BUSINESS CONTINUITY AND SURVIVAL STRATEGIES APPLIED BY DOWNSTREAM PETROLEUM COMPANIES IN KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION DEGREE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER, 2014

DECLARATION

This research project is my original work and has not been presented for a degree program in any university.

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

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ACKNOWLEDGEMENTS

My heartfelt gratitude goes to Almighty God for giving me the opportunity to pursue this degree and giving me the strength to overcome the hurdles that come along. I also want to sincerely thank all the Oil Companies that allowed me to conduct the survey and their respective employees who responded to my questionnaire. My gratitude goes to my family which has given me unconditional support, prayers and encouragement throughout the degree program.

Special thanks to my supervisor, Dr.Maalu for his dedication, support and guidance that made this project a success. Without forgetting my fellow MBA students especially those specializing in strategic management for their support, ideas, and contributions during the study. My thanks goes to all those who in their special ways and capacity made this study a success.

I say Asante Sana and God Bless you all.

DEDICATION

It is with great pleasure that I dedicate this study to my family, for their absolute support, inspiration, love, and belief in me.

ABSTRACT

Today the globalized nature of the business world, the ubiquity of technology use, the increasing variety of threats and risks faced by both organizations and nation states and global financial issues mean that as we move further into the 21st century the range and types of crisis events faced by organizations are likely to grow. Organizations wishing to remain competitive and successful must be protected, through increased resilience, to continue profitably in the event of any serious business interruption. The objective of the study was to establish the business continuity strategies adopted by downstream petroleum companies in Kenya. A census cross-sectional survey was adopted in this particular research so as to include all the oil companies' views of such innate factors as a firm's business continuity strategy, with a target population of 71. In light of this therefore, a survey was deemed as the best design to fulfil the objective of the study. The study made use of primary data which was collected through a questionnaire by the researcher. The data obtained from the questionnaire was analysed using descriptive quantitative analysis. This method of analysis was adopted because of the quantitative nature of the response acquired. This study was guided by various theoretical and literature reviews. The study had a 69.0% response rate. The study found out competition, customer demands, market regulators, and corporate governance as the main factors affecting the business continuity approaches at the petroleum oil companies in Kenya. Staff turnover, loss of IT capacity and loss of skills brought about challenges on business continuity driver adoption. In light of the findings the study recommends that since most of the downstream oil companies in Kenya have been successful in the application of business continuity approaches so far, there is need to focus on how their expansion strategy is affecting their performance, and how product substitutes are affecting their competitive advantage. This will enable these companies to attain the full benefit of the application of business continuity strategies. Given the dynamic nature of the energy sector in the country in which the petroleum oil companies are operating, the study recommends strict adherence to sound business continuity strategies.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Today the globalized nature of the business world, the ubiquity of technology use, the increasing variety of threats and risks faced by both organizations and nation states and global financial issues mean that as we move further into the 21st century the range and types of crisis events faced by organizations are likely to grow. Organizations wishing to remain competitive and successful must be protected, through increased resilience, to continue profitably in the event of any serious business interruption. According to Jackson (2006), current management thinking is focused on key objectives such as meeting end-consumer requirements, product availability, and on-time delivery. To survive firms must get the right product, at the right price, at the right time, to the consumer and on a continual basis. In a changing world organizations must prepare and plan to an even greater extent than they traditionally have for all potential threats. Over time, business survival and continuity planning has evolved by repositioning itself from its focus on disaster recovery and information technology. The emphasis for business continuity today is on the organization's critical business processes that need to be recovered in the event of a disaster for the survival of the organization. Information technology is, therefore, only one of the critical dependencies (Doughty, 2002)

Past theories have been investigated in relation to business continuity and survival strategies; the Strategic fit theory is the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment (Grant 2007), the matching takes place through strategy and it is therefore vital that the company

have the actual resources and capabilities to execute and support the strategy. The resource-based view theory as a basis for continuity and the competitive of a firm lied primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailu & Mercer 1983). This theory involved identification of the firm's key potential resources, and evaluation on whether the resources met the accepted criteria needed. The resource based view has been a common interest for management researchers and numerous writings could be found for same. A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney, Pandian 1992). Resource Based View theory explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Finney et al. 2004)

The downstream petroleum companies in Kenya operate under similar markets with both risk and uncertainty. Risks and uncertainty cannot be avoided so the business enterprises need to take the necessary steps to enhance controls through implementation of business continuity strategies that minimize the risk of corporate failure. Many categorize risks as financial but the reality is that risks also emerge from legal, environmental, health and safety obligations and other sources. The oil marketing companies in Kenya are confronted with many challenges for survival and success in turbulent environment. The industry faces squeezed margins due to fierce competition between the oil marketers, inadequate infrastructure, fluctuating crude oil prices and the proposed price controls (Musyoka, 2011) among other challenges. In addition, the sector is facing many

challenges due to increased competition, increased Government regulations, losses through the pipeline system, and generally the high cost of importing white products. The industry players have no choice but to ensure that they effectively implement continuity strategies that will make them remain competitive. Oil Companies in the Industry are in dire need of continuity strategies that will ensure their survival in today's business environment. However, according to reports from the Ministry of Energy (2012), the sector has made significant improvements towards contributing revenue in Kenya. Despite the fight to retain the stability of the sector, global issues such as the International Oil prices have had a direct bearing on the performance of the sector. Following war, and economic challenges in countries supplying Crude, there has been a direct bearing on Oil companies in Kenya regarding how this has affected the pricing on Oil products. Client's attitudes towards pricing of products, and services provided by Oil Marketing Companies have been highlighted as shown by the competitive structure of truck loadings in various depots in Mombasa.

1.1.1 Business Continuity Strategies

In the wake of threats of terrorism, political unrest, climate change among other phenomenon, which possess threat to the businesses, besides internal factors like staff turnover, there is need for businesses to put in place strategies for disaster preparedness and recovery in the face of these threats. Business Continuity Management plan is to be prepared, and have a business continuity plan and aims to ensure that businesses are able to quickly recover from disruptions. Over the last 10 years, business continuity planning has evolved by repositioning itself from its focus on disaster recovery and information technology. The emphasis for business continuity today is on the organization's critical

business processes that need to be recovered in the event of a disaster for the survival of the organization (Reeder 2013). Today, business entities exist in a highly competitive world. They are constantly innovating to meet their business objectives of providing essential and unique services to their customers, and organizations rely more than ever on technology, because technology advances have enabled them to achieve their varied strategies (Ramesh, 2002).

The Federal Office for Information Security (2009) defines Business Continuity Management (BCM) as a management process whose goal is to detect serious risks that endanger the survival of an organization early and to implement safeguards against these risks. Business continuity management consists of a planned and organized procedure for sustainably increasing the availability of real time critical business systems of an organization, reacting appropriately to events by ensuring high availability to the users, shareholders and customers. Determining business continuity strategies is the professional practice within the business continuity management (BCM) Lifecycle that determines which BCM strategies will meet the BCM Policy and organizational requirements and selects tactical responses.

Disruptive events can cause extensive handicaps and serious threats to the ability of a business to continue operating effectively. Whereas managers can do little to influence the occurrence or lack thereof of 'acts of God', error or even sabotage, they should make discrete business continuity plans to assure stakeholders of spontaneous resumption of services and business processes if disruptive events occur. The ability and capacity of an enterprise to withstand these disruptions and adapt to its own risk environment is called

enterprise resilience. A Business Continuity Plan (BCP) on the other hand is a roadmap to the achievement of the desired level of enterprise resilience. It is management's plan for ensuring that the business organization continues to operate in the face of established adverse scenarios (Maina et al, 2014)

Determining business continuity strategies, uses the information obtained from the analysis in the Understanding the Organization stage of the BCM process to identify and select recovery and continuity options. The complexity and speed of modern business—both due almost entirely to technology—have increased the importance and challenge of maintaining business operations amid natural or man-made disasters. In the past two decades, but especially since terrorist acts began, many companies have acknowledged the need for continuity planning. Responsibility for continuity planning is often assigned to an organization's security department.

1.1.2 Business Survival Strategies

Survival strategies are classed under grand strategies and are used when a company or a firm is in trouble and facing imminent closure (Yabs 2010). The need to develop survival strategies has been brought about by rival companies who possess an array of advantages e.g. substantial financial resources, advanced technology, superior products, powerful brands, and seasoned marketing and management skills.

Often, the very survival of local companies in emerging markets is at stake. (Dawer& Frost, 1999). According to Dawer and Frost's study, successful companies have adopted in their battles with powerful multinational competitors thus adaptation to changes in the dynamic environment is key for the company to guarantee its survival. Crisis events have forced the organization's executive management to question whether their companies

would survive such a disaster. For many organizations it may surprise management to find that they do not have plans that would ensure the survival of the organization. The emphasis for business continuity today is on the organization's critical business processes that need to be recovered in the event of a disaster for the survival of the organization.

Today's organizational environment is proving to be markedly different from that of the past. As pointed out in all studies, global competition, information technology, the quality service revolution, and diversity and ethics are forcing management of all types of organization to totally rethink their approach to both operation and human resources. Because of this paradigm shift, new organizations are emerging that are more responsive to both their internal and external environments (Luthans, 1995).

Business evolves and adopt into new environment to survive the new changes and challenges in the market. Making some adaptations might not be easy, and there may be some who want to keep doing things the old way. The key to evolution in supermarkets is the willingness to adapt, survive, and flourish when the environment changes. And, those that do survive and embrace these adaptations as a permanent part of their company's framework will be poised to become the dominant species in the new business environment.

Survival tactics can also be connected to competitive strategies where Michael Porter noted that every firm that is competing in an industry must have a competitive strategy whether explicit or implicit. A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average, (Porter 1998).

In the downstream petroleum companies in Kenya, survival strategies are of high importance, the threats faced by companies in the oil industry caused by different events

have forced companies to re-think their strategies by undertaking mergers as in the case of Total and Chevron where Total merged with Chevron Oil and thus came to be known as Total Kenya. The purpose of this merger was not only to increase the market share of the companies, but also to ensure the survival of the companies in the long run. KenolKobil undertook some retrenchment of its staff as a measure to cut costs, and thus enhance its survival in the market.

1.1.3 Relation between Business Survival and Continuity Strategies

Business continuity strategies are a subset of survival strategies and the main focus of business continuity is for companies to put in place strategies in the event of a business disaster so as to aid in their recovery, in the event of these disasters. The two concepts are interrelated as both are involved with ensuring the survival and continuity of a company or business which is in a dynamic and complex environment.

Survival strategies give a broader view though of the strategies that is put in place so as to ensure business continuity. Survival strategies can include joint ventures, mergers and acquisitions, take overs, retrenchments or turn around, receiverships and liquidation (Yabs 2010)

There has been an emphasis for business continuity as a business survival strategy on the company's critical business processes that need to be recovered in the event of a disaster for the survival of the organization (Doughty 2000) A Business Continuity Plan sets out clear roles and responsibilities, for example those assigned to manage all liaison with customers, employees and the emergency services. It lists a series of contingencies that enable key business activities to continue in the most difficult circumstances, such as

when a vital computer system or other equipment is unavailable. Importantly, it also details clear emergency procedures to ensure that the safety of employees is a top priority. Survival strategies complement continuity strategies by creating a business with the flexibility to prosper in changing conditions and strong enough to survive should a disaster strike. The ability to withstand disasters and setbacks and quickly re-open for 'business as usual' is critical (Wiltshire County Council 2006)

Business continuity planning and Survival strategies are connected and they are an outcome of a process that started in the early1970s as computer disaster recovery planning and then moved through an era where the emphasis was on business continuity planning rather than on management (Gallagher, 2003).In the 1970s the disaster recovery activity was driven by the computer manager. In realizing that the concentration of systems and data in itself created new risks, computer operations management introduced formal procedures governing issues such as back-up and recovery, access restrictions, physical security, resilience measures such as alternative power supply, and change control (Gallagher, 2003).

1.1.4 Downstream Petroleum Companies in Kenya

The Oil industry is divided into three major components: upstream, midstream and downstream. Midstream operations are usually included in the downstream category. The first part covers the exploration, production and transportation of crude oil and gas to the point of transformation into final products (mainly refineries). The downstream activities deal with the processing of crude oil in refineries, the distribution and the marketing activities of all the oil derived products, Raed et al. (2006). As petroleum is a non-

renewable natural resource, the industry is faced with an inevitable depletion of the world's oil supply.

Kenya has no known oil or gas reserves though Oil was discovered in Turkana area in Kenya. Tullow Oil multinational Oil and Exploration Company from Ireland but with headquarters in London has discovered high quality oil in the Ngamia-2 well in Kenya, which it has been drilling with its partners on the project, Africa Oil.

The well encountered up to 39 meters of net oil pay and 11 meters of net gas pay and appear to have identified a new fault block trap north of the main Ngamia accumulation. The reservoirs were high quality, Tullow Oil said, with more than 200 meters of net reservoir sands with good permeability inferred from sampling. The well has been suspended for testing and the rig will continue to drill up to four additional appraisal wells in the Ngamia field area for an extended well test program.

The Kenyan government is encouraging foreign interest in oil exploration and there is a modest upstream oil activity. It is endowed with other energy sources including wood fuel, coal, solar and wind power, much of which is untapped. The oil refinery in Mombasa, built in1959 and half-owned by the government, and major oil marketing companies, typically operates at around 65% of its total capacity (averaging 95,000 barrels per day) and is supposed to serve Kenya, Tanzania, Uganda, the DRC, Rwanda, Burundi, and offshore islands. Kenya deregulated its oil industry in 1994. Refinery products include gasoline, jet/turbo fuel, light diesel oil and fuel oil. The refinery's future is an important domestic issue in Kenya, and management is considering upgrading the facility rather than allowing the refinery to close.

Petroleum is Kenya's major source of commercial energy and has, over the years, accounted for about 80% of the country's commercial energy requirements. The domestic demand for various petroleum fuels on average stands at 2.5 million tons per year, all of it imported from the Gulf region, either as crude oil for processing at the Kenya Petroleum Refineries Limited or as refined petroleum products, Nairobi Business Daily (2010).Prior to liberalization in October 1994, a significant feature of Kenya's oil industry was a relatively high level of government's direct participation, and a correspondingly low level of private sector involvement. Seven oil marketing and distribution companies were responsible for procuring and importing their own oil. The National Oil Corporation of Kenya was mandated to supply 30% of the crude oil requirement into the country. Since liberalization, many new oil marketing companies have been licensed by the government to engage in petroleum trading, especially import and export, wholesale and retail of petroleum products. However, despite this initiative, only about ten new entrants are actively trading with a market presence of less than 10% of the market share due to tariff and non-tariff barriers to entry. National Oil Corporation of Kenya Limited was incorporated in 1981 under the Companies Act (Cap 486). The company's main objective then was to coordinate oil exploration (upstream) activities. In 1988 the company was mandated on behalf of the government to supply 30% of the country's crude oil requirements that would in turn be sold to oil marketing companies for refining and onward sale to consumers.

The situation with downstream petroleum companies in Kenya has been worsened by the Introduction of stringent tax regimes by the Kenya Revenue Authority (KRA). This requires that Oil marketers are supposed to pay for the taxes of the product 5 working

days after the product completes discharging at KOT, and if the product is to discharge at SOT then the OMC is required to pay for the taxes before the product begins its discharge. 70% of the fuel sold locally is refined by the Kenya Petroleum Refineries Limited (KPRL) while 30% is imported as fully refined. Currently, KPRL is not operating, after its shift from the Toll version to the Merchant version thus all of the white products being imported i.e. PMS, AGO and IK comes from the OTS system. The government introduced the Open Tender System (OTS), which means that all the crude oil imported is supplied by one supplier to minimize costs and level the retail prices. Oil companies are then invited to bid for the delivery and the company with the lowest bid automatically wins the tender to import the crude and have it discharged into KPRL tanks. Kenya Pipeline Company (KPC) has a challenge in oil storage across the country because they do not have enough storage capacity to cater for the regional towns. KPC is however putting up mechanisms to deal with the challenge. (TsavoSecurities Ltd, 2007).The main players in the downstream operations in Kenya as of September 2013 are Total Kenya, Vivo (formerly Kenya Shell),KenolKobil, Libya Oil Kenya, Gapco, Gulf Energy, Galana Oil, MGS, Hashi Energy, National Oil of Kenya (NOCK) and Oryx Energy (formerly Addax Kenya)(Petroleum Insight, 2013).

There are a total of 71 registered oil marketers in Kenya categorized as multinational oil companies, local oil companies and independent oil dealers (Petroleum Insight 2014).

1.2 Research Problem

The need for business continuity strategies is something that almost every organization has been forced to deal with due to recent events. The ability of an organization to recover from a disaster is directly related to the degree of BCP [Business Continuity

Planning] that has taken place before the disaster. Industry analysts claim that two out of five businesses that experience a disaster will go out of business within five years of the event. There is a need for business continuity plans to enable critical services or products to be continually delivered to clients. Instead of focusing on resuming a business after critical operations have ceased, or recovering after a disaster, a business continuity plan endeavors to ensure that critical operations continue to be available.

The downstream petroleum industry is one that is in need for these continuity strategies; the emergence and disappearance of various Oil marketing companies has led to the need for having these strategies in place. Kenya's industry is faced is so many challenges; among these challenges are the high cost of white products importation, increased Governmental taxations, Stock losses through the pipeline system, increased regulations from ERC (Energy Regulatory Commission), stiff competition between Oil marketers, and generally foul play among people controlling a specific department i.e. fraud on the part of managers. Thus there is a need to establish the strategies that the Multinationals i.e. Total, Shell, Nock, Kobil etc have devised so as to ensure their continued business prosperity. There have been companies that have been phased out during their tenure in the Oil industry, there are also a need to investigate what these companies did (or were doing) that led to their demise. Companies like Pentoil, which begun strongly in the early 2000's eventually collapsed in 2008, and some other Companies like Metro Petroleum Ltd, also had a strong influence in the early 2000's only for them to close shop after a while. Hass Petroleum Ltd is a company that had gone under for a while, but later devised strategies that propelled them to be where they are today, a multinational with

retail outlets in various sectors in East Africa and having a strong clientele base. There is a need to establish what strategies they used so as to achieve their aim.

Much has been researched on business continuity strategies, both internationally and locally, Mwangi (2014) suggested that managers should make discrete business continuity plans to assure stakeholders of spontaneous resumption of services and business processes if disruptive events occur. The ability and capacity of an enterprise to withstand these disruptions and adapt to its own risk environment leads to enterprise resilience. Business continuity planning are relatively emerging concepts in Kenya. Locally, business continuity planning is a relatively emerging concept in Kenya. Nyambura (2005) carried out a survey of ICT aspects of disaster recovery among companies quoted at the NSE as well as Muoki (2010) who carried out a research on business continuity planning for a global business operator in less developed economies, a case study of general motors East Africa.

Sayed (2010) emphasized on business continuity management implementation as a means of ensuring continuity in strategy. He stressed on determining continuity strategies by using information obtained from the analysis in the understanding of the organization stage of the BCM process to identify and select recovery and continuity options, thus enabling the organization's activities to become operational following an interruption or disruption, before the organization's continued survival is threatened by the loss.

This research therefore seeks to answer the following questions; What are the business continuity strategies that are used by downstream petroleum companies in Kenya?

1.3 Research objectives

This study was guided by the following research objectives;

i. To determine the business survival and continuity strategies used by downstream petroleum Companies in Kenya.

ii. To determine the challenges faced by Oil Companies in formulating the strategies.

1.4 Value of the study

The research will aim at determining the application of business continuity strategies by companies in the downstream petroleum industry in Kenya. The study will act as a reference point to various stakeholders in the oil and petroleum sector as they will be able to identify areas that can be improved and will propose specific measures for continual improvement to enhance business competitiveness and sustainable growth.

Policy makers will obtain knowledge on the business continuity strategies that are suitable and sustainable and thus design appropriate policies that will regulate the sector. The petroleum companies will use the findings to determine factors that influence the implementation of business continuity activities that affect their operations. For scholars the study will provide information and knowledge on business continuity strategies application and mitigating factors as well as suggest areas for further study.

This study will provide an insight to business growth and development practitioners with interest in continuity strategies. It will also provide vital information to business firms and oil companies specifically on how best business continuity strategies can be adopted and how to mitigate the expected challenges. By gaining understanding of the most

important business continuity management factors, practitioners will have to organize them in a way that ensures success and to better prepare for the dynamic business environment and thus operate successfully and be able to compete in the global market.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter looks into past literature pertaining to theories of Continuity Strategies, empirical evidence of Continuity strategies, and how various scholars have written about the topic being studied.

2.2 Theoretical Foundations of the Study

Business survival and continuity strategies are about responding to and recovering from natural disasters. However, companies can increase their ability to ensure business continuity with the right business processes and systems management and automation software (Shapiro, 2005). Thompson and Strickland (1998) defined strategy as the game plan for positioning an organization in the market arena. The organization looks at the external environment and formulates strategies to enable it 'fit'. Johnson and Scholes (2002) defined strategy as a configuration of an organizations resources and competences with the aim of achieving stakeholder's expectation. There are three theories that are in relation to continuity strategies in business; the strategic fit theory, the resource based theory and the environmental dependency theory.

2.2.1 Strategic Fit Theory:

Strategic fit expresses the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment. The matching takes place through strategy and it is therefore vital that the company have the actual resources and capabilities to execute and support the strategy. Strategic fit can be used actively to evaluate the current strategic situation of a company as well as opportunities such as

divestitures of organizational divisions. Strategic fit is related to the Resource-based view of the firm which suggests that the key to profitability is not only through positioning and industry selection but rather through an internal focus which seeks to utilize the unique characteristics of the company's portfolio of resources and capabilities. A unique combination of resources and capabilities can eventually be developed into a competitive advantage which the company can profit from.

This theory is also referred to as the alignment theory posts that the organization and its competitive situation should be viewed not as separate, interdependent entities but as just different influences in the same global environment, Boston Consulting Group (1968).

Strategic fit means that both the competitive and organizational strategies have aligned goals. According to Child (1972), it refers to consistency between the customer priorities that the competitive strategy hopes to satisfy and the organizational capabilities that the business firm strategy aims to build. All processes and functions that are part of a company's value chain contribute to its success or failure. These processes and functions do not operate in isolation; no one process or function, however, may lead to failure of the overall chain

2.2.2 Resource Based Theory:

The resource-based view (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailuet al 1984) To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Peteraf, 1993,). Effectively, this translates into valuable

resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991). If these conditions hold, the bundle of resources can sustain the firm's above average returns. There is strong evidence that supports the RBV (Crook et al., 2008). Some aspects of theories are thought of long before they are formally adopted and brought together into the strict framework of an academic theory. The same could be said with regard to the resource-based view.

While this influential body of research within the field of Strategic Management was named by BirgerWernerfelt in his article A Resource-Based View of the Firm (1984), the origins of the resource-based view can be traced back to earlier research. Retrospectively, elements can be found in works by Coase (1937), Selznick (1957), Penrose (1959), Stigler (1961), Chandler (1962, 1977), and Williamson (1975), where emphasis is put on the importance of resources and its implications for firm performance (Conner, 1991) This paradigm shift from the narrow neoclassical focus to a broader rationale, and the coming closer of different academic fields (industrial organization economics and organizational economics being most prominent) was a particular important contribution (Conner, 1991) and (Mahoney and Pandian, 1992).

The resource based view has been a common interest for management researchers and numerous writings could be found for same. A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney and Pandian 1992) RBV explains that a firm’s sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney 1999)

cited by (Finney et al. 2004) These authors write about the fact that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. It also highlights the fact that not all resources of a firm may contribute to a firm's sustainable competitive advantage. Varying performance between firms is a result of heterogeneity of assets (Lopez 2005) RBV is focused on the factors that cause these differences to prevail (Grant 1991, Mahoney and Pandian 1992)

2.2.3 Environmental Dependency theory:

The environmental dependency theory which is directly linked to the Resource Dependence Theory has its origins in open system theory as such organizations have varying degrees of dependence on the external environment, particularly for the resources they require to operate. This therefore poses a problem of organization facing uncertainty in resource acquisition (Aldrich, 1999) and raises the issue of firm's dependency on the environment for critical resources (Dwyer et al., 1987; Grewal and Dharwadkar, 2002). Often, the external control of these resources may reduce managerial discretion, interfere with the achievement of organizational goals, and ultimately threaten the existence of the focal organization (Scott, 1998).

Confronted with the costly situation of this nature, management actively directs the organization to manage the external dependence to its advantage. Organization success is defined as organizations maximizing their power (Ulrich and Barney, 1984). Managers in business organizations have resorted to developing business continuity strategies as a key move in gaining from the environment.

Within this perspective, an organization can manage increasing dependency by adapting to or avoiding external demands, by executing the following Resource Dependence Theory strategies; firstly “altering organizational interdependence” through integration, merger and diversification, secondly establishing collective structures to form a “negotiated environment”; and thirdly using legal, political or social action to form a “created environment” (Pfeffer and Salancik, 1978). Much of RDT is fixed upon Emerson (1962)’s insight that power and dependency are intimately related as such, they suggested and argued for specific sets of strategies to manage the external environment and discuss the conditions under which they are appropriate.

2.3 Business Survival Strategies:

Over the last 10 years, business survival planning has evolved by repositioning itself from its focus on disaster recovery and information technology. The emphasis for business survival today is on the organization’s critical business processes that need to be recovered in the event of a disaster for the survival of the organization (Doughty, 2002)

As protectionist barriers crumble in emerging markets around the world, Oil companies are expanding in numbers and are rushing to find new opportunities for growth. Their arrival is a boon to local consumers, who benefit from the wider choices of suppliers to choose from. For small companies, however, the influx often appears to be a death sentence. Accustomed to making small margins and surviving from hand to mouth positions, they suddenly face increased threats from other rivals wielding a daunting array of advantages: substantial financial resources, advanced technology, superior products, powerful brands, and seasoned marketing and management skills (Frost 1999)

Strategists at multinational corporations can draw on a rich body of work to advise them on how to enter emerging markets, but managers of local companies in these markets have had little guidance. Many of these managers assume they can respond in one of only three ways: by calling on the government to reinstate trade barriers or provide some other form of support, by becoming a subordinate partner to a multinational, or by simply selling out and leaving the industry. The need to explore other options for the downstream oil companies is highly essential.

Downstream companies have also used strategies such as; engaging in a joint ventures where Oil marketing companies join hands with other companies for specific purposes in an attempt to act as a survival strategy, there are various kinds of joint ventures, among them are partnerships, acquisitions, mergers and take overs. Retrenchment strategies are used to cut down costs when a firm is facing trouble. Retrenchment in Kenya has been equated with declaring people redundant and the word has acquired a negative meaning of sacking people. In fact the word retrenchment means reduction in costs in a corporation. The aim of retrenchment is to try to turn around the company to profitability. This survival strategy has become very popular in Kenya where restructuring of the economy is undertaken and where privatization is being carried on (Yabs 2010)

Liquidation is another survival strategy of selling the company that is no longer viable to continue operating. It refers to selling of the firm's assets and all its belongings in order to minimize continued losses. This is usually the last strategy to be used and is not popular (Yabs 2010)

Today, business entities exist in a highly competitive world. They are constantly innovating to meet their business objectives of providing essential and unique services to their customers, and organizations rely more than ever on technology, because technology advances have enabled them to achieve their varied strategies (Ramesh, 2002).

Organizations develop a strategic risk management plan to assist in identifying, quantifying and managing their risk (Gartner, 1996) Business continuity plays an integral role in such plans and is one of the strategies the organization employs to mitigate its risks. Successful implementation of the strategic risk management plan (and business continuity) requires executive management support. This support comes from the development of an organizational culture for managing risk through the implementation of policies and continuous commitment from management, i.e., resourcing and investment in business continuity (Doughty, 2000)

2.3.1 Continuity Strategies in Business:

Continuity strategies in business enable an organization's activities to become operational following a disruption and can consist of three stages; the first stage involves the identification and selection of the strategies. In this stage, the organization selects the Business Continuity Management strategies that will enable it to protect the continued delivery of its products and services. This task covers the identification and selection of these strategies. But we have to keep it in mind that all organizations do not require the same baseline for work with business resilience and continuity. The second stage is identifying and the selection of tactical responses from available options, the purpose of

this step is to select appropriate tactical continuity options for each activity that supports the delivery of the organization's products and services, and to identify what needs to be done to implement the selected options. These tactics will be based on the BCM strategies selected for each product or service or business area Appropriate tactics for each activity will need to be selected to cover the requirements in the relevant areas of people's skills and knowledge, premises, resources and suppliers, lastly, consolidating resource levels is the final stage which ensure that the selected tactics are consistent across the organization ,ensure that the selected tactics do not conflict with one another (e.g. that different activities are not planning to use the same internal resource for recovery) ,determine how best to source external requirements (e.g. third party recovery sites) and assist in determining the number and structure of the Business Continuity Plans (Sayed, 2002)

Herbane (2010) states that, BCM has become established as a formalized structure and expression of an organization's crisis management values and practices with standards developed in the early 2000s. BCM focuses on assuring continuous business processes and plays a prominent part in the organizations ability to recover after disruption. BCM is also an on-going process and planning for it includes reviewing DR, business recovery, business resumption and contingency planning. The comprehensive and on-going nature of BCM should therefore be included as part of any BCM definition.

Following brief preliminary search through some of the literature connected to Disaster Recovery (DR) and preparedness for recovery using Business Continuity Planning (BCP), it has been found that the number of pioneer articles is not commensurate with the

importance of the subject and the size of the problem that need to be solved (Botha and Gaadingwe, 2006).The reviewed literature introduces different definitions of disaster recovery. The title is frequently utilized in the significance of ―bringing the post disaster situation to some level of acceptability which may or may not be the same as the pre-impact level (Quarantelli, 1999, p. 2). The Federal Emergency Management Agency of the United States (FEMA, 2000) introduce a definition of recovery as ―referring to those non-emergency measures following disaster whose purpose is to return all systems, both formal and informal, to as normal a state as possible. Bajgoric (2006) defines the Business Continuity Planning in terms of its related to an Information Technology as ―the ability of a business to continue with its operations even if some sort of failure or disaster occurs. The majority of business professionals suggest undertaking business continuity planning initially; subsequently disaster recovery will carry the most critical elements of the business. Although a BCP concentrating on bring back the organization‘s power to do business, despite of the type of the disaster, various kinds of distraction may need a different kind of reaction for recommencing business. Different kinds of disasters may even affect the community environment surrounding the organizations; thus, human element (e.g. employees) may deeply influenced by a disaster events. It is indispensable to organize businesses to be able to react and improve from any types of disaster that may cause deficit in business operations and may inhibit business continuation. It is insufficient to believe that business is just typical day-to-day operations arguing that there are no threats that might stop our business to continue or we are sharp enough to a level that we will not be influenced same as others. Furthermore, with the ideas of

globalization, business managers turn out to be more responsible for deficiency if they did not adopt right actions on right time to avoid this type of losses.

Today's organizational environment is proving to be markedly different from that of the past. As pointed out in all studies, global competition, information technology, the quality service revolution, and diversity and ethics are forcing management of all types of organization to totally rethink their approach to both operation and human resources. Because of this paradigm shift, new organizations are emerging that are more responsive to both their internal and external environments (Luthans, 1995).Milles and Snow (1978) introduced the Defender, the Analyser, Reactor and the Prospector among other strategies used by firms to achieve competitive advantage. Due to their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers (Pearce and Robinson, 2007). Milles and Snow (1978) link success in performance of organization to types of adaptive strategies that management chooses to engage, since each has its own competitive strategy for responding to the environment, and each has a particular configuration of technology, structure and processes that is consistent with its strategy.

2.4 Challenges in implementing Survival and Continuity Strategies:

Strategy implementation is defined as the actions an organization takes today to deliver the strategy, tomorrow. Strategy implementation is the collective individual actions taken always by all the stakeholders and if there are not enough of the right actions being taken then the strategy will fail. While there are many tools and techniques for crafting strategy there are very few for implementing it, therefore when an organization successfully

implements its strategy it gains competitive differentiation. Daft (2000) noted that the major challenge of strategy implementation in organization is a failure to translate statements of strategic purpose into an identification of those factors critical to achieving the objective and the resources and competences which will ensure success. For a successful strategy implementation the organization should be able to allocate resources and control in line with the chosen strategy.

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

All too often, companies dedicate substantial internal and external resources to a strategy process, but ultimately, fail to move the firm in the direction identified or realise the benefits of their investment. The reasons for their failure are firstly Insufficient partnerbuy-in**:** In conducting strategic planning, firm leaders and managers involved in the process develop a strong understanding of the business imperative behind the chosen strategy and the need for change in order to achieve partner goals. However, managers removed from the process may struggle to identify with the goals and strategies outlined by firm leaders. These managers may not see a need for change, and without understanding the background and rationale for the chosen strategy, these managers may never buy-in to strategic plan and, as a result, will passively or actively interfere with the

implementation process.Insufficient leadership attention has led to many leaders view the strategy development process as a linear or finite initiative. After undergoing a resource intensive strategic planning process, the firm's Managing Partner and Executive Committee members may find themselves jumping back into billable work or immersing themselves in other firm matters, mistakenly believing that writing the plan was the majority of the work involved. Within weeks of finalizing the plan, strategies start to collect dust, partners lose interest, and eventually, months pass with Little or no reference to the plan or real action from firm leaders to move forward with implementation. Ineffective leadership has led to strategy implementation requiring a balancing act – the ability to work closely with partners in order to build cohesion and support for the firm's strategy, while maintaining the objectivity required in order to make difficult decisions.

2.5 Empirical Studies on Survival and Continuity Strategies:

Understanding how businesses use Survival and continuity strategies to succeed has been at the core of strategic management research for decades (Hittet al. 2004). In the 1960s, 1970s and 1980s, Chandler (1962), Hofer and Schendel (1978) and Galbraith and Schendel (1983) stressed that competitive strategy was not a static phenomenon, but a sequence of interconnected actions and reactions unfolding over time. Aspects of dynamic competitive strategy have implications for researchers in the field. First, they must study how firms behave over time to gain insight into the causes and consequences of competitive strategy (Bergh 1993; Menard 1991). Second, they need to observe the timing and duration of strategic activities. Third, they need to account for the long-term path characteristics of strategic change as well as the path dependencies that result from strategic choices.

Business Continuity Planning was a notion that was carried out by IT departments and was restricted to backing up, protecting, and providing redundancy of data (Gill, 2006), however, currently, risk management is a comprehensive of human and technical involves and have an effect on all sides of a business. Thus, business professionals believe that there is a need for more collaboration to create the most effect on Business Continuity Planning (Edmonson, 2006; MCC, 2005).

(Sayed 2010) suggested that flexibility and innovation are the keys to survival in business and these also apply to the business continuity strategy. Developing a strategy which is resilient to change and flexible enough to move with business strategy will ensure that you're never far from what is important in the minds of the shareholders.

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

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

2.6 Summary on Literature Review:

Business Survival and Continuity Strategies, by whatever title it is assigned (Business Continuity, Crisis Management, Disaster Planning, etc.), is a strategic program with supporting functions that must be integrated for the sake of overall efficiency and effectiveness. A functional framework and function definitions are presented to visualize the structure and inter dependencies of the components of a comprehensive Business Strategic program. Williamson, (2002) suggests that creating and maintaining a workable business continuity strategy is an essential factor in ensuring your organization's continued survival and prosperity. Although planning methodologies may vary among companies, there are standards common to all. Likewise in Kenya, petroleum companies need to critically plan as a mitigation strategy towards minimizing downtimes when disasters occur. This they cannot do in isolation as standards have already been established on how to best implement Business strategy plans some of which can be customized for the Oil industry.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the procedure that was followed in conducting the research. It elaborates the whole research process which includes research design, population of the study, data collection as well as the instruments that were used for data collection and analysis.

3.2 Research Design

The study adopted a census survey that is descriptive in nature. This was used to elicit the required information pertaining to the adoption of continuity strategies among oil companies in Kenya. A research design constitutes the collection, measurement and analysis of data (Yin, 2003). The descriptive research design was selected because the topical issue under study covers a wide geographical area and gives the researcher the opportunity to investigate the situation holistically and generate either qualitative or quantitative data. Basically, a cross-sectional survey gave further an in-depth study of the particular situation and was used to narrow down the broad aspects of the topic under study.

3.3 Population

The study used the whole population under consideration. According to the Energy Regulatory Commission (ERC, 2014) there were 71 registered downstream oil companies in Kenya. This comprised the target population of the study. The respondents were drawn from each of the registered oil companies where each company had one respondent.

3.4 Data Collection

Primary data was used for this study because of the nature of responses required by the topic under study. Data was collected using a semi- structured questionnaire drafted in line with the research objectives which was divided into three sections. The first section comprised the basic organizational background information; the second part consisted of questions assessing the application of business continuity strategies while the third part consisted of questions relating to the challenges faced by oil companies in application of business continuity strategies. The questionnaire had both open-ended and closed questions in which the respondents gave their ratings on a 5-point Likert Scale.

E-mail solutions and drop-pick later method were employed in administering the questionnaires to the business development managers of the respective oil companies as they were considered key in continuity strategy application decisions. This was because of their level of involvement in the business continuity strategies and the business development process and therefore they were adequately informed on the topic under study.

3.5 Data Analysis

The data collected was edited for completeness, uniformity, accuracy, redundancy and consistency. It was further coded to classify responses into meaningful categories to enable data to be analyzed. Descriptive statistics using Microsoft Excel was used in order to examine the pattern of responses to each of the variables under description. Percentages, frequencies and arithmetic mean were used in order to facilitate comparisons. Tables were used in presentation of data findings.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings. It discusses the downstream oil companies' profiles, the business continuity strategies and challenges faced by the downstream petroleum in the application of business continuity strategies. The data obtained was analysed using descriptive statistics and the results presented in tables.

4.2 Downstream Petroleum Companies Profile

The study sought some background information related to the topic under investigation on the downstream petroleum companies in Kenya. The length of service, the duration of company operation and the participants of strategic planning was relevant to the study.

4.2.1 Duration of Business Operation

The respondents were asked to indicate the length of time their respective oil companies have been in operation. They were asked to tick the check boxes of less than one year, 1 to 5 years, 6 to 10 years, and more than 10 years.

The study sought to find out the length of time the oil companies have been in business operation. From the findings in Table 4.2.1, 77.6% of the surveyed oil companies have been in operation for over five years.

Table 4.1.1 Duration of business operation

Number of Years of Business Operation	Frequency	Percent	Cumulative Percent
Less than 1 year	0	0.0	0.0
1-5 Years	11	22.4	22.4
6-10 Years	14	28.6	51.0
Above 10 Years	24	49.0	100
Total	49	100	

Source: Research Data (2014)

The findings as displayed in Table 4.1.1 show that over 77.6% of the oil companies had been in operation for over 5 years. This indicates that the targeted population was resourceful in the topic under study as it has encountered business continuity strategies.

4.3 Factors that influenced Business Continuity Approaches

The respondents were asked to rate their responses on a scale of 1 to 5 on how they agree with the choice of business continuity drivers where 1 represents least important, 2 for less important, 3 for neutral, 4 for important and 5 for most important. Seven business continuity drivers were subjected to analysis using descriptive analysis.

4.3.1 Competition

The study sought to find out whether competition is a business continuity driver. The strongest point had a score of five while the weakest point scored 1 point. The findings are displayed in Table 4.3.1

Table 4.3.1 Competition

Competition	Frequency	Percent	Cumulative Percent
Most Important	22	44.9	44.9
Important	18	36.7	81.6
Neutral	9	18.4	100.0
Less Important	0	0.0	100.0
Least Important	0	0.0	100.0
Total	49	100	

Source: Research Data (2014)

From the findings in Table 4.3.1, 22 of the respondents felt that competition is the most important business continuity driver while 18 of the respondents felt that competition is an important business driver.

This shows that competition strongly influences the business continuity drivers.

4.3.2 Customers Demands

The study sought to find out whether customers affect the choice of business continuity drivers. The strongest point had a score of five while the weakest point scored 1 point. The findings are displayed in Table 4.3.2

Table 4.3.2 Customers

Customers	Frequency	Percent	Cumulative Percent
Most Important	25	51.0	51.0
Important	12	24.5	75.5
Neutral	8	16.3	91.8
Less Important	4	8.2	100.0
Least Important	0	0.0	100.0
Total	49	100	

Source: Research Data (2014)

From the findings in table 4.3.2, 25 of the respondents felt it is most that customer demands affect business continuity drivers while 12 of the respondents felt it was important.

This shows that customers highly influence business continuity drivers in the downstream petroleum companies in Kenya.

4.3.3 Regulators

The study sought to find out whether oil industry regulators affect the business continuity drivers in the downstream petroleum companies in Kenya. The strongest point had a score of five while the weakest point scored 1 point. The findings are displayed in Table 4.3.3

Table 4.3.3 Regulators

Regulators	Frequency	Percent	Cumulative Percent
Most Important	17	34.7	34.7
Important	17	34.7	69.4
Neutral	13	26.5	95.9
Less Important	2	4.1	100.0
Least Important	0	0.0	100
Total	49	100	

Source: Research Data (2014)

From the findings in Table 4.3.3, 13 respondents were neutral, 17 agreed that this was important and 17 agreed that this was most important. This shows that oil industry regulators also influence the business continuity to a great extent.

4.3.4 Corporate Governance

The study sought to find out whether corporate governance affects business continuity drivers in the downstream petroleum companies in Kenya. The strongest point had a score of five while the weakest point scored 1 point. The findings are displayed in Table 4.3.4

Table 4.3.4 Corporate Governance

Corporate Governance	Frequency	Percent	Cumulative Percent
Most Important	11	59.2	59.2
Important	29	22.4	81.6
Neutral	6	12.2	93.9
Less Important	0	0.0	93.9
Least Important	3	6.1	100.0
Total	49	100	

Source: Research Data (2014)

From the findings in Table 4.3.4, 6 respondents were neutral, 29 agreed that this was important and 11 agreed that this was most important. This shows that corporate governance also influence the business continuity to a great extent.

4.3.5 National Government

The study sought to find out whether the national government affects business continuity drivers in the downstream petroleum companies in Kenya. The strongest point had a score of five while the weakest point scored 1 point. The findings are displayed in Table 4.3.5

Table 4.3.5 National Government

National Government	Frequency	Percent	Cumulative Percent
Most Important	10	20.4	20.4
Important	25	51.0	71.4
Neutral	13	26.5	97.9
Less Important	0	0.0	97.9
Least Important	1	2.1	100.0
Total	49	100	

Source: Research Data (2014)

From the findings in Table 4.3.5, 13 respondents were neutral, 25 agreed that this was important and 10 agreed that this was most important. This shows that the national government also influences the business continuity to some extent.

4.3.6 Summary of Business Continuity Drivers

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Table 4.3.6 Business Continuity Drivers

Business Continuity Drivers	Mean	Std. Deviation	Variance
Competition	4.27	0.758	0.574
Customers	4.18	0.993	0.986
Regulators	4.00	0.890	0.792
Corporate governance	3.92	0.954	0.910
National government	3.88	0.807	0.651
Need to match international standards	2.88	1.252	1.568
Globalization	2.84	0.874	0.764

Source: Research data (2014)

Among the factors which influenced the choice of business continuity drivers, competition, customer demands was found to have the highest mean score of 4.27 and 4.18 respectively. The regulators followed with a mean score of 4.00.

The next ranked component was the regulators which affect the direction of business continuity drivers with a mean of 3.92. The others were the national government; need to match international standards and globalization with mean scores of 3.88, 2.88, and 2.84 respectively.

4.4. Summary of the Challenges of Business Continuity Drivers

A descriptive analysis of the nine challenges of business continuity drivers at the oil companies in Kenya was done where the mean and standard deviation was calculated. This was to show on average how these factors hamper the business continuity drivers. The mean and standard deviation scores were and displayed as shown in Table 4.3.

4.4 Factors Challenging Business Continuity Strategies in Organizations

Challenges of Business Continuity Drivers	Mean	Std. Deviation
Excessive perceived economic risks	4.10	0.895
Lack of adequate sources of finance	4.08	0.862
Lack of customer responsiveness to new products	3.00	1.118
Lack of information on technology	2.98	1.070
Business continuity strategy costs too high	2.96	0.912
Lack of qualified personnel	2.88	1.111
Organizational rigidities	2.73	0.953
Fulfilling regulations, standards	2.71	1.155
Lack of information on markets	2.49	1.356

Source: Research data (2014)

Among the challenges of business continuity, excessive perceived economic risks were found to have the highest mean score of 4.10. The lack of adequate sources of finance follows with a mean score of 4. 08.

The next ranked component was the lack of customer responsiveness to new products with a mean of 3.00. The others were the lack of information on technology, business continuity strategy costs too high, lack of qualified personnel, organizational rigidities, fulfilment of regulations/standards and the lack of information on markets with mean scores ofof2.98, 2.96, 2.88, 2.73, 2,71 and 2.49 respectively.

4.5 Business Continuity Risks

The respondents were asked to rate their responses on a scale of 1 to 5 on how they agree on the business continuity risks, where 1 represents least important, 2 for less important, 3 for neutral, 4 for important and 5 for most important. Nine risk factors that affect business continuity were subjected to analysis using descriptive analysis.

4.5.1 Staff Turnover

The study sought to find out whether staff turnover as a business continuity risk affect the oil companies. The strongest point had a score of five while the weakest point scored 1 point. The findings are displayed in Table 4.4.1

Table 4.5.1 Staff turnover

Staff turnover	Frequency	Percent	Cumulative Percent
Least Important	0	0.0	0.0
Less Important	0	0.0	0.0
Neutral	8	16.3	16.3
Important	25	51.0	67.3
Most Important	16	32.7	100
Total	49	100	

Source: Research data (2014)

From the findings in Table 4.4.1, 8 respondents were neutral, 25 felt it's important and 16 strongly agreed. This shows that staff turnover poses a business continuity risk in the downstream oil companies in Kenya.

4.5.2 Employee Health and Safety

The study sought to find out whether employee health and safety measures pose a business continuity risk. The strongest point had a score of five while the weakest point scored 1 point. The findings are displayed in Table 4.4.2

Table 4.5.2 Employee Health and Safety

Employee Health and Safety	Frequency	Percent	Cumulative Percent
Least Important	0	0	0
Less Important	3	6.1	6.1
Neutral	14	28.6	34.7
Important	15	30.6	65.3
Most Important	17	34.7	100
Total	49	100	

Source: Research data (2014)

From the findings in Table 4.4.2, 14 respondents were neutral, 15 agreed and 17 strongly agreed. This shows that employee health and safety poses a business continuity risk in the downstream oil companies in Kenya.

4.5.3 Loss of Information Technology Capacity

It was also important for the study to find out whether loss of IT capacity was a business continuity risk in the oil companies in Kenya. The strongest point had a score of five while the weakest point scored 1 point. The findings are displayed in Table 4.4.3

Table 4.5.3 Loss of Information Technology Capacity

Loss of Information Technology Capacity	Frequency	Percent	Cumulative Percent
Least Important	0	0	0
Less Important	6	12.2	12.2
Neutral	10	20.4	32.7
Important	18	36.7	69.4
Most Important	15	30.6	100
Total	36	100	

Source: Research data (2014)

From the findings in Table 4.4.3, 10 respondents were neutral, 18 agreed and 15 strongly agreed. This shows that loss of IT Capacity in the downstream oil petroleum companies pose as business risk.

4.5.5 Summary of Business Continuity Risks

Nine business continuity risks with major impact on business continuity strategy adoption were subjected to analysis using descriptive analysis. The respondents ranking was analyzed by computing mean scores and standard deviation. From the findings in Table 4.5.5, the respondents felt that staff turnover impacted most a mean score of 4.16, the aspect of employee health and safety was second with a mean of 3.94, the loss of IT capacity, loss of skills and supply chain disruption were ranked third ,fourth and fifth with mean scores of 3.86, 3.53 and 2.82 respectively.

Table 4.5.5 Business Continuity Risks

Business Continuity Risks	Mean	Std. Deviation
Staff turnover	4.16	0.688
Employee Health and safety	3.94	0.944
Loss of IT Capacity	3.86	1.000
Loss of Skills	3.53	1.002
Supply chain disruption	2.82	1.202
Terrorism	2.71	1.061
Negative Publicity/Image	2.47	1.082
Fire	2.39	1.133
Environmental Challenges	2.39	0.975

Source: Research Data

However respondents' least identified themselves with terrorism, negative publicity, fire and environmental challenges with mean scores of 2.71, 2.47, 2.39 and 2.39 respectively. From the findings, these are the business continuity risks that least impact on the downstream oil companies in Kenya.

4.6 Discussion of Findings

Out of a target population of 71 respondent firms, 49 usable questionnaires were received and analyzed, indicating a response rate of 69.0%. This study analyzed7 factors pertaining to the business continuity drivers, 9 factors for business continuity risks 8 for business survival strategies and 9 challenges for business continuity strategies in the downstream oil companies in Kenya.

The findings show that the application of business continuity strategies in downstream oil companies in Kenya is influenced by stiff competition, customer demands, industry regulators and corporate governance. These findings are supported by studies on business continuity strategy approaches (D'Amko 2007; Lindstedt 2007).

The business continuity risks affecting the downstream oil companies in Kenya are the staff turnover (Williamson, 2005), employee health and safety, loss of IT capacity and loss of skills (Edmonson, 2006).

The findings further show that excessive perceived economic risks, lack of adequate sources of finance, lack of customer responsive to new products as the main challenges affecting business continuity strategies. These findings are supported by an empirical study done by Ramsay and Kelly (2009).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

A survey research was conducted to establish the business continuity strategies applied by companies in the downstream petroleum industry in Kenya, specifically to find out the business continuity drivers and the challenges affecting the business continuity strategies. Data was collected using questionnaire; Appendix II.

This study had a response rate of 69.0% and this was considered sufficient for analysis. From the findings, 77.6% of the oil companies surveyed had been in operation for over 5 years. This shows that the data obtained from the respondents was rich in content and reliable for analysis.

From the analysis of a total of 25 factors that affect the application of business continuity drivers in the oil companies, the choice of continuity drivers is strongly influenced by competition, customer demands, industry regulators, and the corporate governance. Globalization seems not to influence the choice of business continuity drivers in the downstream oil companies in Kenya.

Respondents identified themselves with excessive perceived economic risks, lack of adequate sources of finance, unresponsive clients who do not embrace new products, lack of information on technology as key challenges affecting their companies. However the lack of information on markets and the need to fulfil regulations/standards least challenge the companies in the application of business continuity strategies.

From the findings, it was further established that the staff turnover, employee health and safety, loss of IT capacity, and loss of skills have a great impact on the oil company's risks. The environmental challenges and terrorism do not impact greatly as business continuity strategies in the oil companies in Kenya.

5.2 Conclusion

The downstream oil companies being key players in the growth of the country's economy need to adapt to environmental dynamism by modifying their underlying resources and capabilities. These oil companies have embraced business continuity strategies approaches so as to attain sustainable competitive advantage and improve on performance. These business continuity strategies in oil companies are mainly influenced by competition, customer demands and oil regulators. This can generally be attributed to the increasingly knowledgeable customer and the dynamic business environment.

Staff turnover, loss of IT capacity and continuous loss of skills are great potential risks affecting the business continuity strategies in the oil industries in Kenya. Excessive perceived economic risks, lack of adequate sources of finance, lack of customer responsiveness to new products pose a great challenge to these firms.

5.3 Recommendations

Though some oil companies have successful adopted business continuity strategies, there is need to focus on how their expansion strategy is affecting their performance, and how substitute petroleum products are affecting their competitive advantage. This will enable these companies to attain the full benefit of the application of business continuity

strategies. These oil companies are in the key energy sector of the country therefore sound strategies should be taken and adhered to.

The adoption of business continuity strategies is a step by step process; therefore these oil companies should ensure that all parties affected by this process are well informed especially on how the business processes will be affected.

5.4 Limitations of the Study

The findings of this study should be viewed in light of a few limitations. The use of questionnaires to gather relevant information on the applicability business continuity drivers in the downstream oil companies in Kenya should be noted. The use of additional data collection methods such as observation and interview guides in order to enhance the richness and depth of future studies.

In addition, access to internal organization documents like board minutes, policies and procedures which could provide more insight into the strategic thinking of the management would greatly have contributed towards a more pragmatic review and analysis. Also most of the senior managers were not available for interview.

Finally, another major limitation was the unwillingness of the respondents to objectively articulate the topical issue under consideration due to the fear that information could be used for competitive advantage by their rivals.

5.5 Suggestions for Further Research

Since this study uses institutions that have been relatively successful with business continuity strategy application, it would be interesting to study a firm that has not had good results with the application of these approaches and much more a firm that has had

disastrous results. Probably by so doing, the conclusions of the study would help in indicating to the approaches/tactics that don't work for new strategy adoption. More insight could be derived from that and help in understanding some of the reasons that have led to some firms failing in new strategy adoption.

The researcher proposes that a study be conducted to determine the extent of the application of business continuity strategies affect the growth of oil companies in Kenya. A research can also be done to establish the relationship between business continuity strategy application and dynamic capabilities.

Finally, this study is limited to the extent that its focus is on a specific country and industry/sector, Kenya and the oil industry respectively. It is recommended that for a start, a similar study be undertaken within a region wide context and findings compared to the Kenyan context.

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APPENDICES

Appendix I: Introductory Letter

August, 2014

Dear Respondent,

I am a postgraduate student at the School of Business, University of Nairobi, currently carrying out a research titled '**Business Continuity Strategies Applied By Companies in The Downstream Petroleum Industry in Kenya'.** This is in partial fulfillment to the award of Master Degree in Business Administration (Strategic Management).

You have been selected as one of the respondents in this study. I therefore request you to kindly facilitate the collection of the required data by answering the questions herein. This questionnaire is purely for academic purposes and the data collected will be treated with utmost confidentiality. A copy of the completed project report shall be availed to you upon request.

Your assistance and cooperation will be highly appreciated. Thank you in advance.

Yours faithfully,

……. ……..

Soud Mohamed Murshid
Student

0726 370773

Dr Jackson Maalu
Research Supervisor

Appendix II: Questionnaire

This questionnaire has been developed to elicit information pertaining to Continuity strategy amongst oil companies in the Oil Industry in Kenya. Please ensure that the answers provided are correct as per your knowledge since they will be used to determine the end result of this research.

The information received from this survey shall be kept confidential, and shall be used strictly for academic purposes only. Your participation in this survey shall highly be appreciated.

PART A: Company Details

What is the name of your Company ……..

What is your Job position…….

What department does your title fall under…….

Is your organization locally incorporated or a multinational?

Locally Incorporated [ ] Multinational [ ] Other [ ]

If other, please specify**:** ----------

What size classification does your organization fall into?

Small [ ] Medium [ ] Large [ ]

What type of Oil petroleum products among the ones listed does your company deal with?

i. Aviation Jet A-1 [ ]
ii. Illuminating Kerosene [ ]
iii. Regular Motor sport [ ]
iv. Premium Motor sport [ ]
v. Liquefied Petroleum Gas [ ]
vi. Automotive Gas oil [ ]

vii. Industrial Diesel [ ]

viii. Furnace Oils [ ]

ix. Bitumen [ ]

Length of service at the oil company (Tick appropriate box)

Less than 1 Year [ ]

1-3 Years [ ]

3-6 Years [ ]

Above 6 Years [ ]

For how long has your firm been involved in this business of oil petroleum products?

Less than 1 Year [ ]

1-5 Years [ ]

6-10 Years [ ]

Above 10 Years [ ]

Does your organization own storage facilities in Kenya?

Yes [ ] No [ ]

When Does Strategy evaluation take place in your company?*

a) During times of intense competition

b) At the exit of a CEO

c) As a normal trend in the company

6. Who participates in Strategic planning in your organization? (Please select all that apply) *

a) CEO

b) Board of Directors

c) Supply Managers

d) Sales Managers

e) Overall firm as a whole

PART B: Business Continuity Drivers

7. The following are the main drivers for change to organizations approach towards Business Continuity Management. Rate these factors in a scale of 1-5 (1-least important, 2-less important, 3-neutral, 4-important, 5-most important). Tick where applicable.

Business Continuity driver	Most Important	Important	Neutral	Less Important	Least important
Corporate governance					
National Government					
Regulators					
Customers					
Globalization					
Competition					
Need to match international standards					

8. How would you characterize the extent of the disruption caused to your organization by the following events?

Disruption	Severe	serious	Modest	Non-Existent	Don't Know
Increased terrorist activities					
Power failures/outages					
Extreme weather conditions					
Computer viruses/bugs					

9. Which, if any, of the following has your organization experienced in the past year? Rate these factors on a scale of 1-5 (1-least important, 2-less important, 3-neutral, 4-important, 5-most important). Tick where applicable.

Business continuity risks	Most Important	Important	Neutral	Less Important	Least Important
Loss of IT capacity					
Supply chain disruption					
Loss of skills					
Environmental/ weather challenges					
Loss of staff					
Employee health and safety scare					
Terrorism					
Fire					
Negative publicity/image					

Which, of the following has your organization adopted and applied as a business survival strategy? Rate these factors on a scale of 1-5 (1-least important, 2-less important, 3-neutral, 4-important, 5-most important). Tick where applicable.

Business Survival Strategies	Most Important	Important	Neutral	Less Important	Least Important
Engaging globally by increasing alliances and partnership with foreign firms					
Focusing on core competencies					
Developing creative strategies to attract and retain the best staff					
Drive down costs by improving efficiencies					
Drive down costs by streamlining operations					

Improve customer focus/support					
Continuous identification of new opportunities					
Innovation					

PART C:Factors Challenging Business Continuity Strategies in Organizations

The business continuity activity of your company could be hampered by various factors, which might prevent continuity strategies or projects from being implemented.

To what extent did or do the following hamper business continuity as a strategy in your organization? Rate these factors on a scale of 1-5 (1-least important, 2-less important, 3-neutral, 4-important, 5-most important). Tick where applicable.

Hampering Factors	**Least Important**	**Less important**	**Neutral**	**Important**	**Most Important**
Excessive perceived economic risks					
Business continuity strategy costs too high					
Lack of appropriate sources of finance					
Organizational rigidities					
Lack of qualified personnel					
Lack of information on technology					
Lack of information on markets					
Fulfilling regulations, standards					
Lack of customer responsiveness to new products					

Thanks for your participation

Appendix III: List of Downstream Oil Companies in Kenya

1	Axon Energy Limited
2	Afrioil International Limited
3	Afyare Enterprise Company Ltd
4	Ainushamsi Energy Limited
5	Al leyl Petroleum Limited
6	Alba Petroleum Limited
7	Amana Petroleum (Kenya) Limited
8	Bakri International Energy Company Limited
9	Banoda Oil Limited
10	Barton Energy Limited
11	Center star Company Limited
12	City Oil (K) Limited
13	Dalbit Petroleum Limited
14	Eagle Energy Limited
15	East African Gasoil Limited
16	Eco Oil Kenya Limited
17	Eliora Energy Limited
18	Engen Kenya Limited
19	Essar Petroleum (East Africa) Limited
20	Finejet Limited
21	Fossil Fuels Limited
22	Futures Energy Company Limited
23	Galana Oil Kenya Limited
24	Gapco Kenya Limited
25	Global Petroleum Products Kenya Limited
26	Gulf Energy Limited
27	Hared energy limited
28	Hashi Energy Limited
29	Hass Petroleum Kenya Limited
30	Heller Petroleum Limited
31	Kencor Petroleum Limited
32	KenolKobil Limited
33	Kenya Petroleum Refineries Limited
34	Keroka Petroleum Limited
35	Kosmoil Petroleum (EA) Limited
36	Libya Oil Kenya Limited
37	Milio East Africa Limited
38	Milio Energy Kenya Limited
39	Mogas Kenya Limited
40	Moil Kenya Limited
41	Muloil Limited
42	National Oil Corporation
43	Ocean Energy Limited

44	Oil City Limited
45	Oilcom (K) Limited
46	Oilpoint Kenya Limited
47	Olympic Petroleum Limited
48	One Petroleum Limited
49	Oryx Energies Kenya Limited
50	Osgafre Petroleum Company Limited
51	Oxford Oils Kenya Limited
52	Petro Oil Kenya Limited
53	Petrosun Kenya Limited
54	Prime Regional Supplies Limited
55	Prisko Petroleum Network Limited
56	RamjiHaribhaiDevani Limited
57	Ranway Traders Limited
58	Regnol Oil (K) Limited
59	Riva Petroleum Dealers Limited
60	Royal Energy (K) Limited
61	Stabex International Limited
62	Tiba Oil Company Limited
63	Topaz Petroleum Limited
64	Tosha Petroleum Limited
65	Total Kenya Limited
66	Tradiverse Kenya Limited
67	Tristar Transport Limited
68	Trojan International Limited
69	Ultra Petroleum Limited
70	United Energy Limited
71	Vivo Energy Kenya Limited