allay fears amongst employees and therefore may overcome any resistance that may result thereof. Top management must always bear in mind that, when it comes to restructuring, the first concern that employees raise is whether the process was fair to them.

Organizational restructuring may assume different forms and the most common challenge of these various forms of restructuring is that they require workflows to be reorganized and appropriately aligned (Buckley, Clegg & Tan, 2005). They also require staffing levels to be altered so that an appropriate level of resources can be maintained in a corporate structure capable of rapid response to changes in the marketplace. On the other hand, Wilburn (2007) has attributed the shift due to increased competition from both domestic and foreign companies.

This has led to an effort by companies to reduce the number of competitors and better meet the needs of their customers by focusing only on certain consumer segments which has had an effect of reducing the potential size of the company‘s customer base. Fedor et al, (2006) argue that many organizations face many challenges in restructuring one of them being employee engagement. They also argue that a further challenge lies in ensuring existing staff are focused, engaged and thus retained.

Some of the organizations understand that an engaged workforce results in better business performance, so many are placing greater emphasis on measuring employee engagement and implementing strategies to keep staff happy. According to Herscovitch and Meyer, (2002) the negative effect of a restructuring charge on the firm's income can also affect the timing of the decision. They also argued that repetitive restructuring charges are deemed as unfavorable, especially in the short term, by studying the effect of restructuring charges on CEO compensation. However, it is often difficult to persuade corporate stakeholders to restructure without the presence of an imminent crisis.

2.6 Knowledge Gaps

Turbulent working environment has stressed the businesses resulting to failure of performance. It is evident that most of them are restructuring to turn around this situation. As organizations in Kenya are becoming more developed and competitive, increasing market share or margins is becoming difficult. It is therefore becoming more likely that they will seek to expand and cut costs by way of restructuring. However, the challenges encountered in the restructuring process include employee based challenges, management predisposition, financial based challenges and communication based challenges.

Despite frequent and ongoing restructuring activities by corporations, expected positive outcomes of restructuring are often elusive. The available literature focused on developed countries and in various other contexts in varying industries. Further, majority of the studies (Wachira, 2011; Onyango, 2011; Imbo, 2014; Munene, 2013; Tirop, 2014) were carried out when the influence of globalization, technological advancements and economic changes were not as pronounced as at the time of this study hence a knowledge gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. The research identified the procedures and techniques that will be used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

The research study adopted a case study research design. The design was chosen since it is more precise and accurate since it involves description of events in a carefully planned way. A case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari, (2011) noted that a case study involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations.

Case studies allow a researcher to collect in-depth information, more depth than in cross-sectional studies with the intention of understanding situations or phenomenon (Cooper and Schindler, 2003). Data collected from such a study was more reliable and up to date for determining the challenges of corporate restructuring at National Oil Corporation of Kenya.

3.3 Data Collection

The researcher used both primary and secondary data. Primary data was collected using self-administered interview guides while secondary data was collected by use of desk search techniques from published reports and other documents. The interview guide had open-ended questions. The open-ended questions enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable a more insightful interpretation of the results from the study.

The interview guides designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental information of the unit of analysis. The second part was devoted to the identification of the challenges of corporate restructuring in the NOCK where the main issues of the study were put into focus.

The interviewees of this study were the management staff that included the Heads of Departments in NOCK. The study drew six (6) interviewees from each of the department. This study therefore targeted to interview 24 interviewees. The interviewees were selected because they had functional knowledge and overall responsibility for their operational areas and would be intimately involved in developing strategies/ corporate strategies in the Corporation.

3.4 Data Analysis

Before processing the responses, the completed interview guides were edited for completeness and consistency. A content analysis was employed. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Kombo & Tromp, 2006). It involves observation and detailed description of objects, items or things that comprise the object of study. The content analysis was used to analyze the interviewees' views about the challenges of corporate restructuring in the National Oil Corporation of Kenya.

The data collected was first sorted out, analysed, presented and interpreted. Processing and analysing of data involved a number of closely related operations which were performed with the purpose of summarizing the collected data and organizing these in a manner that they answer the research question and objectives of the study. The use of content analysis process saved much on time and resources. Accumulated data from the interviews was reduced to manageable size in order to develop credible summaries. The analyzed data was then interpreted in line with the research objectives.

The advantages of using content analysis include its non-obtrusive character, use of naturally evoked verbal behavior as the source of value-data; suitability for carrying out longitudinal research given the availability of different kinds of text over long periods of time; and its systematic and quantitative approach to dealing with qualitative and text data. The data was then presented in a continuous prose as a qualitative report on the challenges of corporate restructuring in the National Oil Corporation of Kenya. This analysis was therefore significant to provide credible qualitative information on challenges of corporate restructuring in the National Oil Corporation of Kenya.

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 challenges facing National Oil in implementing corporate restructuring. This chapter presents the research findings and the subsequent discussions which take cognition of the pre-stated objective of the study, that is; to establish the challenges facing National Oil in implementing corporate restructuring. The findings of the study and the analysis of the results established from the interview guides sought to determine the challenges of corporate restructuring at National Oil Corporation of Kenya.

In this study the interviewees sampled were expected to comprise both male and female staffs. Accordingly, an overwhelming majority (80.0%) of the interviewees were male staffs while 20.0% of them were female staffs. The results show that the Corporation studied had both male and female staffs; however the majority of them were males. The results imply that the views expressed in these findings are gender sensitive and can be taken as representative of the opinions of both genders as regards to the challenges facing National Oil in implementing corporate restructuring.

Corporate restructuring strategies affect organizations across various departments. It was therefore important to ensure that data was collected from various departments within the Corporations. This was to ensure that all the aspects of challenges facing National Oil in implementing corporate restructuring are captured in the study. From the study, the interviewees drawn from the various departments within the Corporation included sales and marketing, finance, legal, operations, SHEQ, internal audit and human resource departments. This implies that all departments that were targeted by the study were involved and that the findings are not biased hence representative of the various departments' views on challenges facing National Oil in implementing corporate restructuring.

The length of continuous service/working in an organization determines the extent to which one is aware of the issues sought by the study. Majority 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 interviewees had served in their current positions for a period of 3 years, 2 years, 1 year 9 months, & 1 year and 5 months being the lowest duration served in the current position.

The study further sought to establish the length of time that the interviewees had been working in NOCK. Majority of the interviewees reiterated that they had worked in NOCK for a period of between 2 years and 5 years. The longest period of time served in the Corporation was 19 years and 15 years while the shortest period was 1 year. Other cases of duration served in NOCK included 7 years, 6 years, 5 years, 4 years, 3 years and 2 years. For that reason, majority of the interviewees had enough experience on the challenges facing National Oil in implementing corporate restructuring.

The National Oil Corporation of Kenya employs staffs in different work stations hence different academic qualifications. The target population comprised of people in different responsibilities and qualification requirements hence different academic qualifications. The study thus sought to establish the highest academic qualifications attained by the interviewees. Most of the interviewees reported that they had acquired a University/Bachelors' degree while the rest of them had attained other academic qualifications including post graduate degrees (like Masters and MBA). These outcomes mean that majority of the interviewees had at least a graduate degree and hence understood the information sought by this study. These findings further imply that all the interviewees were academically qualified and also familiar with their duties and could dispense them effectively in terms of professional work ability and performance.

4.2 Corporate Restructuring at NOCK

The study sought to ascertain the areas in the Corporation where corporate restructuring strategy was undertaken. Majority of the respondents recapped that the restructuring was undertaken in Upstream, Downstream and Administration & Finance units. The interviewees further explained that the restructuring process involved restructuring the top management where three General Manager positions were created. The restructuring involved the entire organization and included Human Resource Management, Sales and Marketing, Finance and Operations departments and change in reporting structures.

With regard to Structure the corporation revised structure by introducing new roles in line with the growth plans of the initial five year strategy. On planning NOCK started initially in 2007 by a five year plan. This has been revised to two year plans in line with the adaptation of balance score-card performance measurement strategy. Further the corporation introduced new product lines (lubes, Card & LPG) to consolidate growth and dominance in the retail market. On market/new markets, the interviewees indicated that the corporation ventured into new markets including exports; On growth the study established that the corporation embarked on an aggressive growth strategy through acquisitions and mergers Somken 2008, Shell stations 2009 and Caltex 2010; On brand NOCK changed its sign/logo and corporate colours while on system development to enhance efficiency they recapped that corporation adopted a quality management system i.e. ISO 9001/2008.

On the main objectives and the specific aspects of the restructuring program in the Corporation, the interviewees reported that the main goal was to have the different departments answerable to one section head and have a more effective management model. In addition, the interviewees reported that 'NOCK undertook the restructuring with an aim of seeking growth in market share' and 'efficiency in resource management and profitability'. Moreover the key informants voiced that 'to achieve the corporation future mandate by the government' and 'to create clear-cut reporting lines based on the different segments in line with the corporate structure and objectives'; Other responses included to realign the organization resources to reflect the breadth and depth of its mandate; to enhance staff motivation and to realize sustained market leadership in downstream.

They added that the aim of restructuring was to commence midstream; infrastructure development; developing robust oil and gas distribution; specialization and support; harmonization of different specialities; enhancing efficiency through clear definitions of divisions; enhanced service delivery; cutting costs; alignment to new business practices; to open retail outlets in high potential sites; grow sales volumes to a market share of 16% up from 4.5% and to retain a workforce that is highly skilled and motivated.

The interviewees were also required to indicate the results of the corporate restructuring strategy undertaken by NOCK. From the study, the interviewees reiterated that “some departments were merged which led to creation of posts like that of the general manager; there was however a slight increase in market share which pointed to challenges in achieving the intended objectives, increase in profit on year to year basis was realized and a well-defined human resource structure was established”. Further NOCK improved its profitability by 300% from loss making to profit position in 2008; the assets of the corporation increased to 500 million; market share grew from below 1.0% to the current 5%. The results coincide with the previous study by Oloyede and Sulaiman (2012) who found that restructuring has significant effect on the profitability, liquidity and solvency of firms in real sectors and that restructuring does not have any significant effect on firms in the financial sector in Nigeria.

The respondents further added that “ICT as a key enabler of business and driver of competitiveness had more ambitious targets; this opened doors for growth within the organization; simpler and clear reporting lines; better execution of corporate strategy as each division is clear of its role; there was merging up of departments and new positions were created and other positions declared redundant and better appreciation (internal) of its mandate by staff”. According to the interviewees there was clear hierarchy and reporting structure created through systems, intra relationship between divisions, departments and sections/business units; job structures and roles were changed; able to penetrate markets not represented in previously; sales volumes grew significantly; skilled workforce was attracted and retained.

On who were involved in the corporate restructuring strategy undertaken by NOCK, the results reveal that the CEO, top and middle management, the board and consultants were mainly the ones involved in the corporate restricting strategy. Other respondents indicated that the strategic planning team and senior management were involved; others included HR department as well as a strategy team drawn from all the departments, while the employees' views were sought on the corporate restructuring strategy by NOCK.

4.3 Challenges Encountered in Restructuring

The main purpose of this study was to establish the challenges facing National Oil in implementing corporate restructuring. As such the respondents were required to indicate some of the challenges that were faced by the Corporation in its restructuring. The interviewees reported that there were problems of unsupportive government policies and bureaucracy that were not expressly clear on implementation especially when the corporation was moved to a classification of PC7, salary determinations and concentration of power. In addition, they opined that there was slow adaptation to the change due to staff resistance, lack of clarity amongst some of the staffs and higher expectations by the top management from the staffs in general, the cost of restructuring was heavy as the organization became taller and more personnel was required to undertake various functions.

The interviewees further recapped that the old culture of government of 'less work and more pay' took long to change. Perception was another issue that challenged the restructuring process where customers were slow to recognize that the Corporation had gone through transformation.

The study further sought to establish the human resource management challenges that were faced by NOCK in its corporate restructuring process. Majority of the respondents indicated that "there were challenges of salary determination, recruitment of staffs to the new positions created and not promoting internally, attracting new staff to work with the new outfit was also a challenge, and government wage structure was inflexible and could not fit well with the new corporate outlook following the change." The interviewees added that there was staff turnover as a result of resistance to change where some staff were unable to cope with the change and resulted to many disgruntled employees who felt as though the restructuring was not done fairly.

On the various aspects of internal communication that posed challenges in the corporate restructuring process in the NOCK, the interviewees explained that some processes were not understood well until training was held and explained to all staff, there was distortion of information by staff who feared for the worst, informal groups who tried to influence staff to resist change, unions who were also opposed to the changes and threatened to paralyze work, hearsay from lack of information dominated discussions as there was no proper communication on the new corporation structure. The study also sought to determine how communication on organization restructuring to employees was done. From the interviews, it was determined that communication was done through meetings, bulletins, team building sessions, corporate strategy department led staff open forums, telephone conversations, grapevine, emails and trainings by outsider consultants.

On whether the organizational culture was a hindrance to organizational restructuring, the respondents unanimously indicated that indeed organizational culture affected the organizational restructuring process in various ways. On the same they indicated that organizational culture played a centre stage as well as company politics, there was uncertainty of the expectations and the adverse effects of restructuring may have on the employees, some of the staffs were not open and welcoming to the changes, they tended to reject it first then slowly got into the new dispensation. They further indicated that lack of trust and conservativeness amongst the team slowed down the process and some departments operated in silos and suddenly they found themselves having to sit with other departments in same meetings and under one head.

The respondents were also required to confirm if the top management was equipped with conflict handling techniques to enable them to effectively manage organizational restructuring. From the study, the top management was partly equipped with conflict handling techniques to enable them to effectively manage organizational. On the other hand, some interviewees recapped that some GMs promoted from within the corporation were not well trained on how to deal with challenges resulting from the restructuring and people management skills. Managers attempted to rationalize and recast their organizational structure, leadership, culture, and reward systems to ensure a basic level of cost competitiveness, capacity for responsive quality, and the need to shape each one of the terms to accommodate unique requirements of their strategies.

4.4 Measures to Deal with the Challenges of Corporate Restructuring

On how the Corporation deals with the challenges of corporate restructuring, majority of the interviewees noted that there has been continuous engagement with staff; regular staff updates on strategy of the corporate and their role and mainstreaming the best practice of successful restructuring that has been proven, tried and tested elsewhere with tangible results. In addition, the Corporation deals with the challenges of corporate restructuring by constant information flow to clear the misunderstanding through mails and bulletins, staff training, new staff reward scheme (PC7A), new staff appraisal method- Balance Score Card, paying performance based salary improvement and holding meetings to explain the way forward bringing everyone on board.

The study requested the respondents to share other information about the challenges of corporate restructuring at National Oil Corporation of Kenya. The respondents echoed that "communication is key to a successful restructuring strategy and the planning scope was initially too long (5 years) in a fast changing world the planning cycle needed to be shorter, the pay adjustments based on the cost of living adjustment has not been offered fast enough and consistently to attract top brains from the private sector." The study also elicited that not much has been done to deal with the challenges of corporate restructuring at NOCK. These results are consistent with the views expressed by Grant (2010) that for strategy to be successful, it must be consistent with the firm's external environment and with its internal environment – its goals and values, resources, capabilities, structure and systems. The negative effect of restructuring charge on the firm's income can also affect the timing of the decision.

The respondents were finally requested to indicate what they thought should be done to enhance the corporate restructuring in corporations in Kenya. They reiterated that restructuring should not be handled/ used as a punishment tool to non-loyal staff. In addition they suggested that a well thought through research process should be conducted before implementation of restructuring process; review of the Corporation Act to bring to the boards only men and women of integrity and with the right qualifications to move the corporation's forward, review the role of the efficiency monitoring unit to have a more robust role at the corporate/board level; review the roles of both internal and external audit to bring out desired changes at the appropriate time and review the mandates of the corporation to bring clarity and clear sense of direction.

They added that it is essential to review constantly the corporation's strategy to fit a structure that can drive the strategy (structure follows strategy); reduce bureaucracy/red tape to increase corporation responsiveness to the environment; focus on merit during promotion and job evaluation; enhance internal capacity to adapt to the changes to enhance staff motivation; involvement of all employees by sharing ideas; proper communication and counselling where necessary for employees who may be affected by the change.

4.5 Discussion

The study found that NOCK went through the process of restructuring in order to position and become more competitive, change to match to a strategy and a way to survive in the current economic and turbulent environment. The areas in the Corporation where corporate restructuring strategy was undertaken include Upstream, Downstream and Administration & Finance units. These results concur with Pearce, Robinson & Mital (2010) who asserted that restructuring focuses on redesigning an organizational structure with the intent of emphasizing and enabling activities most critical to a firm's strategy to function at maximum effectiveness.

The study established that the main goal was to have the different departments answerable to one section head and have a more effective management model. In addition, NOCK undertook the restructuring with an aim of seeking growth in market share' and 'efficiency in resource management and profitability. As such, restructuring supports a new corporate strategy in an organisation especially when there is need to match strategy to structure. The study also revealed that the need to restructure is also motivated by the need to realign strategy to structure in the banks in order to enhance proper implementation of strategies. The results concur with Jones (2010) whose study established that organizations restructure to support corporate strategy or to take advantage of a business opportunity. In addition, Jones (2010) further added that restructuring equips the firm with the requisite competences needed to capture opportunities that present themselves in the operating environment through leadership in focused value. The other benefits include reduced cost base while creating more efficient structures, effective processes and high labour output.

With regard to the results of the corporate restructuring strategy undertaken by NOCK, the study established that some departments were merged which led to creation of posts like that of the general manager; there was however a slight increase in market share which pointed to challenges in achieving the intended objectives, increase in profit on year to year basis was realized and a well-defined human resource structure was established. Further, ICT as a key enabler of business and driver of competitiveness had more ambitious targets; this opened doors for growth within the organization; simpler and clear reporting lines; better execution of corporate strategy as each division is clear of its role; there was merging up of departments and new positions were created and other positions declared redundant and better appreciation (internal) of its mandate by staff. The results coincide with the previous study by Oloyede and Sulaiman (2012) who found that restructuring has significant effect on the profitability, liquidity and solvency of firms in real sectors and that restructuring does not have any significant effect on firms in the financial sector in Nigeria.

The study established that the results reveal that the CEO, top and middle management, the board and consultants were mainly the ones involved in the corporate restricting strategy. The HR department as well as a strategy team, strategic planning team and senior management were also involved in the corporate restructuring strategy undertaken by NOCK. In accordance to these views, Cascio (2002) supports that organizational restructuring process involves employees and board members in discussions of decision-making, communication, and accountability.

The study revealed that various challenges were encountered in implementing corporate restructuring at the National Oil Corporation of Kenya. They included problems of unsupportive government policies and bureaucracy that were not expressly clear on implementation especially when the corporation was moved to a classification of PC7, salary determinations and concentration of power. There was also slow adaptation to the change due to staff resistance, lack of clarity amongst some of the staffs and higher expectations by the top management from the staffs in general, the cost of restructuring was heavy as the organization became taller and more personnel was required to undertake various functions. This is in line with the challenges outlined by Lin et al., (2006) who described a number of challenges that involved in the process which included a lack of buy in from some change agents/staff members; anxiety and low staff morale which finally affects performance; financial constraints; legal challenges; challenges of physical separation of each office; redundancies and associated with this the possibility of litigation.

According to Hane (2000) organizational communications are inconsistent, fragmented, and inefficient; technology and/or innovation are creating changes in workflow and production processes; significant staffing increases or decreases are contemplated; new skills and capabilities are needed to meet current or expected operational requirements; accountability for results are not clearly communicated and measurable resulting in subjective and biased performance appraisals; personnel retention and turnover becomes a significant problem; stagnant workforce productivity or deteriorating morale. According to Cascio (2002) organizational restructuring process requires a great deal of effective communication with employees which plays a vital role of any organization as it helps to properly inform the employees about the changes. This helps to remove the uncertainty and allay fears amongst employees and therefore may overcome any resistance that may result thereof.

According to the study, the top management was partly equipped with conflict handling techniques to enable them to effectively manage organizational. On the other hand, some interviewees recapped that some GMs promoted from within the corporation were not well trained on how to deal with challenges resulting from the restructuring and people management skills. These results are a reflection of the findings by Pearce and Robinson (2011) that restructuring is one of those terms that reflect the critical stage in strategy implementation where managers attempt to rationalize and recast their organizational structure, leadership, culture, and reward systems to ensure a basic level of cost competitiveness, capacity for responsive quality, and the need to shape each one of the terms to accommodate unique requirements of their strategies. Wachira (2011) also established that the capacity to change is not necessarily attributed to technical optimization but more appropriately the ability of the organization to utilize its human resources through structural transformations.

These results are consistent with the views expressed by Grant (2010) that for strategy to be successful, it must be consistent with the firm's external environment and with its internal environment – its goals and values, resources, capabilities, structure and systems. The negative effect of restructuring charge on the firm's income can also affect the timing of the decision. Indeed, Burnes (2009) supports these suggestions by showing that rationalization of the present pay structure should be accomplished in order to maintain the internal and external equity among the employees.

CHAPTER FIVE

SUMMARY, CONCLUSIONS 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. The chapter finally presents the suggestions for further studies.

5.2 Summary of the Findings

The study sought to establish the challenges facing National Oil in implementing corporate restructuring. The findings of the study are presented in this section in line with the themes covered in the interview guide.

5.2.1 Corporate Restructuring at NOCK

The study found that the restructuring process in NOCK was undertaken in upstream, downstream and administration & finance, and marketing units and the restructuring process involved restructuring the top management where three general manager posts were created, the restructuring involved market expansion and human resource management, sales and marketing, finance and operations departments and change in reporting structures. The organization embarked in good faith and at the critical moment the process of structural implementation based on an elaborate strategic plan drawn by an all inclusive government organs and other stakeholders. Accordingly, the corporation revised structure by introducing new roles in line with the growth plans of the initial five year strategy; NOCK started initially in 2007 by a five year plan. This has been revised to two year plans in line with the adaptation of balance score-card performance measurement strategy.

The study also found that NOCK introduced new product lines (lubes, Card & LPG) to consolidate growth and dominance in the retail market and the corporation ventured into new markets including exports; the corporation embarked on an aggressive growth strategy through acquisitions and mergers (Somken 2008) and shell stations (2009) and Caltex (2010) NOCK changed its sign/logo and corporate colors while on system they recapped that corporation adopted a quality management system i.e. ISO 9001/2008.

The study also found that the main goal was to have the different departments to be answerable to one divisional head and have a more effective management model. NOCK undertook the restructuring with an aim of seeking growth in market share, efficiency in resource management and profitability; to achieve the corporation future mandate by the government; to create clear-cut reporting lines based on the different segments in line with the corporate structure and objectives; to realign the organization resources to reflect the breadth and depth of its mandate; to enhance staff motivation and to realize sustained market leadership in downstream. Further the restructuring aimed to commence midstream; infrastructure development; developing robust oil and gas exploration; specialization and support; harmonization of different specialities; enhancing efficiency through clear definitions of divisions; enhanced service delivery; cutting costs; alignment to new business practices; to open retail outlets in high potential sites; grow sales volumes by 100% and to retain a workforce that is highly skilled and motivated.

From the results, various departments were merged which led to creation of posts of general managers; there was slight increase in market share, increase in profit on to year basis and a well defined HR structure; NOCK improved its profitability, increase in assets and growth in market share. The study established ICT as a key enabler of business and driver of competitiveness was obtained and there were more ambitious targets; this opened doors for growth within the organization; simpler and clear reporting lines; better execution of corporate strategy as each division is clear of its role; there was merging up of departments and new positions were created of General Managers, Engineering Manager, Talent Manager- HR & Strategic Planning Officer, other positions were declared redundant like (Deputy Managing Director's position).

The study established that there was clear hierarchy and reporting structure and intra relationship between divisions, departments and sections/business units; job structures and roles were changed; able to penetrate markets not represented in previously; sales volumes grew significantly; skilled workforce was attracted and retained; and NOCK became recognised as one of organizations that adopted and met the threshold for ISO certification.

The study found that the CEO, top and middle management and the board and consultants were mainly the ones involved in the corporate restricting strategy. In addition, the strategic planning team and senior management were involved; others included HR department as well as a strategy team drawn from all the departments, while the employees' views were sought on the corporate restructuring strategy by NOCK.

5.2.2 Challenges Encountered in Restructuring

The study found that there were problems of unsupportive government policies, salary determinations compared to peers in within Government establishments, there was slow adaptation to the change due to resistance especially from union staff, lack of clarity amongst some of the staffs and higher expectations by the top management from the staffs in general. From the results, the old culture of government of 'less work and more pay' took long to change. Perception was another issue that challenged the restructuring process where customers were slow to recognize that the Corporation had gone through transformation. Further there was a lot of conflict from the rapid transformation and the Corporation made some misstates in areas and incurred losses supplying ambitious projects like Ken Gen.

The study found that there were human resource management challenges that were faced by NOCK in its corporate restructuring process. They included challenges of salary determination, recruitment of staffs to the new positions created, attracting new staff to work with the new outfit was also a challenge, and government wage structure was inflexible and could not fit well with the new corporate outlook following the change. Others included staff turnover as a result of resistance to change where old staff were unable to cope with the change and resulted to many disgruntled employees who felt as though the restructuring was not done fairly.

The study established that there were various aspects of internal communication that posed challenges in the corporate restructuring process in the NOCK. Some processes were not understood until training was held and explained to all staff, there was distortion of information by staff who feared for the worst, informal groups who tried to influence staff to resist change, unions who were also opposed to the changes, grapevine was ripe and there was no proper communication in the corporation structure. In addition, communication was still a challenge despite it being done through meetings, bulletins, team building sessions, corporate strategy department led staff open forums, telephone conversations, grapevine, emails and trainings by outsider consultants.

The study found that organizational culture affected the organizational restructuring process in various ways. On the same they indicated that organizational culture played a centre stage as well as company politics, there was uncertainty of the expectations and the adverse effects of restructuring may have on the employees, some of the staffs were not open and welcoming the to the changes they tended to reject it first then slowly got into the new dispensation. The top management was partly equipped with conflict handling techniques to enable them to effectively manage organizational restructuring and well versed with conflict management as training was held on the subject.

5.2.3 Measures to Deal with the Challenges of Corporate Restructuring

The study found that there has been continuous engagement with staff; regular staff updates on strategy of the corporate and their role and mainstreaming the best practice of successful restructuring that has been proven, tried and tested elsewhere with tangible results.

Accordingly, it is essential to review constantly the corporations strategy and fit a structure that can drive the strategy (structure follows strategy); reduce bureaucracy/red tape to increase corporation responsiveness to the environment; focus on merit during promotion and job evaluation; enhance internal capacity to adapt to the changes to enhance staff motivation; involvement of all employees by sharing ideas; proper communication and counselling where necessary for employees who may be affected by the change.

5.3 Conclusion

The study concludes that restructuring focuses on redesigning an organizational structure with the intent of emphasizing and enabling activities most critical to a firm's strategy to function at maximum effectiveness. Further the corporation introduced new product lines (lubes, Card & LPG) to consolidate growth and dominance in the retail market. The main goal was to have the different departments answerable to one section head and have a more effective management model. As per the discussions, the restructuring supports a new corporate strategy in an organisation especially when there is need to match strategy to structure. The need to restructure was also motivated by the need to realign strategy to structure in the banks in order to enhance proper implementation of strategies.

The study concludes that NOCK faced management challenges in its restructuring. The challenge of corporate restructuring at National Oil Corporation was largely due to lack of preparedness of management skills in restructuring and even further, managing communication was noted as the biggest challenge to the implementation of corporate restructuring. The study therefore concludes that NOCK experienced communication related challenges in its restructuring processes. The organizational culture is also a hindrance to organizational restructuring. In addition, the top management was partly equipped with conflict handling techniques to enable them to effectively manage organizational.

Further, the study concludes that the employee based challenges faced by NOCK in their restructuring strategy were; challenges of ensuring that staff are aware of their roles in the new restructuring dispensation, challenges of hiring new staff to take over perceived lucrative roles at the expense of the old staff, challenges in recruiting new talents since management had not clearly defined the skills beforehand and embarked on job evaluation process to determine skills and commensurate remuneration, challenges of ensuring that existing staffs are focused. The outcomes of restructuring on employee working environment were loss and decrease in loyalty from staff members, employee morale went down and employees felt unsettled during restructuring.

5.4 Implications for Policy and Practice

The findings of the study have several implications on policy, theory and practice for the CEOs and strategic planning teams.

5.4.1 Policy Implications

Firstly, it is apparent that public organizations operating in Kenya depend on their operating environment for their survival and with changes in the operating environment, the business unit need to adapt to the same. The unpredictable environment brings about opportunities and threats to the firms operating environment. Consequently, successful corporate restructuring process to adapt the firm to the demands of the market and faster decision making process will lead the business unit to align itself to the demands of the market. The leadership of the firm would be in the forefront in realizing the set objectives of corporate restructuring strategy. Competent and sufficient senior management would give organizations a distinctive advantage necessary for effective and efficient corporate restructuring strategy.

5.4.2 Practice Implications

The success of restructuring strategy will be determined by the support that the organizations staff will provide in the whole process. If the process is going to affect their operating conditions and their job positions, then the process is bound to elicit some resistance to its implementation. Consequently, the leadership of the firm should put in place elaborate training programs to enlighten the staff on the benefits that the restructuring strategy is going to have to the firm's performance and consequently their general well being. If the restructuring strategy is doing to lead to some staff losing their jobs, then a commensurate send off package should be available to the staff. Further, the corporate institutions should focus on the identified gaps on implementing restructuring strategy, especially in the applicability of restructuring theories and be more synthetical rather than analytical.

Further the study recommends that the management staff should be trained on how to handle organization changes which will enable them to continue serving in their respective places. By so doing the corporations will mitigate the management predisposition challenges that are likely to affect the companies undergoing restructuring while ensuring that the timely interventions translates into cost savings and less unrest. The Institutions' structure should be well aligned to provide overall framework for strategy implementation, the institution's culture should also be consistent with the change management strategy.

To involve employees is an important milestone to make strategy everyone's everyday job. That is why the involvement of middle managers is essential to increase the general awareness of the strategy. Measures that should be taken to eliminate communication related challenges in the organizations (corporations), communication should be clear and should reach the affected staff in good time, training should be conducted in order to assist those affected by the restructuring changes manage their lives during the process and after for victims. Training and education should be continuously provided and encouraged. The organization creating morale will succeed philosophically and economically. The study also recommends that corporations undertaking structural changes should also consider its good remuneration and training opportunities for its employee to eliminate employee based challenges like employee turn-over as they seek for greener pastures in other industries out of a feeling of frustration or neglect.

5.4.3 Theory Implications

In line with the responses received on the challenges facing National Oil in implementing corporate restructuring it may be necessary to investigate further the extent to which the firms undertaking corporate restructuring process face challenges with an aim of eestablishing whether this problem conforms to the restructuring theory or whether there could be other factors at play that could be impacting on their perceptions regarding challenges facing implementation of corporate restructuring.

5.5 Limitations

The main limitation of study was its inability to include more organizations in the Country. This was a study focusing on NOCK. The study could cover more organizations across country so as to provide a more broad based analysis. The study countered this problem by carrying a study in the offices of NOCK in Nairobi to serve as the representative.

The interviewees approached were likely to be reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or the Firm. Some interviewees would even turn down the request to fill questionnaires. The study handled the problem by handing over an introduction letter from the University Of Nairobi School Of Business and assuring them that the information they give would be treated confidentially and it would be used purely for academic purposes.

Corporations like NOCK in the current competitive environment operate on tight schedules. In this regard, interviewees were not able to participate in the interview in good time and this would overstretch the data collection period. To mitigate this limitation, the researcher made use of network to persuade targeted interviewees to avail them in the interviews.

The researcher was also likely to encounter problems in eliciting information from the interviewees as the information required is subject to areas of feelings, emotions, attitudes and perceptions, which could not be accurately quantified and/or verified objectively. This might have led to lack of response due to the veil of confidentiality surrounding the corporation. The researcher encouraged the interviewees to participate without holding back the information they might be having as the research instruments did not bear their names.

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APPENDICES

Appendix I: Interview Guide

This is a data collection tool that will be used to collect data for a research project that is being prepared as a requirement for the award of a Master of Business Administration degree. It is to be used for academic purposes only. The information collected through this tool will be confidential and will not be shared by anybody for any other purpose other than academic work. Your cooperation will be highly appreciated.

SECTION A: DEMOGRAPHIC DATA

1. Please indicate your gender
2. What is the name of your department?
3. What is your designation in the National Oil Corporation of Kenya?
4. For how long have you been holding the current position?
5. For how long have you worked in the NOCK?
6. What is the highest level of education you have achieved?

SECTION B: CORPORATE RESTRUCTURING

1. In which areas of this Corporation was corporate restructuring strategy undertaken?
2. What were the main objectives and the specific aspects of the restructuring program in the Corporation?
3. What were the results of the corporate restructuring strategy undertaken by NOCK?
4. Who were involved in the corporate restructuring strategy undertaken by NOCK?

SECTION C: CHALLENGES ENCOUNTERED IN RESTRUCTURING

1. Which are some of the challenges that were faced by the Corporation in its restructuring?

2. What were the human resource management challenges faced by NOCK in its corporate restructuring process?
3. Explain briefly the various aspects of internal communication that posed challenges in the corporate restructuring process in the NOCK?
4. How was communication a challenge on organization restructuring to employees?
5. Was the organizational culture a hindrance to organizational restructuring?
6. Was the top management equipped with conflict handling techniques to enable them to effectively manage organizational restructuring?
7. How does your corporation deal with the challenges of corporate restructuring?
8. What other information would you like to share about the challenges of corporate restructuring at National Oil Corporation of Kenya?
9. What do you think should be done to enhance the corporate restructuring in corporations in Kenya?