

**ICT COMPETITIVE STRATEGIES AND PERFORMANCE OF  
KENOLKOBIL LIMITED IN KENYA**

**BY**

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# DECLARATION

## Declaration by Student

This Research Project is my original work and has not been presented to any other examination body.

Sign..... Date.....

**NDUULU BENEDICT MUTUKU**

**D61/60066/2013**

## Declaration by Supervisor

This Research Project has been submitted with my approval as the University of Nairobi supervisor

Sign..... Date.....

**SUPERVISOR: PROF. BITANGE NDEMO**

## **DEDICATION**

This research project is dedicated to my wife and my children who have been by my side through this period that I was writing the report

## **ACKNOWLEDGEMENT**

First and foremost I thank the Almighty God, for granting me the strength, health and courage to complete this arduous task. A special thanks to my supervisor, Prof. Bitange Ndemo for the guidance, insight and encouragement in the writing and compilation of this case study. Your invaluable support and patience throughout this journey has been unreal and is appreciated from the bottom of my heart.

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## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>ABBREVIATIONS AND ACRONYMS.....</b>	<b>ix</b>
<b>ABSTRACT.....</b>	<b>x</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1. Background of the Study.....	1
1.1.1. Concept of Strategy.....	3
1.1.2. Competitive Strategy.....	3
1.1.3. Firm’s Performance.....	4
1.1.4. Competitive Strategies and Firm Performance.....	5
1.1.5. Oil and Gas Sector in Kenya.....	6
1.1.6. KenolKobil Limited.....	7
1.2. Research Problem.....	8
1.3. Research Objective.....	10

1.4. Value of the Study.....	10
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>12</b>
2.1. Introduction .....	12
2.2. Theoretical Foundation .....	12
2.2.1 Dynamic Capabilities Theory.....	12
2.2.2 Resource Based View Theory .....	13
2.3. Competitive Strategies in Organizations.....	14
2.4. Information and Communication Technology Strategy.....	18
2.5. Firm’s Performance Measurement.....	19
2.6. Empirical Studies and Knowledge Gaps.....	20
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>21</b>
3.1. Introduction .....	21
3.2. Research Design.....	21
3.3. Data Collection.....	21
3.4. Data Analysis .....	22
<b>CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION .....</b>	<b>23</b>
4.1. Introduction .....	23

4.2 Demographic Information .....	23
4.3. Findings of the Study .....	23
4.3.1. ICT Competitive Strategies .....	23
4.3.2. ICT Competitive Strategies and Firm Performance .....	26
4.4. Financial Performance of Kenolkobil .....	28
4.5. Discussion of Findings .....	32
4.5.1. ICT Competitive Strategies .....	32
4.5.2. ICT Competitive Strategies and Firm Performance .....	33
<b>CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS.....</b>	<b>35</b>
5.1 Introduction .....	35
5.2 Summary of findings.....	35
5.2.1. ICT Competitive Strategies .....	35
5.2.2. ICT Competitive Strategies and Firm Performance .....	36
5.3. Conclusion.....	37
5.4. Recommendations .....	38
5.5. Area for further Research.....	38

**REFERENCES..... 39**

**APPENDIX I: INTERVIEW GUIDE ON ICT COMPETITIVE STRATEGIES  
AND PERFORMANCE OF KENOLKOBIL LIMITED ..... 46**



## **ABBREVIATIONS AND ACRONYMS**

<b>HR</b>	-	Human Resources
<b>ICT</b>	-	Information and Communication Technology
<b>IT</b>	-	Information Technology
<b>LPG</b>	-	Liquefied Petroleum Gas
<b>NSE</b>	-	Nairobi Stock Exchange
<b>SWOT</b>	-	Strengths, Weaknesses, Opportunities and Threats

## **ABSTRACT**

The present business environment is rapidly changing owing to fast changes as a consequence of technological innovation, clients have become more aware and are therefore placing more demands. Business organizations, especially the oil industry of the 21st century, operate in complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. Information and Communication Technology (ICT) is at the center of this global change curve. The objective of the study was to determine the influence of ICT competitive strategies on performance of KenolKobil limited. The research design was a case study. The research design was used to identify ICT competitive strategies at KenolKobil, Nairobi, Kenya. The study used primary data which was collected using an interview guide. The data obtained was analyzed using content analysis, which involved a systematic qualitative description of the respondent's answers to the questions posed in the interview guide. Content analysis, as a class of methods at the intersection of the qualitative and quantitative traditions, is used for rigorous exploration of many important but difficult-to study issues of interest to management researchers. The study also established that persons who were responsible for the formulation of ICT strategies at KenolKobil Limited were the top management and seconded by the employees. The study found that ICT competitive strategies have influenced the organization performance in positive ways such that they have made the firm to be more competitive than before, they have increased the productivity of the firm which has improved the market share thus increasing the profits.

# **CHAPTER ONE: INTRODUCTION**

## **1.1. Background of the Study**

The present business environment is rapidly changing owing to fast changes as a consequence of technological innovation, clients have become more aware and are therefore placing more demands. Business firms, particularly in the oil and gas work in intricate and competitive environment influenced by these changing conditions and exceptionally erratic economic atmosphere. Data and Communication Technology (ICT) is at the focal point of this worldwide change curve.

Laudon and Laudon, (2001) argue that managers must recognize the place of Information Systems in their firms due to the fact that they play a foundational role in their firms. The use of ICT ideas, methods, arrangements and execution of systems in managing banking services are of utmost importance and are essential in all banks worldwide. IT has kept on redefining the way banks and their corporate connections do business and innovate devices that are accessible and work with speed to improve delivering services to stakeholders.

This study will be guided by two theories: dynamic capabilities and the resource based view theories. The dynamic capabilities theory argues organizations are able to create integrate and reorganize their resources and skills and therefore, maintain growth since the business environment is constantly changing (Helfat, 1997). In order to be competitive in a rapidly changing operating environment, it is important that organizations make use of their dynamic capabilities to gain and sustain competitive

advantage. The basic tenet of the theory is: Organizations depend on resources. These resources are acquired from an organization's environment (Barney, 1991).

Sustainable competitive advantages that bring forth market leadership is attained by using the same resources under different circumstances which result in economies of scope and quasi rents. In particular, unique path dependent resources, which are in short supply in the marketplace, can be leveraged across related product lines and provide higher rents. Value is created since these strategic assets are very difficult to imitate or to substitute by other resources (Markides & Williamson, 2006). Strategic planning therefore strongly depends on the resource specificity of the company (Chatterjee & Wernerfelt, 2001)

The oil and gas industry has faced numerous challenges as their operating environment. This has made them to turn to competitive strategies that will help them remain competitive in the industry in order to yield better returns on investment.

Skinner (2009) asserted that serious managers of most oil and gas companies have no choice but to give serious thought concerning the effect of strategy on their organization's competitive abilities and performance. KenolKobil Limited is one of the major players in the oil industry and has therefore been chosen in this study to examine the ICT competitive strategies that the company has adopted to improve. Ever since, competitive strategy and firm performance are increasingly becoming inseparable in KenolKobil Limited. According to Porter (1985), KenolKobil Limited should adopt ICT competitive strategies to secure competitive advantage in the current dynamic environment. However, the role of these strategies in these organizations is changing with changes in the nature of needs and competition among these oil and gas firms.

### **1.1.1. Concept of Strategy**

Organizations around the world are increasingly applying strategic planning in managing their organizations to gain competitive advantages that bring forth market leadership. Strategic planning involves creating an environment which enables people to achieve prolonged better overall performance and realize higher returns. (Johnson, Scholes & Whittington, 2008). Managers use strategy to describe their plans for future and interacting with rivals while attaining their objectives (Pearce & Robinson, 2013).

SWOT Analysis aids the leadership to plan on strengths that can be well utilized, how weaknesses can be minimized and how to take advantage of available opportunities while reducing risks to the firm; it helps top management to know their current performance with regard to the above (Anderson, 2004).

### **1.1.2. Competitive Strategy**

Competitive strategy refers to the ability of a company to compete in an enterprise. Competitive strategies address themselves to how a firm can operate at an advantage by actualizing particular schemes at its disposal. Competitive strategy stresses the betterment of the firm's products or services in a particular niche (Hunger & Wheelen, 2005). Industry competition depends on the structure of the industry as defined by forces affecting the industry. The forces determine profitability or attractiveness of the industry. Porter (2000) noted that every firm that is competing in an industry must have a given competitive strategy regardless of whether it is observable or not.

Such a strategy is usually created using a planning process or sometimes it builds bit by bit over time through departmental functions in the company. Constructing such a plan

involves a clear road map of dealing with rivalry, goals of the firm and the plan of executing such plans (Hunger & Wheelen, 2005). Porter (1985) notes that that a competitive strategy combines goals and the route towards their achievement. The goals and the policies must be linked together. The essence of strategy formulation is coping with competition. Competition influences the fit of a firm's activities which usually bring about performance. Such activities may include innovation, fitting culture and proper policy implementation.

### **1.1.3. Firm's Performance**

Performance measures the results attained. Performance efficiency is the ratio between effort applied and results attained. The performance indicators (PIs) can be the growth of the organization, market share, satisfaction with return on investment, return on equity, growth in revenue and profitability. Stakeholders require varied performance indicators in order to make informed decisions (Manyuru, 2005).

Lately, many firms have endeavored to manage OP using the balanced scorecard where performance is monitored using a number of parameters that include financial performance (shareholders return), client benefit, social duty (corporate citizenship, community outreach) and employee stewardship. Kaplan and Norton (2006) argued that achieving one perspective's target should lead to desired improvement in the next perspective and so on until the company's performance increases overall. A properly constructed scorecard is balanced between short term and long term measures; financial and non-financial measures, internal and external performance perspectives.

#### **1.1.4. Competitive Strategies and Firm Performance**

Achieving high performance requires; good ICT infrastructure supported by good ICT management practice (Mwania & Muganda, 2012). Bell technology solutions enumerate several benefits that can accrue to the organization with the proper implementation of ICT strategy. It helps organizations to connect, collaborate and compete more effectively by combining information, knowledge, processes, and technology to provide a foundation for driving efficiencies and fuelling innovation. Business performance, productivity and profitability are improved, cost is reduced, quality becomes the focal point of the management and customer satisfaction takes the center stage (Bell IT solutions).

ICT strategy helps companies develop through combination of new advancements with society and business accordingly empowering the formation of new learning and disclosures (Diem, 2007). ICT system is being utilized by associations to enhance execution, correspondence, propel representatives, increment competitiveness, improve market dynamics, and repositions the company against its competitors and allowing entry into new markets (Hagen, 2010).

ICT strategy contributes to objectives, for example, Information access for all, Wellbeing and personal satisfaction for all, Enrichment in the social contact between individuals, Integration and regard for differences, Greater self-governance for the individual, Prevention of different sorts of over-burden and push, Deepening of genuine human qualities, Deepening and expanding of vote based system, E-collaboration and peace, Sustainability in a wide sense, including nature, economy, and human side (Bradley, 2010). Knowledge sharing is virtuous for organizations and Technology facilitates

knowledge sharing by providing a link between the levels of the individual workers' knowledge workers, where knowledge resides, and the level of the organization, where knowledge attains its (economic, competitive) value (Hendriks, 2009).

#### **1.1.5. Oil and Gas Sector in Kenya**

The oil and gas sector in Kenya has been most active in downstream operations with little activity on upstream. There is nil hydrocarbon production in Kenya but this is due to change owing to the recent discovery of commercially viable hydrocarbon deposits in the northwest region of the county. Oil and gas exploration in Kenya began with BP and Shell in the 1950s. The first well was burrowed in 1960. In the last 50 years, several companies e.g. Exxon, Total, Chevron, Woodside and CNOOC have been drilling onshore and offshore (Deloitte, 2013). About half of the exploration wells burrowed before 2012 showed signs of hydrocarbons, but the quantities were not much enough for commercial viability. Tullow Oil farmed into six blocks in the Turkana Rift Basin in late 2010 (five in Kenya and one block in Ethiopia) and in March 2012, it announced an oil discovery in some of the blocks. Later in the year, Tullow confirmed that the deposits were large enough for commercial production. Since the discovery of oil deposits in 2012, the government of Kenya has entered into concessions for commercial production of oil, targeting full production by the year 2016. There is justified expectation that local production of oil will completely change the dynamics of the petroleum industry in Kenya once it begins.



### **1.1.6. KenolKobil Limited**

KenolKobil Limited is a public Company, listed in the Energy and Petroleum segment at the Nairobi Stock Exchange (NSE). KenolKobil is a Company on the rise and its strategy of expansion into new markets was adopted in 1999. It is a major player in the petroleum sector cutting across Eastern, Central and Southern parts of African. It has a presence in nine countries with the head office in Kenya. In addition to Kenya, KenolKobil is in Uganda, Tanzania, Rwanda, Zambia, Ethiopia, Zimbabwe, Mozambique, Congo DR. and Burundi. The Company has grown tremendously to become one of Africa's leading corporate brands.

In addition to making a presence into new markets, the Company has continuously acquire new assets in an effort to strengthen current businesses while creating new products. The company has uses a business model integrated with good leadership which has ensured huge growth for the firm for a long time. According to the company's Bulletin of first half 2011, KenolKobil aims at becoming a market leader in all the countries it has a presence and being a brand leader in Africa.

The company has as its mission to develop, improve and increase quality and total value of its products and services; become a market leader through continuous adoption of the ICT strategies, customer focus and to provide quality products and services; maintain a highly motivated and well-trained human resource base and deliver the highest shareholder value. The company's business strategy is to continue with geographical expansion and diversification, focus on opportunity in a continuously competitive

environment with an adaptive approach, pursue niche business lines; LPG, Lubricants, non-fuels etc to supplement declining retail margins.

## **1.2. Research Problem**

The business environment is characterized by many different organizations competing on different bases and levels, some of which are closer to a particular organization and some more remote depending on the degree of substitution of the products or services that they offer. It is inevitable for managers in any organization to get full understanding of the competing forces in their industry or sector in order to develop competitive strategies to respond accordingly which will determine the likely success or failure of their particular organizations. Today's business environment is dynamic, complex and continually changing (Brown, Squire and Blackmon, 2007).

Changes in the business environment and moves by competitors erode the competitive position of an organization which, in turn, responds by countermoves hence any competition is cyclical while competitive advantage is short lived. The oil and gas industry in Kenya plays a significant part in developing the country's economy. It makes a major contribution in the transport industry and other commercial industries, which use gas and diesel. The current operational set-up in Kenya's oil and gas industry after liberalization has created a turbulent and highly competitive market condition.

This shake up in the oil sector has not left behind KenolKobil since it has no control over the unpredictable changes in the environment. The best it can do is to strategically respond to these changes to reduce their undesirable effects on the organization. KenolKobil has the onerous task of strategically responding to these changes to survive

and remain profitable. To ensure survival and sustainability in the market place the oil and gas companies require adopting various ICT competitive strategies.

Several studies both international and local have been carried out on competitive strategies. Pimtong, Hanqin and Hailin (2012) investigated the impact of focused procedures and authoritative structure on lodging execution and to investigate whether hierarchical structure moderating affects the relationship between aggressive systems and inn execution.

Porter (2009) analyzed competitive strategies and noted that it is a prudent for any firm to understand the underlying sources of competitive advantage in order to formulate appropriate strategies to respond.

Hax and Majluf (2006) in his study on competitive advantage stated that competitive advantage is realized after resources exclusively owned by the firm are applied to developing unique competencies. Hall, (2002), in his study on competitive strategies stated that competition exist when different organization look for duties of time and vitality from a similar target markets and an association confronts rivalry when its prosperity relies on conduct of different on-screen characters who are attempting to satisfy comparable client needs.

Locally, Ekirapa (2007) analyzed the competitive strategies in Nation Media Group and found that the strategies adopted have placed the company in a favorable position relative to the competition. He did not indicate whether the strategies had any relationship with performance of the firm. Kariuki (2007) focused her study on competitive strategies by

Five Star Hotels. The study revealed that the hotels that have put in place competitive strategies have an edge over their competitors. However, there was no mention of any link between strategy and performance.

Nguluu (2006) focused his study on the strategic management and performance of the manufacturing firms in Kenya. The survey revealed that although most companies have a vision and mission, they are not cascaded to the lower levels. Omondi (2006) focused her study on airlines in Kenya. The study revealed that the airlines which had adopted various strategies had an edge over their competitors, which had not done so. However, she stated that her study was not able to link strategy and performance and she therefore suggested need for further research.

Despite all the studies that have been done with regard to the topic, no study has been done on ICT Competitive Strategies in advancing Oil and Gas Sector in Kenya. This creates a knowledge gap that exists in this field. This study therefore seeks to answer the question: what is the influence of ICT competitive strategies on performance of KenolKobil limited?

### **1.3. Research Objective**

The objective of the study will be to determine the influence of ICT competitive strategies on performance of KenolKobil limited.

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

The findings of this study will benefit a number of interest groups. The managers in KenolKobil will use the research findings and recommendations to position themselves

and compete competitively in the market. It will also make them understand the link between the adopted strategies and the organizational performance at KenolKobil.

To the government authorities and specifically the Kenya economy, KenolKobil plays a big role in contribution to the exchequer in terms of taxation. KenolKobil is among the top taxpayers.

To the public in general and to other players in the industry in particular who will gain new insights into the industry. Players in this industry will also be able to understand the strategic issues that they need to address in order to position themselves more competitively in the environment in which they operate.

On theory, the study will be of value to the three schools of thought that form the basis on ICT competitive strategies theoretical framework as it will enable the study to conceptualize and empirically operationalized competitive strategies. The findings of the study will seek to confirm that organizations try to fit in with the norm by ICT competitive practices that validate them as part of the organizational field.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Introduction**

This chapter presents literature that is relevant for the study on ICT Competitive Strategies in advancing Oil and Gas Sector in Kenya. The review also covers the theories of ICT competitive strategies with focus made on the dynamic capabilities and the resource based view theories. The chapter further presents the empirical literature on the subject of the study.

### **2.2. Theoretical Foundation**

This research will be anchored on two theories, that is, the dynamic capabilities and the resource based view theories. They are discussed below.

#### **2.2.1 Dynamic Capabilities Theory**

Teece (2007) purports that dynamic capabilities are used by organizations to help them integrate, build, and reconfigure their resources and competencies. Through this process performance is maintained in spite of the market environment being dynamic. This idea was further expanded by other scholars including (Eisenhardt & Martin, 2000; Teece, 2007). In order for an organization to be competitive in its industry and in whatever it produces, it needs to have dynamic capabilities, which constitute the ability of an enterprise to expend its resources effectively. Dynamic Capabilities allows the firm to adjust easily to change and deploy resources accordingly purposely integrated to achieve a desired end state (Dosi & Grazzi, 2006).

Aghan and Alrubaiee (2012) argue that in a high intensity market, center fitness has risen as a focal idea for aggressive methodology. They characterize center fitness as the

learning set that recognizes a firm and gives an upper hand over others. According to Johnson and Scholes (2002), core competences are not easy to copy since they are more vigorous and they touch on linkages management within a firm's value chain and the supply and distribution chains. Assets and abilities are the building blocks whereupon an association makes and executes esteem including systems so that an association can win sensible returns and accomplish key aggressiveness. Assets are contributions to a firm in the generation procedure (Dosi and Grazzi, 2006). These can be human, money related, mechanical, physical or authoritative. The more one of a kind, important and firm particular the assets are, the all the more potentially the firm will have center competency. Assets ought to be utilized to expand on the qualities and expel the association's shortcomings. Abilities allude to authoritative aptitudes at incorporating its group of assets with the goal that they can be utilized all the more proficiently and successfully (Management Study Guide, 2014). In order for an organization to remain competitive, it is important it leverages on its dynamic capabilities. Therefore dynamic capabilities are important in the development of firm competitiveness.

### **2.2.2 Resource Based View Theory**

The theory of business strategy has also been dominated by resource dependency theory and is also part of the theoretical foundation of this study; the theory highlights how organizational behavior is shaped by the resources at the firm's disposal. The basic tenet of the theory is: Organizations depend on resources. These resources are acquired from an organization's environment. Such an environment is constantly changing and hence need for constant strategic evaluations and strategic planning to adapt to the constantly

changing environment. The resource-based theory hence provides a rationale for competitive advantage (Peng, 2001).

In the resource-based approach, resources or capabilities like specialized human capital, technological knowledge, or managerial expertise have the potential to create value when strategy is matched with such resources (Priem & Butler, 2001).

Sustainable competitive advantages that bring forth market leadership is attained by using the same resources under different circumstances which result in economies of scope and quasi rents. In particular, unique path dependent resources, which are in short supply in the marketplace, can be leveraged across related product lines and provide higher rents. Value is created since these strategic assets are very difficult to imitate or to substitute by other resources (Markides & Williamson, 2006). Strategic planning therefore strongly depends on the resource specificity of the company (Priem & Butler, 2001). In order for a firm to implement response strategies, it needs to have adequate resources: both financial and human capital otherwise the strategy implementation process is bound to fail (Priem & Butler, 2001).

### **2.3. Competitive Strategies in Organizations**

Competitive strategy contains every one of those moves that a firm has and is taking to draw in purchasers, withstand competition and enhance its market position (Thompson and Strickland, 2002).

Porter (1980, 1985) contends that outstanding performance can be accomplished in an aggressive industry through the quest for a generic strategy characterized as the improvement of a general cost authority, separation, or center way to deal with industry



rivalry. In the event that a firm does not seek after one of these strategy sorts, it will be trapped in-the center and will encounter bring down execution when contrasted with firms that seek after a generic strategy (Porter, 1980)

An organization has competitive advantage at whatever point it has an edge over its opponents in securing clients and shielding against competitive powers (Thompson and Strickland, 2002).

Feasible competitive advantage is conceived out of center capabilities that yield long haul advantage to the organization. Prahalad and Hamel (2000) characterize a center competence as a zone of specific aptitude that is the consequence of orchestrating complex surges of innovation and work action. They advance clarify that a center competence has three qualities, first it gives access to a wide assortment of business sectors, besides it increments saw client benefits and in conclusion it is hard for contenders to copy. Wellsprings of upper hand incorporate top notch items, unrivaled client benefit and accomplishing lower costs than adversaries. To prevail with regards to building a manageable upper hand, a firm should attempt to give what purchasers will see as prevalent esteem.

This involves either a decent quality item at a low cost, or a superior quality item that merits paying more for. Watchman (1998) portrays aggressive strategy as "the hunt down an ideal focused position in an industry, the essential field in which rivalry happens" and advance clarifies that "Aggressive strategy means to build up a productive and reasonable position against the strengths that decide industry rivalry." This includes distinguishing wellsprings of rivalry in the steadily changing environment then creating methodologies

that match authoritative capacities to the adjustments in nature. As indicated by Porter (1998), "aggressive strategy is about being distinctive". This implies intentionally performing exercises distinctively and in preferable routes over contenders. Pimtong, Hanqin and Hailin (2012) investigated the impact of focused procedures and authoritative structure on inn execution and to investigate whether hierarchical structure moderating affects the relationship between aggressive systems and inn execution. The outcomes indicate focused human resources (HR) strategy to have a direct impact on a hotel's behavioral performance and a competitive ICT strategy to have a direct impact on a hotel's financial performance. Thus a firm can be said to have sustainable competitive advantage when its competitive strategies are unique, offer long-term benefits, other firms within the industry cannot duplicate (at least in the short term) and the identified strategies are continually improved to keep the firm a head of its competitors.

Competitive strategy comprises of every one of those moves and methodologies that a firm has and is taking to draw in purchasers, withstand focused weight and enhance its market position (Thompson and Strickland, 2002). It concerns what a firm is doing with a specific end goal to pick up a practical upper hand. Watchman (1980) plots the three ways to deal with focused strategy these being Striving to be the general ease maker, i.e. ease administration strategy, besides Seeking to separate one's item offering from that of its adversaries, i.e. separation strategy and finally Focus on a restricted part of the market, i.e. center or specialty strategy. Kimotho (2012) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. The results indicate that those organizations that are powerful at quickly conveying inventive new items and administrations to the market have picked up a colossal focused edge in today's

business world. The results therefore attributed the improvement in financial performance on the competitive strategies that the bank has been undertaking in the past years of its existence. The strategies may include differentiation, leadership strategy, and focus strategy. Combinations like cost initiative with product separation are hard (however not unimaginable) to actualize because of the potential for strife between cost minimization and the extra cost of significant worth included separation.

Gloria and Ding (2005) examined the intervening impacts of an association's competitive strategy in the market introduction execution relationship. The aftereffects of auxiliary condition investigations show that the intervening impact of competitive strategy is primarily uncovered in advancement strategy, the most indispensable calculate making prevalent esteem for the organization in the developing business sector. A firm is said to have a maintained competitive advantage when it is executing an esteem making strategy not at the same time being actualized by any present or potential rivals in the business sectors and when these different firms can't copy the advantages of this strategy.

Murage (2011) analyzed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Differentiation involves offering products or services that are perceived industry-wide as being unique. A company thus designs to appeal to customers with a special sensitivity for a particular product attribute which in turn helps build customer loyalty. This loyalty helps the company to charge premium prices for its products. Other indicators of differentiation in service stations are; variety of services, quality of services offered and use of modern equipment in service delivery.

Gathoga (2011) concentrated on competitive techniques by business banks in Kenya. The study uncovered that banks in Kenya utilize different means with a specific end goal to stay competitive, he additionally reasoned that venture into different territories by opening new branches has likewise, been utilized as a competitive strategy. Competitive strategy in this way includes situating a business to amplify the estimation of the capacities that recognize it from its rivals. The goal of competitive strategy is to take the breath away adversary organizations by improving employment of giving what purchasers are looking to in this way, empowering the organization to gain a competitive advantage. The center of an organization's competitive strategy along these lines comprises of its interior activities to convey better esteem than clients additionally incorporates hostile and protective moves to counter the moving of adversaries and strategic push to react to whatever conditions win in the market.

#### **2.4. Information and Communication Technology Strategy**

The Information and Communication Technology (ICT) Strategy characterizes the specialized bearing and system for organization's innovation based improvements, administrations and hazard administration. The ICT Strategy exemplifies the standards and needs set inside an association's Strategic Plan and some other backup methodologies. The strategy goes about as a guide for the improvement of neighborhood methodologies for utilize and administration of ICT particularly where interoperability with midway gave administrations, crosswise over divisions and accomplice associations is required.

The main idea of ICT Strategy incorporates identifying the technical course and plan of action for advancements in the infrastructure, managerial and human asset applications that include utilization of IT (Wendy R. 2004). In general, this reduces usage of manual and paper forms thereby improving efficiency in governance and use of available resources.

## **2.5. Firm's Performance Measurement**

Exceedingly competitive environments, globalization, regularly developing measures of execution information and expanding weight to accomplish more with less have made it basic for firms to be request driven. It is no big surprise that measuring, reporting and general business exhibitions are interesting issues. Organizations in each industry are looking for approaches to get an unmistakable, exact perspective of operational execution. Basically, they require a viable, solid way to deal with associate operational execution to budgetary results (Rod Clarke, 2007). The performance of companies in the modern business operating environment can be judged using various parameters. The ultimate goal of a firm employing various competitive strategies is to gain an edge over its competitors hence improve performance.

Performance is judged utilizing both financial and non-financial or behavioral parameters. Johnson and Scholes (2005) portray firm performance in light of key achievement elements. Financial variables incorporate condition of the firm gear or offices, return on capital utilized, creation and operations costs, costs or rates of deliver discharged to the market, volume of operations or deals i.e. piece of the overall industry, financial income, innovation, productivity, and innovative work. Behavioral parameters

incorporate administration style, HR, item quality, benefit quality, client care, company's picture or notoriety, advertising adequacy, innovative status, area and procedures or frameworks.

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

Pimtong, Hanqin and Hailin (2012) researched the impact of competitive strategies and hierarchical structure on hotel performance. The study concentrated on general competitive strategies but did not focus on specific strategies hence a gap. Gloria and Ding (2005) investigated the intervening impacts of an association's competitive strategy in the market introduction execution relationship. This study focused on mediating effect between competitive strategies and performance rather than establishing the relationship between the competitive strategies and firm performance hence creating a gap in the literature. Murage (2011) examined the competitive strategies in the petroleum industry and found that service stations utilize separation as a technique for getting an advantage over their competitors.

This study failed to address the specific component of competitive strategy like the ICT hence there was gap in this study. This study focused more on the banking sector rather than the oil sector hence necessitating the current study. These studies revealed the existence of competitive strategies in the firms studied. However, they did not examine the influence of these strategies on the performance of the firms studied. In addition, these studies done in Kenya did not relate competitive strategies to performance; yet others done elsewhere revealed mixed conclusions. This therefore justifies the need for further research in this area.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1. Introduction**

Research Methodology implies a systematic, theoretical analysis of the methods applied to a field of study. It is often necessary to include a consideration of the concepts and theories, which underlie the methods. This chapter presented the research methodology that was used to carry out the study. The chapter described the proposed research design, data collection instruments and how data was analyzed.

### **3.2. Research Design**

The research employed a case study approach to give an in-depth understanding of the competitive strategies and performance in KenolKobil. Case study research design attempts to describe a subject by creating a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables (Schindler, 2003).

Case studies are particularly popular in organizational research and are well suited to capturing the social world of people in understanding a real life situation (Babbie & Mouton, 2004). The research design was used to identify ICT competitive strategies at KenolKobil, Nairobi, Kenya.

### **3.3. Data Collection**

Kothari, (2004) refers to data collection as those which are collected afresh and for the first time and thus original in character. The study used primary data which was collected using an interview guide (appendix 1). The method used in this study was that

of a semi-structured interview, in which the interviewer had a structured plan of investigation, namely a set of pre-determined questions.

The interview focused on obtaining qualitative data. The procedure was done through personal interview, which required an interviewer asking questions face to face. This method was preferred as it allowed the researcher to utilize the probing technique assisting in collection of a vast and rich amount of data.

Seven respondents were interviewed and they included ICT Manager, Marketing Manager, Human Resource Manager, Finance Manager, Operations Manager, Export Manager and Administration Manager. These were considered to be key informants for the study. Key informants are also a source of information that can assist in understanding the context of an organization, or clarifying particular issues or problems. The researcher conducted the interview personally to the respondents.

### **3.4. Data Analysis**

Content analysis was used to analyze data after a systematic qualitative description of the respondent's answers to the questions posed in the interview guide. Content analysis, is the middle ground between qualitative and quantitative methods and is usually used for thorough exploration of many important but difficult-to study issues of interest to management researchers (Carley, 2003). The method was suitable for the study due to its in-depth study of phenomena in KenolKobil Limited.



## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1. Introduction**

Analysis of data collected, its interpretation and discussion of the findings are addressed in this chapter. The study sought to determine the influence of ICT competitive strategies on performance of KenolKobil limited.

### **4.2 Demographic Information**

The researcher gathered data from departmental managers at KenolKobil limited. They included ICT, Marketing, Human Resource, Finance, Operations, Export and Administration Managers. They each had different working positions within the company. Majority of the respondents had worked at KenolKobil Limited for more than five years which made them conversant with ICT competitive strategies and their influence on performance at KenolKobil Limited. This number of years of working for the same company gave the interviewer assurance and high level of confidence on the expected outcome.

### **4.3. Findings of the Study**

The section presents the findings on the influence of ICT competitive strategies on performance of KenolKobil limited. The findings are presented as per the set objectives.

#### **4.3.1. ICT Competitive Strategies**

The study asked the interviewees various questions relating to ICT Competitive strategies adopted by KenolKobil and obtained various responses. This was meant to indicate how the use of ICT competitive strategies, amid major varied challenges has enabled KenolKobil to survive and lead in the turbulent business environment.

### **ICT Competitive Strategies used at KenolKobil Limited**

The respondents were asked to indicate ICT Competitive Strategies used at KenolKobil Limited. They indicated that an integrated ERP would be most suitable to improve on the efficiency across the entire organization as it allows the circulation of the information in the organization from one department to another. Other ICT competitive practices include customer relationship management software and transaction information system. Information and Communication Technology (ICT) practices have enabled KenolKobil to achieve the competitive advantage and the overall improvement in organization performance.

### **Stakeholders involved in formulation of ICT strategies at KenolKobil**

The respondents were requested to indicate who was involved in the formulation of ICT strategies at KenolKobil Limited and criteria used in selecting the strategies. The interviewees indicated that it was formulated management team who formed a smaller working committee named IT Steering Committee and supported the rest of the employees. The interviewees also indicated that they were also involved in the formulation process through offering of ideas and information concerning what the ICT strategies would harness the existing manual processes and deliver IT solutions consistent with the business needs.

### **Involvement of External Consultants in the formulation of ICT Competitive Strategies**

The respondents were requested to indicate whether the organization involved external consultants in the formulation of ICT competitive strategies and explain their

involvement in the formulation process. The respondents indicated that the consultants involved included the Chief Executive Officer and the Chief Operating Officer from the Enterprise Resource Program Kenyan office. The respondents also indicated that the role of these consultants was to give ideas on how the formulation of ICT competitive strategies was conducted. They also provided expertise in areas that deemed technical in the formulation of ICT competitive strategies process.

### **Mechanisms put in place to counter any negative effects of ICT competitive strategies**

The respondents were requested to indicate some of the mechanisms that are put in place to counter any negative effects as a result of application of ICT competitive strategies at KenolKobil Limited. Majority of the respondents agreed that that strategic leadership was one of the mechanisms to counter any negative effects to the competitive process. Effective strategic leaders understand that formulation of the strategies is a continuous process. Effecting internal adjustments to adapt to the new ICT strategies is usually seen as reactive, as opposed to strategic leadership which ought to be proactive.

### **Intensified Research on Best ICT Strategic Practices in Managing Performance**

The respondents were requested to indicate whether there was intensified research on best ICT strategic practices in managing performance at KenolKobil Limited. Majority of the respondents agreed there was intensified research which was usually conducted by the staff, employee themselves, website review, consultants among others. Respondents

further stated that the research has been conducted for a period of time so that the organization can come up with best ICT strategic practices in managing performance.

#### **4.3.2. ICT Competitive Strategies and Firm Performance**

Competitive strategies have always influenced the performance of various organizations in positive manner especially if well implemented. Performance management must be compelling where the association has clearly focused on techniques and has distinguished components of its general execution which it accepts are important to accomplish upper hand. Competitive advantage can be achieved if an organization is able to change and align itself to the environment and also manage the changes effectively.

##### **Effect of ICT Competitive Strategies on Firm Performance**

The respondents were asked to state whether ICT competitive strategies has influenced firm performance at KenolKobil Limited. The respondents stated that the organization performance has improved positively in that it has made the firm to be more competitive than before, have increased the productivity of the firm which has been evident from the year on year improvement by way of reduction on debt, finance costs, administrative expenses, receivables, more efficient inventory management which combined have led to consistent improvement of profitability of the firm.

##### **Link between ICT competitive strategies and Organizational Performance**

The study sought to establish the link between ICT competitive strategies and organizational performance. The study established that a link exists in that the strategies have always been initiated to improve the performance of an organization. The study further established that a change in strategies happens when the organization performance

has deteriorated to an extent of incurring losses in its operations. Organizational competitive strategies are always geared to improve the performance of organizations and the people in those organizations. ICT competitive strategies are fundamental to modern business organizations performance as a means of keeping up with evolving market demands and to stay competitive.

### **Impact of ICT competitive strategies on Employees' Welfare and Stakeholders Satisfaction**

The respondents were requested to indicate whether ICT competitive strategies impacted positively on employees' welfare and stakeholder's satisfaction. The respondents indicated that ICT competitive strategies at KenolKobil led to the introduction of ICT based performance appraisal system for evaluating employees' performance and also the development of a service charter. According to the respondents the ICT competitive strategies have for the most part influenced the organization's items and worker conduct. The representatives felt that the effect of the ICT competitive strategies could be noted positively on profitability and stakeholder's interest. They additionally noticed that worker welfare and consumer loyalty were taken acutely in the detailing of ICT competitive methodologies. The respondents also indicated that the employees felt that the senior managers and CEO actively participated in the formulation and implementation of the ICT competitive strategies hence they catered for their own welfare.

## **Improvement of ICT competitive strategies to increase the competitiveness of KenolKobil Limited**

The study sought to establish how the ICT competitive strategies can be improved to improve the competitiveness of KenolKobil Limited over other oil firms in Kenya. The interviewees indicated that commitment of the employees was the paramount strategy which would ensure that ICT competitive strategies are improved thus increasing the competition of KenolKobil Limited. The interviewees also indicated that appropriate communication, commitment of all stakeholders and provision of adequate resources would facilitate the improvement of ICT competitive strategies.

## **Significance KenolKobil Limited has obtained from the ICT competitive strategies**

The study sought to establish the significance KenolKobil Limited has obtained from the ICT competitive strategies. The study established that KenolKobil Limited had moved from being a good organization with average performance to a great organization with excellent performance which has been the aim of the implementation of ICT competitive strategies. The study also established that KenolKobil Limited has recorded a great increase in performance since the implementation of the of ICT competitive strategies.

### **4.4. Financial Performance of KenolKobil**

The study sought to establish the performance of KenolKobil for the last five years. From the findings it was established that in 2012 Net Sales went up by 5.2%, whilst cost of sales was up by 3.7%. Gross profit has gone up by 28% to K.Shs. 7.7 billion in 2012 from K.Shs. 6.0 billion in 2011, representing 7.6% of Net sales compared to 6.2% in

2011. The average Gross margin per unit has gone up, mainly due to stronger contribution coming from sectors as African Trading Desk, Resell, L.P.G, Export, Lubricants, Fuel Oil and Non-Fuels and improved performance in aviation. The Group's Balance Sheet has continued to grow. In 2012, Shareholders equity surpassed the K.Shs. 12.7 billion mark due to a strong business performance as well as continued investments and expansion in the region. The Group's total asset base grew by 3% in 2012 to K.Shs. 32 billion and the Current Ratio improved to 1.38:1 whilst Debt to Equity ratio leveled out at 1:1.

The study further established that Net Profit before Income Tax has gone up substantially by K.Shs. 2.1B. (USD 19M) from K.Shs. 2.8B. (USD 36M) in 2012 to K.Shs. 4.9B (USD 55M) in 2013, representing an increase of 74% in 2012. Profit after Income Tax in 2013 is up 71% compared to 2012 and stood at K.Shs 3.27B or USD 37M. The Group effective Income Tax Rate in 2013 was 33.6% about the same as in 2012. In the year under review, there was an increase in exchange losses in 2013 by K.Shs. 582M over 2012, mainly arising from fluctuation of local currencies in most countries of operation. Due to the rapid and steep Kenya Shilling fluctuation against the U.S. Dollar, Kenya operation suffered the highest exchanges loss in the year, of K.Shs. 982M, which included substantial realized losses on hedged forward positions taken on K.Shs/USD exchange.

The study further established that in 2014 Sales volumes and turnover went down by 21% and by 13% respectively, mainly due to lower sales in the African Trading desk and Aviation during the 2nd half of 2014 but this was slightly offset by an increase in sales volume in the Subsidiaries. Administrative expenses went up by Shs. 1.7B, out of which

Shs. 1.3B relates to change in inventory measurement and revaluation basis. The actual increase in Administrative cost is minimal. Other Income increased by 15% over 2014, mainly due to depots hospitality, and Non- Fuel rentals income. The Account Receivables are mostly due from high volume sales under Commercial, Aviation and Trading Business lines all within normal credit terms.

The study established that financing costs were reduced by 28% from Ksh 2,272.8 million in 2014 to Ksh 1,627.8 million in 2015 by optimizing inventory, reducing borrowing and renegotiating interest rates on bank loans. Exchange rate losses were reduced from Ksh 4,605.6 million in 2014 to Ksh 105.3 million in 2015. Total borrowing was reduced by 7% from Ksh 16.6 billion in 2014 to Ksh 15.4 billion in 2015. Administration and operating costs were reduced by 43% from Ksh 5,859.8 million in 2014 to Ksh 3,369.2 million in 2015. Distribution costs were reduced by 24% from Ksh 995.6 million in 2014 to Ksh 761.4 million in 2015. Operational streamlining and the quest for increased efficiencies necessitated a reduction in workforce by 41% from 574 employees in 2014 to 338 employees in 2015 within the entire group.

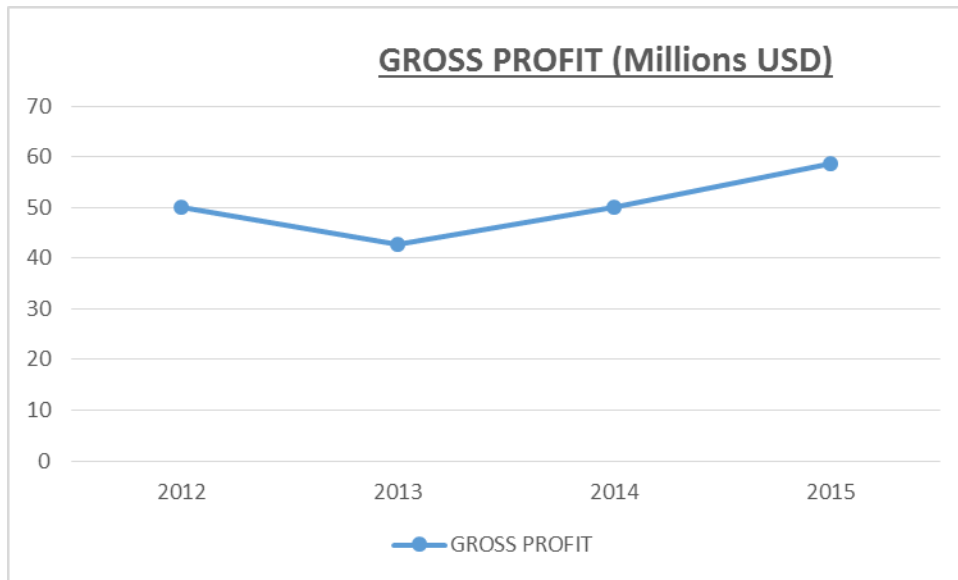
The data for the Gross Profit and Profit Before tax is tabulated below;

**Table I. Gross Profit for the period 2012 - 2015**

PERIOD	2012	2013	2014	2015
GROSS PROFIT (Million USD)	50.00	42.70	50.20	58.70



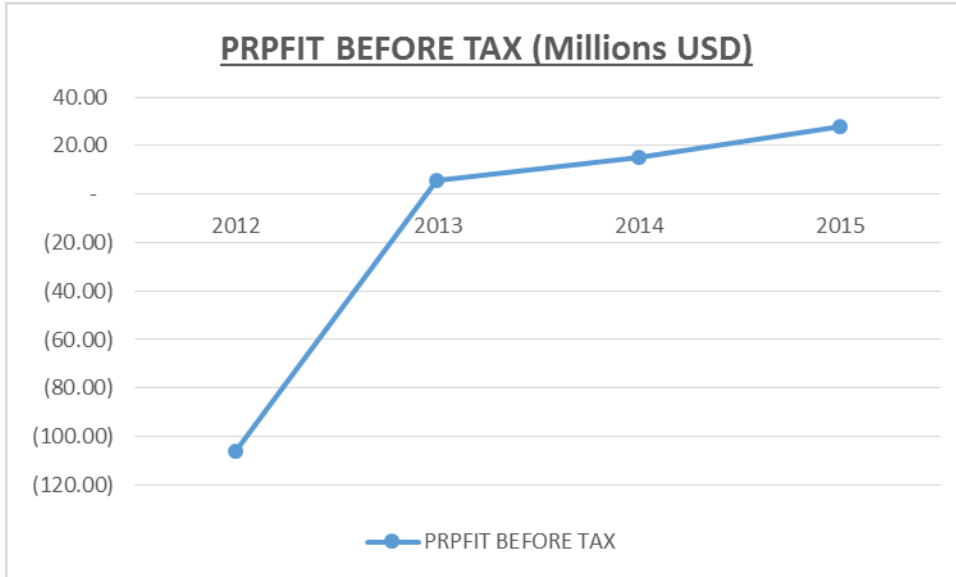
**Graph I: Gross Profit for the period 2012 - 2015**



**Table II: Profit Before Tax for the period 2012 - 2015**

PERIOD	2012	2013	2014	2015
PRPFIT BEFORE TAX	(106.00)	5.60	15.20	27.80

**Graph II: Profit Before Tax for the period 2012 - 2015**



#### **4.5. Discussion of Findings**

##### **4.5.1. ICT Competitive Strategies**

The study found that ICT Competitive Strategies used by KenolKobil Limited have enabled KenolKobil to achieve the competitive advantage and the overall improvement in organization performance. This agrees with a study by Wendy R. (2004) who argued that the use of ICT strategies helps in the diminishment of manual and paper escalated frames, more effective work processes, more prominent straightforwardness and effective administration methodology to guarantee the ideal utilization of the organization's general assets. The study also established that persons who were responsible for the formulation of ICT strategies at KenolKobil Limited were the top management and seconded by the employees. The employees were also involved in the formulation

process through offering of ideas and information concerning what the ICT strategies really meant to them.

This agrees with a study by Johnson & Scholes (2005) who stated that strategic leadership help in positioning a business to maximize the value of the capabilities that distinguish it from its competitors. The study established that there was intensified research on best ICT strategic practices in managing performance at KenolKobil Limited. The research was usually conducted by the staff, employee themselves, website review, consultants among others.

#### **4.5.2. ICT Competitive Strategies and Firm Performance**

The study found that ICT competitive strategies have influenced the organization performance in positive ways such that they have made the firm to be more competitive that before, they have increased the productivity of the firm which has improved the market share thus increasing the firm's overall profitability. This agrees with a study by Diem, (2007) who argued that ICT strategy is being used by organizations to improve performance, communication, motivate employees, increase competitiveness, improve market dynamics and repositions the company against its competitors and allowing expansion into new markets

The study also established that that a link exists between ICT competitive strategies and organizational performance in that the strategies have always been initiated to improve the performance of an organization, communication among employees, accessing information, and enrichment in social contact. This agrees with a study by Hagen, (2010), who argued that ICT strategy would ensure that information is accessible to all, better

quality of life for everyone improvement in the social engagement among all, Integration and respect for diversity, greater autonomy for the individual, prevention of various kinds of overload and stress, deepening of true human qualities, employee welfare and customer satisfaction were taken keenly in the formulation of ICT competitive strategies. The study found that commitment of the employees and culture change were the paramount strategy which would ensure that ICT competitive strategies are improved thus increasing the competition of KenolKobil Limited. The study further established that KenolKobil Limited has recorded a great increase in performance since the implementation of the of ICT competitive strategies. This agrees with a study by Mwanja & Muganda, (2012) who argued that achieving high performance requires; good ICT infrastructure, supported by good ICT management practice.

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS**

### **5.1 Introduction**

The summary, conclusions and recommendations of the study are presented in this section. This study focused on the influence of ICT competitive strategies on performance of KenolKobil limited.

### **5.2 Summary of findings**

#### **5.2.1. ICT Competitive Strategies**

The study found that the ICT Competitive Strategies to include the enterprise resource planning which forms the integral part of the organization as it allows the circulation of the information in the organization from one department to another. Another competitive strategy includes the supply chain software which deals with the circulation of goods from the organization to the market and also the movement of product into the organization. Other ICT competitive practices include customer relationship management software and transaction information system. The study also established that persons who were responsible for the formulation of ICT strategies at KenolKobil Limited were the top management and seconded by the employees. The employees were also involved in the formulation process through offering of ideas and information concerning what the ICT strategies really meant to them.

The study found that there were various consultants involved in the formulation process who included Director, CEO, and chief operating officer from other oil organizations in

Kenya. The study found that the organization had systematic process of dealing with negative effects as a result of application of ICT competitive strategies at KenolKobil Limited. Strategic leadership was also another mechanism put in place to counter any negative effects to the change process. The study established that there was intensified research on best ICT strategic practices in managing performance at KenolKobil Limited. The research was usually conducted by the staff, employee themselves, website review, consultants among others.

### **5.2.2. ICT Competitive Strategies and Firm Performance**

The study found that ICT competitive strategies have influenced the organization performance in positive ways such that they have made the firm to be more competitive that before, they have increased the productivity of the firm which has improved the market share thus increasing the profits. The study also established that that a link exists between ICT competitive strategies and organizational performance in that the strategies have always been initiated to improve the performance of an organization, communication among employees, accessing information, and enrichment in social contact.

Additionally the study established that ICT competitive strategies at KenolKobil led to the introduction of performance appraisals to employees and also the development of a service charter. Employee welfare and customer satisfaction were taken keenly in the formulation of ICT competitive strategies. The study found that commitment of the employees was the paramount strategy which would ensure that ICT competitive strategies are improved thus increasing the competition of KenolKobil Limited. The

study also established that KenolKobil Limited had moved from being a good organization with average performance to a great organization with excellent performance which has been the aim of the implementation of ICT competitive strategies. The study further established that KenolKobil Limited has recorded a great increase in performance since the implementation of the of ICT competitive strategies.

### **5.3. Conclusion**

The study concluded that ICT Competitive Strategies used at KenolKobil Limited included ERP which is an integrated system, which permits data to be entered at a solitary point all the while and upgrade a solitary, shared database for all capacities that specifically or by implication rely on upon this data in the organization, Integrated Transactional Information Systems, SCM (Supply Chain Management) software, and CRM (Customer Relationship Management). Information and Communication Technology (ICT) practices have enabled KenolKobil to achieve the competitive advantage and the overall improvement in organization performance.

The study also concluded that persons who were responsible for the formulation of ICT strategies at KenolKobil Limited were the top management and seconded by the employees. The employees were also involved in the formulation process through offering of ideas and requirements concerning the processes the ICT strategies really needed to be done through the ICT system.

The study concluded that ICT competitive strategies have influenced the organization performance in positive ways such that they have made the firm to be more competitive

than before; they have increased the productivity of the firm which has improved the market share thus increasing the profits. The study also found that a link exists between ICT competitive strategies and organizational performance in Oil and Gas that the strategies have always been initiated to improve the performance of an organization, communication among employees, accessing information, and enrichment in social contact.

#### **5.4. Recommendations**

The study recommends the following:

1. KenolKobil needs to consider engaging support services from the local companies to improve on the use of ICT strategies in their functioning. Since the study confirms that KenolKobil heavily relies on ICT strategies it should entrench ICT strategies in the business in which local support would offer customized services.
2. Companies dealing with Oil ought to embrace ICT strategies in advertising their products and improve service delivery to clients and customers for purposes of competitive advantage in the market.

#### **5.5. Area for further Research**

This study was carried out in KenolKobil in Kenya to find out the influence of ICT competitive strategies on performance of KenolKobil limited. The researcher therefore recommends that another study be done on the influence of ICT competitive strategies on performance of other oil companies in Kenya to compare the findings and come up with a conclusive agreement on the appropriateness of the use of ICT.



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**APPENDIX I: INTERVIEW GUIDE ON ICT COMPETITIVE  
STRATEGIES AND PERFORMANCE OF KENOLKOBIL  
LIMITED**

Kindly answer all questions. The information requested will be treated with strict confidence and used only for academic purposes.

**PART A: GENERAL INFORMATION**

1. In which department do you work?
2. What is your position in the department?
3. For how long have you worked with KenolKobil Limited?

**SECTION B: ICT COMPETITIVE STRATEGIES**

4. What are some of the ICT competitive strategies used at KenolKobil Limited?
5. Who were involved in the formulation of ICT strategies at KenolKobil Limited?  
What criteria are used in selecting the strategies?
6. Did you involve external consultants in the formulation of ICT competitive strategies? If yes, please explain their involvement in the process
7. What are some of the mechanisms that are put in place to counter any negative effects as a result of application of ICT competitive strategies?
8. Is there intensified research on best ICT strategic practices in managing performance at KenolKobil Limited? Explain



## **SECTION C: ICT COMPETITIVE STRATEGIES AND FIRM PERFORMANCE**

9. Do the ICT competitive strategies in your organization affect the performance of the organization?
10. In your opinion, is there any link between ICT competitive strategies and organizational performance? Briefly explain.
11. Has ICT competitive strategies impacted positively on employees' welfare and stakeholder's satisfaction? How?
12. How can the ICT competitive strategies be improved to improve the competition of KenolKobil Limited with other oil firms in Kenya?
13. Kindly explain the significance KenolKobil Limited has obtained from the ICT competitive strategies?

**THANK YOU FOR YOUR PARTICIPATION**