EFFECT OF STRATEGIC RESPONSES ON PERFORMANCE OF PETROLEUM FIRMS IN NAIROBI, KENYA

ESTHER KADAGA LUDENYO

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DECLARATION

this research project is my original work and has not been submitted to any other college, institution or university for academic award.

Signature……………… Date…………………...

Esther Kadaga Ludenyo

D61/89248/2016

Signature……………………. Date………………………

Dr. Kitiabi Reginah

Lecturer, School of Business

Department of Business Administration

University of Nairobi

DEDICATION

I fully dedicate this entire project to God, for all that he has done for me throughout this MBA program and to my parents for the love and support they granted me all through.

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I would like to express my gratitude to the Almighty God for good health, strength and wisdom He granted me during the entire MBA program.

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May God bless you all.

ABBREVIATIONS AND ACRONYMS

SPSS: Statistical Package for Social Sciences

CMA: Capital Market Authority

ANOVA: Analysis of Variance

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ABSTRACT

The objective of the study was to determine the effect of strategic responses on performance of petroleum companies in Nairobi, Kenya. The study adopted a descriptive research design. The target population of the study was 31 petroleum firms in Nairobi and a census was undertaken on all these firms. The study collected primary data using questionnaires. The analysis was done by the help of means, standard deviations and regression. With a response rate of 83.9%, the findings showed that 73.4% change in performance of petroleum is explained by their strategic responses in place. The study concludes that strategic responses have significant effect on performance. The study recommends that the senior management team of all petroleum firms in Kenya need to improve on their innovation strategies in order to positively influence performance. The regulatory bodies including the Energy Regulatory Commission should formulate effective policies and regulations to support innovation, outsourcing and differentiation among petroleum firms. The Capital Market Authority as a regulator of listed petroleum firms (Total Kenya and KenolKobil) should also come up with sound rules and regulations that help these firms to effectively respond to changes in their environment. Future studies should incorporate the energy firms including Kenya Power and Lighting Company (KPLC) and KenGen.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations operate in business environment that is ever changing. Some of these changes in business environment that organization operates in are driven by increased forces of globalization, competition and constantly changing needs and wants of consumer. In response to these changes, organizations have been forced to critically assess current strategies to ensure that they are aligned with these changes in environment. This has resulted into policy and debate on how strategic responses and how they affect performance of an organization (Wilden&Gudergan, 2015).

The study will be anchored on the System Theory and Dynamic Capability Theory. The whole idea behind system theory is that organizations operate as open system. By this, it means that an organization has interaction with its environment. This interaction shapes how well an organization competes and therefore performs (Bertalanffy, 1956). The Dynamic Capability Theory states that a firm needs to be able to integrate, establish and realign its internal and external competences in response to dynamic business environments. This theory forms the basis of strategic responses adopted by firm today (Teece, Pisano &Shuen, 1997).

Petroleum firms operate in a rapidly changing business landscape. The fluctuations in world oil prices are one of the environmental forces affecting performance of these companies. This is because it affects the general demand for oil products by consumers. Across the world, efforts have been put in place to move away from environmental unfriendly sources of energy to cleaner and greener energy forms including electricity and biogas. These efforts of ensuring cleaner sources of energy have by far reaching consequences on performance of the petroleum firms in

Kenya. Thus, to remain competitive and enhance their performance in the market, strategic responses become paramount (Tsai & Yang, 2014). The study thus seeks to determine the strategic responses that these firms have adopted and how these have affected their performance.

1.1.1 Strategic Responses

Strategic response is the ability of an organization to sense changes in business environment and come up with adequate strategies with regard to these changes in an environment. It is the capability of an entity to align its internal competencies and strategies with the changing business environment. Strategic responses are mandatory for any organization aspiring to remain competitive in an environment. It ensures that an organization remains competitive in the changing business environment and this improves on performance. Strategic responses require that organization moves away from its current strategies so that it remains competitive and therefore performance (Cruz-González et.al2015).

Strategic reactions to an organization's macro environment is key to success of any company. For a firm to succeeds, it needs to have a plan that defines its strategic direction that is continually evaluated to forecast its future course of action. In order to identify the best strategy, strategic analysis must be conducted before. Strategic analysis will help identify the company's competencies (strengths) and vulnerabilities (weaknesses). It will also help the company to identify conditions it can turn to its advantage (opportunities) and those that can hurt it (threats).

There are several strategic responses that an organization can opt for in the event of an environmental turbulence. These include product innovation, outsourcing, product differentiation, expansion and growth or contraction besides adoption of technology. Innovation as a response strategy entails formulating new strategies or ways of doing things in an organization. It requires an organization to critically assess its process and systems and decide on how best to improve on the same (Li & Liu, 2014).

In differentiation strategy, a firm opts to make its products (goods and services) unique relative to its competitors. It however requires intensive market research and intelligence to determine the exact needs, wants and preferences of customers. In outsourcing, a firm decides to subcontract non-core business activities to outside vendors. Some of the non-core activities that organizations are outsourcing today include cleaning, catering, human resource and security services. Outsourcing is beneficial to an organization because it helps business to concentrate on core activities resulting into organizational performance (Stead & Stead, 2014).

Most firms today have opted for growth strategies. This entails expansion of the branch networks and market of the business. Growth in an organization can be achieved through forward or backward integration, amalgamation and business combination. Rapid advancement of technology has also affected the way organizations carry out their operations. To remain competitive and therefore sustain their performance in their industries, most firms have been forced to adopt technology in their operations (Pagnini, Burlando&Repetto, 2015).

1.1.2 Organizational Performance

This means how well a firm realizes it's market and financial goals and objectives as well as its financial goals. It is a powerful tool for prioritizing firms' goals and attaining them (Kirkendall, 2010). Organization performance is the determination of how a business achieves its goal and objectives within a specified time horizon. Organization performance can be measured either by use of financial or non-financial measures. Financial measures of performance are in most cases expressed in quantifiable terms. They include indicators like return on assets return on equity and return on investment Financial measures of performance form core objectives for existence of an organization (Hill, 2017).

Non-financial measures of performance are classified in terms of people and the environment. The people aspects of non-financial performance of an organization include indicators like customer satisfaction, employee morale, customer loyalty and customer retention. The environmental aspect of non-financial measure of performance of an organization entails indicators like environmental pollution (Rugman&Verbeke, 2017). It usually informs the policy makers, implementers as to the position of the firm and some of the challenges that requires attentions and allows for a progressive monitoring of the efficiency and effectiveness of the firms' operations.

According to Poister (2003), indicates organizational performance helps to strengthen the management and inform decision making. He noted that profitability, market share and cost are one of the measures of organizational performance. Abdifatah (2012) argued that performance is not uniform in all organization and keen considerations is needed on different factors such as effectiveness in the operations, market share index, profitability and cost considerations. This study will use profitability, market share index and cost as the measure of performance.

1.1.3 Petroleum Firms in Kenya

In Kenya, oil firms fall under the Ministry of Energy and Petroleum. The sector is regulated by the Energy Regulatory Commission (ERC). There are over sixty registered oil companies in Kenya whereby only the 10 top oil marketing companies control approximately 77% of the market. The petroleum industry in Kenya started in 1903 with Kerosene as the major import in tins and later gasoline in tins and drums until Royal Dutch shell established the first depot on the Mombasa Island at shimanzi. The petroleum industry comprises the ministry of Energy, the Energy regulatory commission (ERC), Kenya Pipeline Company (KPC), Kenya Petroleum Refineries Ltd (KPRL) and all oil companies.

The ministry of energy provides the policy framework, ERC acts as the provides regulatory authority. The KPC is a fully owned state corporation whose overall objective is to provide efficient, reliable, safe and cost-effective transportation of petroleum products from Mombasa to the country side. This is made possible through a network of pipelines, storage and loading facilities, and distribution of petroleum products. Kenya Pipeline Company commenced its operations in 1978 and has c a 1200kilometre pipeline network and over 600million-litre storage and loading facilities for transportation, storage and distribution of petroleum.

The government owns 50percent of the equity and Essar Energy overseas with limited owning the rest. The ministry of Energy through an Open Tender System (OTS) coordinates the importation of the refined petroleum products where interested marketers bid to import. The OTS winner apportions the refined products based on calculated cargo participation. Tullow is a British company that has a reputation of discovering oil. Since 2012, its success in exploration and appraisal drilling in Kenya has led to the opening of a second tertiary rift play in South Loki char Basin. Since the discovery of oil deposits in 2012, the government of Kenya has entered into concessions for commercial production of oil, aiming for full production by the year 2016.

1.1.4 Oil and Gas Marketing Companies in Kenya

As of July 2018, there were over 60registered oil companies in Kenya. major companies like Oil Libya, Vivo Energy and Total dominated the industry. local companies like KenolKobil, National oil corporation, Tosha and Dalbit Petroleum were also in the market but played but with a limited market share compared to the dominant players. There are three major sectors constituting the oil and gas sector; upstream, midstream and downstream. The upstream sector is concerned with speculation and drilling.

The Midstream sector involves the transportation that either by pipeline, rail, barge, oil tankers or trucks, storage and wholesale marketing of crude petroleum products Pipelines and other transport systems can be used to move crude oil from production sites to refineries and deliver the various refined products to downstream distributors. Natural gas pipeline networks collect gas from natural gas purification plants and transport it downstream to customers and to local outlets. The midstream operation includes natural gas as well as extracting and producing elemental Sulphur and natural gas liquids as end-products.

The Downstream sector is about refining of crude oil, processing and purification natural gas together with marketing and distribution of the incidental products. Here, consumers are reached by products like gasoline or petrol, kerosene, jet fuel. Diesel, lubricants, gas and liquefied petroleum gas, petrochemicals natural and.

The oil marketing companies in Kenya fall under two groups; the major group and the minor group. The major group constitute of Vivo Energy limited, Total Kenya Limited, Kenol Kobil, Libya Oil Kenya Limited and National Oil Corporation of Kenya. The rest are the minors or smaller companies. The major companies constitute a total of 70% of the market share. The minor group of companies include among others companies like Tosha, Lake oil company, Hashi Energy and Gulf Energy which totals to around 60companies that have been registered with the Energy Regulatory commission.

The Oil and Gas marketing companies operate well through their outlets that are positioned at different places and regions, these outlets are known as stations where they retail fuel products or also called white products (fuel), lubricants and LPG. All the oil companies basically retail and sell the same things but in different brands therefore this means that there is massive competition to ensure that the company stays at the top of the table and also maintain their market share. This is done through adequate and ample customer service; good housekeeping of the forecourt and the product displayed on the forecourt, well dressed and well-motivated pump or forecourt attendants among others. Despite the difference in brands, all the oil marketing companies are all regulated by the ERC in terms of the prices that they charge on fuel and thus what they display on the price board to avoid the oil companies to come up with their own prices. According to ERC, the oil marketing companies are only allowed to display the prices advised by them every 14^{th} day of every month or lower in terms of discount but not above the advised piece.

1.2 Research Problem

Organizations (including petroleum firms) operate in changing business landscape. The needs and wants of customers are ever changing and this affects the general supply of and demand for products of petroleum firms. A paradigm shift from environmental unfriendly product to those that are environmental friendly has also threatened performance of most firms today. Across the world, there are constant fluctuations in price of petroleum products and this has an influence on the way petroleum companies operate and ultimately their performance (Lee & Jay, 2015).

This ever-changing business environment is a threat to performance of petroleum companies. To counter these changes and improve on their performance, strategic responses are required. Strategic responses towards environmental turbulence will reconfigure operations of these companies as a way of improving on their performance. It is therefore important to determine some of the response strategies that these companies have adopted in the wake of the ever-changing business landscape (Habib, Bastl&Pilbeam, 2015).

A number of studies have been done on strategic responses and how they relate with performance. Globally, Arik, Clark and Raffo (2016) did a study on strategic response of organization in the wake of economic crisis. This study was however limited to Non-governmental organizations. Among Business to Business (B2B) firms in Brazil, Akhterand Fernando-Pinto-Barcellos (2013) looked at how strategic response resulted into performance. Locally, Muema (2014) looked at some of the strategies that oil marketing firms have adopted as a way of remaining competitive in their industries. The study revealed that oil marketing firms have put in place differentiation, focus and cost leadership strategies to remain competitive.

Kimalel (2017) carried out a study on how strategic responses affected organizational performance. The study was however limited to the savings and credit cooperative subsector.

Most of the above studies were done in advanced countries. Other related strategic response to organizational competitiveness instead of performance. This results into contextual and conceptual gaps respectively. To fill these gaps, the current study sought to answer the following research question;

What is the effect of strategic responses on performance of petroleum companies in Nairobi, Kenya?

1.3 Research Objectives

To determine the effect of strategic responses on performance of petroleum companies in Nairobi, Kenya

1.4 Value of the Study

The study would be important to the ministry of energy and petroleum, the Energy Regulatory Commission (ERC) and future scholars and academicians. For the ministry of energy and petroleum, the findings would inform sound policies and regulations in the country. This would promote performance of petroleum companies.

As a regulator, Energy Regulatory Commission would rely on the findings of the study to make relevant policies and guidelines that result into overall performance of petroleum companies. In determination of the pump prices, ERC would rely on these finding to determine how their decisions affect performance of petroleum companies. This would strengthen performance of firms in the industry.

The study would add to the existing theory, literature and practice on strategic responses and how they affect performance. This would facilitate future similar studies. The study would expose areas for further studies among future scholars and academicians.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is a review of literature on strategic responses and how it is linked with performance. The chapter starts by looking at relevant theories that form the basis of the study. Literature on strategic responses and organizational performance is also presented. The link between strategic responses and performance is also presented. The reviewed literature is then summarized to show gaps. The conceptual framework showing how variables are operationalized is also presented.

2.2 Theoretical Review

A theoretical review summarizes theories that form the basis of the study. This study will be anchored on two theories. These include System Theory and Dynamic Capability Theory.

2.2.1 System Theory

The theory was formulated by Bertanlanffy (1956). The theory views an organization as system. A system is a set of interrelated component and parts that play similar roles. Examples of system include the solar system, the digestive system, the breathing system and the excretion system. For something to be called a system its components must be closely interrelate and these components must play a unified role.

Viewing an organization as a system implies that a business has several components (partners) who have a stake in it. These include suppliers, employees, customers, government bodies and blobby groups. All these forms the environment of the business. The interaction between these elements and the business determines the overall performance of the organization.

This theory suggests that there exists an association between the business and these forces within its surroundings. The theory is therefore relevant to the study because environment require strategic responses that ultimately enhance performance. Without proper strategic responses, environmental turbulence would adversely affect performance of organizations.

2.2.2 Dynamic Capability Theory

The theory was formulated by Tece, Pisano and Shuen (1997). Dynamic capability is seen in the capability of an organization to integrate, establish and align internal and external capacities to address the dynamic environment (Teece, Pissano&Shuen, 1997). According to Helfat (2007), dynamic capabilities are the capacity of an organization to purposely create, extend and modify its resources base. Dynamic capabilities are about change and assumes that core competencies should be utilized to adjust short-term competitiveness that can be used to \establish sustained competitive advantage.

The theory explains the reason why once prosperous firms struggle to survive or fail completely in the light of environmental dynamics because they era not able to adapt successfully. Klaas (2004) stated that organizations are like living organisms and that the principal goal of human organizations is survival and growth termed as viability. This viability is important to the organizations as open systems which completely depend on environmental resources to sustain themselves. Because the resources are scarce, competition exists.

The term ‘dynamic’ means the ability to renew proficiencies so as to adapt to the changing business environment. (Teece, Pisano &Shuen, 1997), dynamic capabilities in business essentially entails corporate agility, the ability to identify and shape opportunities and threats, take opportunities as they arise, and retain competitiveness by improving, combining, protecting, and, reconfiguring an organization’s resources. Dynamic capabilities when fully embraced helps a business achieve enhanced performance and survive in a dynamic environment. The theory is relevant to the study as it explains how dynamic capabilities of petroleum companies can help them to respond to changing business environment and therefore performance.

2.3 Strategic Responses and Organizational Performance

For organizations to survive and perform well, they must embrace and deal with the changes in the external environment through matching their activities to the environmental conditions. A difference between the environment and the organization brought about by failure to react to the dynamic environment leads to a strategic problem. The environment is classified into external and internal environments (Wilden, Gudergan, Nielsen & Lings, 2013). The internal environment is comprised of factors that are within the organization’s control and which also influence the firm’s operations like financial resources, technology, human resource, structure and processes.

many businesses organization aim at formulating strategic responses as reactions to the rapidly dynamic business environment to achieve a sustained competitiveness. Corporate leaders, need to understand that the new strategic responses are built on innovative management through training and development of their employees, expansion strategies, and reengineering process and using advanced information technologies.

As environmental dynamics manifest organizations are facing new opportunities and challenges. among them competition; a business therefore needs to respond to competition, in a timely and appropriately manner, in order remain successful and competitive (Bryson, 2011).

Strategic response is the ability of an organization to reconfigure its internal competencies to changing business environment. Strategic responses help organizations to stay competitive and enhance their performance in an ever competitive and turbulent business environment. Strategic responses call for an organization to deviate from the present strategies. Any change in the business environment that an organization operates in requires a business to respond. A firm can respond to a turbulent business environment through innovation, outsourcing, product differentiation, focus and cost leadership strategy (Flemes&Wehner, 2015).

Innovation strategy entails coming with new products or modifying the existing ones. There are several types of innovation that an organization can adopt in response to the changing business landscape. They are product, process, market, technological and institutional innovation. Product innovation is the ability of an organization to come up with new products. Such products are advanced compared to existing ones in the market. Process innovation is improvement in processes and systems of producing goods and services within an organization. It results into efficiency and effectiveness within an organization (Ayyagari, Dau& Spencer, 2015).

In differentiation, a firm focuses on delivering products that are unique relative to rivals in the industry. The design process of new product is key during differentiation because it allows an organization to capture the needs and wants of customer in the product being produced. Capturing the needs of customers in the design of products is crucial because it facilitates quick acceptance of the product before customers and therefore performance of an organization is ensured (Li, 2015). Outsourcings as a response strategy entail subcontracting of outsider vendors to carry out non-core activities of an organization. It significantly reduces costs and therefore enhances efficiency within an organization. Outsourcing helps an organization to devote energy in core activities and therefore performance. It frees resources that an organization would have otherwise wasted in performing none core business activities (Balogun, Bartunek& Do, 2015).

2.4Empirical Literature

Wijethilake (2016) carried out a study on proactive strategic responses to sustainability determinants. This was an empirical study. The reviewed literature suggested that proactive strategy in response to environmental turbulences resulted into organizational sustainability. Ferreira (2016) conducted a study on higher education strategic responses to the discoveries of natural resources in Mozambique. He found that the main source of institutional pressures is related to the capacity to deliver training and research programs, and to design curriculum or programs for the required expertise in the oil field, and to the lack of resources. The study also revealed that there is a multiplicity of constituents involved in the institutional pressures, the constituents expect training of qualified manpower for the industry, with more programs and better conditions and the control of the pressures is exerted via voluntary diffusion, although policies have to be followed and data for post-graduation thesis is difficult to access.

Boschman (2016) examined the strategic reactions of global organizations concerning human rights dilemmas. The results of the study showed that most of the researched global firms developed their global codes of conduct on the basis of in the host society experienced institutional pressures or by imitating the behavior of the already operating multinationals in that particular environment. Both kinds of responses can be placed into the acquiescence category of strategic reactions.

Nthigah (2016) investigated the influence of competition the choice of strategic response of global firms in Kenya. The results indicated that the four variables that were used to measure competition that is the independent variable were statistically significant. This informed the rejection of the five null hypotheses that were developed for this study and retaining the decision that competition has significant influence on choice of strategic response of MNCs in Kenya.

Ongonge (2013) did a study on the strategic planning and organization's performance of Non-Governmental Organizations correlation. The conclusions were that strategic planning and organization performance in Action Aid Kenya involves borrowing from national situation and global plans to shape and ensure strategy is aligned and is relevant. Further conclusions were that there is a difference between the results and ways of measuring strategic planning effectiveness and organization performance, confirming the fact that selecting the suitable approach to measuring relationship between strategic planning and organization performance must be done cautiously.

Muchira (2013) investigated the relationship between strategy implementation and performance in commercial banks in Kenya. The conclusions of the study were that implementation significantly and positively influences organization financial performance leading to increased organization profitability and turnover. study further established that implementation strategy influences organizational growth significantly. In relation to organizational growth It recommended that if organization are performed effectively financially clear strategies that guides operation should be formulated and guidelines provided to all departments in order to avoid conflict. Relating to financial performance, the study recommendations were that for organizations to achieve their goals like profitability, large market share, and customer retention, effective strategies that take care of the for the customers' needs and respond environmental changes.

Arasa and 'Obonyo (2012) investigated the strategic planning and firm performance correlation. The findings revealed that a relationship between strategic planning and firm performance exists with a Pearsonian moment product coefficient of 0.616. Study findings also indicate existence of a relationship between strategic planning and both financial and non-financial performance indicators. It was observed that firms that show higher levels of strategic planning perform better in both financial and non-financial indicators compared to those exhibiting low levels of strategic planning. Examining the strategic planning constituent variables and their link to performance, it was evident that no doubt there are correlations between these constituent variables and performance.

Mohammed (2014) explored the link between strategic responses and performance of manufacturing firms in Dar es Salaam, Tanzania. The study applied a cross-sectional research design, 96 managers were interviewed and it was found that the most popular responses strategies adopted by firms were mergers, differentiation, product innovation and strategic alliances. Adoption of these responses was found to contribute positively towards improved performance.

Muchiri, Ombui and Iravo (2017) looked at how strategic responses affected performance of oil marketing companies in Kenya. They adopted a descriptive survey designs. The study targeted 216 employees among oil marketing firms. The sample size was 115 respondents. Questionnaires were employed in collection of data. The findings showed that the most popular strategic responses adopted by OMCs were strategic differentiation, strategic mergers and strategic alliances.

Kimunguyi (2013) studied strategic responses adopted by agrochemical firms. The study used a descriptive survey to find out the strategic responses adopted and their contribution to organizational performance. Primary data was collected using unstructured questionnaires that were administered using ‘a drop and pick’ later method. The findings indicated that the most popular responses adopted by agrochemical companies were differentiation and go-to-market strategy.

Kamau (2014) assessed the influence of strategic responses on competitiveness of Faulu bank. The study used a cases study research design and primary data was collected using questionnaires. The findings revealed that strategic alliances and differentiation were popular strategic responses implemented by Faulu bank.

Kairu (2014) looked at the effect of strategic responses on Kenya Revenue Authority operational performance. descriptive survey design was used in this study. The population of the study was top level, middle level management and supervisors of Kenya Revenue Authority who had worked in the organization for at least one year. Correlation results indicated that ICT, training, customer relationship management and strategic partnership practices in KRA positively affects performance.

2.5 Summary of Literature and Research Gaps

Table 2.1: Summary of Literature and Research Gaps

Author	Topic	Research Methodology	Key Findings	Gaps
Mohammed (2014)	link between strategic responses and performance of manufacturing firms in Dar es Salaam, Tanzania	cross-sectional research design	most popular responses strategies adopted by firms were mergers, differentiation, product innovation and strategic alliances	Done among manufacturing firms
Kamau (2014)	influence of strategic responses on competitiveness of Faulu bank	cases study research design	Strategic alliances and differentiation were popular strategic responses implemented by Faulu bank.	Was done in the banking sector
Kairu (2014).	effect of strategic responses on Kenya Revenue Authority operational performance	descriptive survey design	ICT, staff training, customer relationship management and strategic partnership practices in KRA positively affects performance	Done in KRA and not among Petroleum companies
Ferreira (2016)	Higher education strategic responses to the discoveries of natural resources	Descriptive Design	Higher education strategic responses to the discoveries of natural resources	The study was done in Mozambique.
Nthigah (2016)	role of competition in determining choice of strategic response	Hypothesis testing	competition has significant influence on choice of strategic	The study done among multinational corporations

			response of MNCs in Kenya	
Ongonge (2013)	relationship between strategic planning and organization's performance	Descriptive design	Assessment of organization performance must be done with caution	The study was done among Non-Governmental Organizations (NGOs).
Muchira (2013)	relationship between strategy implementation and performance	Descriptive design	strategy implementation influence organization growth at great extent	The study covered commercial banks in Kenya
Kimunguyi (2013)	strategic responses adopted by agrochemical firms	descriptive survey	agrochemical companies were differentiation and go-to-market strategy	The study was limited to agrochemical firms

2.6 Conceptual Framework

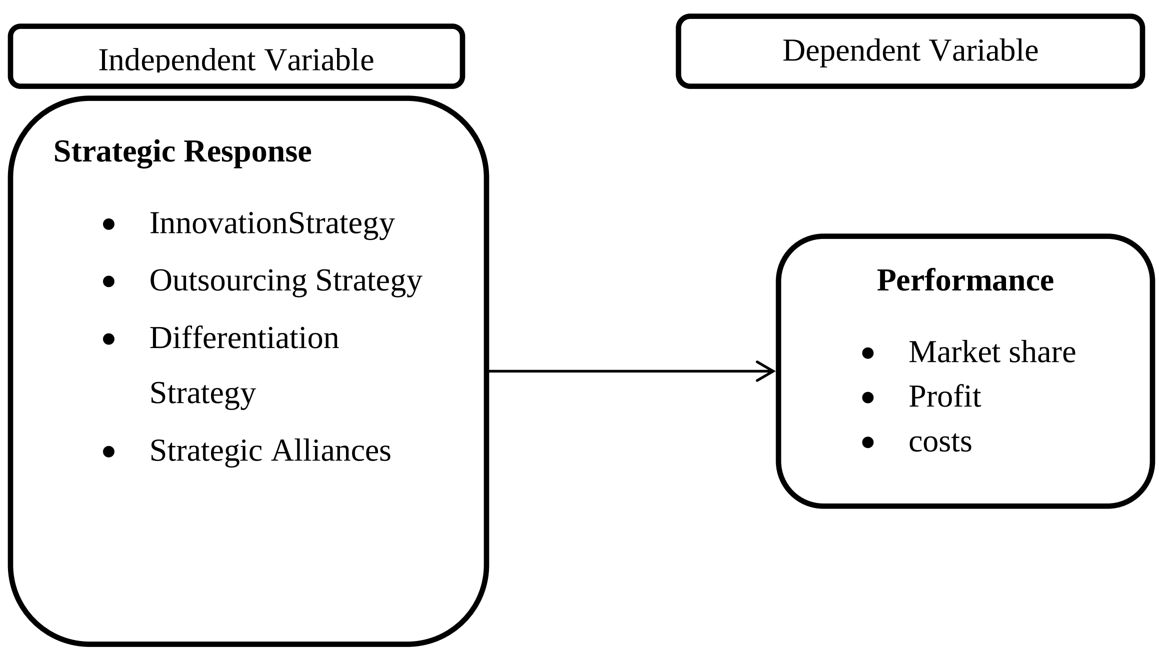

Figure 2.1: Conceptual Framework

The independent variable which are strategic responses that include innovation strategy, outsourcing strategy, differentiation strategy, strategic alliances towards the changes to the external environment which translate into gains to the dependent variable which is the organizational performance through increases in profits and market share, alongside costs reduction.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section presents methodologies of achieving the study objectives, the research design, population of the study, the sampling methods and data collection and methods used to analyze the collected data.

3.2 Research Design

This is the blueprint under which a study is carried out. It is a structure that determines the methods to use in collection and analysis of data. This helps in attaining the objectives of the study as it facilitated collection of substantive information regarding strategic responses in oil companies in Nairobi, Kenya.

The study adopted a descriptive research design. A descriptive design is about collecting data describing events and then organizing, tabulating, depicting and describing the data collection (Glass $ Hopkins, 1984). The design helped the research to examine how strategic responses have affected performance of petroleum companies in Nairobi Kenya.

3.3 Population of the Study

Polit and Hungler (1999:37) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to set of specifications. The population of the study comprised of 31 petroleum companies all headquartered in Nairobi Kenya. Since the population was relatively small, census was employed.

3.4 Data Collection

Polit and Hungler (1999:267) define data as information obtained in a course of study. The study will collect primary data using used Questionnaires that comprised of both close and open-ended questions. Questionnaires were used because they contained fixed responses. Questionnaires were structure on a five-point Likert scale which was more useful when a behavior needs to evaluated on a continuum (Leedy and Ormrod, 2001). The respondents are the employees of the 31 oil marketing companies.

3.5 Data Analysis

The data collected concerning strategic responses was coded into SPSS software using numerical scale that was utilized by the respondents in responding to the questions in the questionnaire. This changed the data into a quantitative form that allowed analysis quantitatively

The analysis of findings was conducted using descriptive and inferential statistics. Means and standard derivations formed the descriptive statistics while regression analysis formed the inferential statistics. Frequencies were used to examine the features of the demographic characteristics of respondents, which stemmed the fact that such data was categorical. The adopted regression took the following form;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where:

Y = Performance

X_1 = InnovationStrategy

X_2 = Outsourcing Strategy

X_3 = Differentiation Strategy

X_4= Focus Strategy

β = constant,

β_1, β_2, β_3 and β_4= Regression Coefficients

ε = Error Term

The findings of the study were presented using Tables.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the findings of the analysis on the collected data. The chapter is divided into sections based on the structure of the questionnaire and the objective (s). Section 4.2 presents information on the response rate and the respondents. Section 4.3 gives information of the identified strategic responses, section 4.4 gives information on performance while 4.5 gives the inferential analysis to link the identified strategic responses with performance.

4.2 Response Rate and the General Information of the Respondents

The researcher distributed out 31 questionnaires to petroleum companies all headquartered in Nairobi Kenya. From these, 27 of them were dully filled and returned to the researcher. This was equivalent to a response rate of 83.9%. The response rate was in line with Babbie (2015) who cited a 70% response rate as sufficient for analysis.

Respondents were asked to indicate their years of experience as shown in Table 4.1.

Table 4.1: Years of Experience

	Frequency	**Percentage**
0-5 Years	4	14.8
6-10 Years	7	25.9
11-15 Years	14	51.9
15-20 Years	2	7.4
Total	**27**	**100**

From Table 4.1, most of the respondents 51.9% had worked in their organization for 11-15 years, 25.9% for 6-10 years, 14.8% for 0-5 years and 7.4% for 15-20 years. This shows that respondents who took part in the study were knowledgeable on strategic responses in place.

Table 4.2 gives information on the highest level of education of the respondents.

Table 4.2: Level of Education

	Frequency	Percentage
Diploma	5	18.5
Undergraduate	13	48.2
Post graduate	9	33.3
Total	**27**	**100**

From Table 4.2, most of the respondents 48.2% were undergraduates, 33.3% were post graduates and 18.5% had diplomas. This shows that respondents of the study were generally learned and thus knowledgeable.

4.3 Strategic Responses

The study sought to determine the best associated with the use of brand name. The findings are indicated in Table 4.3.

Table 4.3: Use of Brand Name

	Frequency	Percentage
Cultivate customer loyalty	25	92.6
Differentiate from customer	23	85.2
Allows for positioning	19	70.4
To claim quality of products and services	24	88.9

As indicated in Table 4.3, most of the studied firms 92.6% used their brand names for cultivation of customer loyalty, 88.9% for claiming of the quality of products and services, 85.2% for differentiation of customers and 70.4% for positioning. Thus, brand name played an important role in the studied firms. These findings are in line with Muema (2014) who looked at some of the strategies that oil marketing firms have adopted as a way of remaining competitive in their industries and revealed that oil marketing firms have put in place differentiation, focus and cost leadership strategies to remain competitive.

Several strategic action plans were carefully identified by the researcher. Respondents were then requested to indicate the extent which they had used the identified strategic action plans to beat competition in the market and increase the profitability at the outlets. Table 4.4 presents the findings.

Table 4.4: Strategic Action Plans

Factors	Mean	Std. Dev
We have well motivated employees	4.03	0.856
The company engages in having more outlets through dealers to maximize the profits and hence the market share	4.11	0.963
We focus on the design and layout of the outlets to improve the image thus attract customers	3.97	0.991
We embrace good housekeeping at the outlets	4.04	1.032
The company values the convenience and accessibility for the customers at the outlets	4.09	0.838
Well-dressed pump attendants contribute to the sales made in a day	3.83	0.772
We focus on maintaining customers through valuable customer service	3.99	1.062

The findings in Table 4.4 indicate that the studied companies engaged in having more outlets through dealers to maximize the profits and hence the market share, valued the convenience and accessibility for the customers at the outlets, embraced good housekeeping at the outlets and the employees were well motivated as indicated by means of 4.11, 4.09, 4.04 and 4.03 respectively. The study further established while some companies focused on maintaining customers through valuable customer service, the focus of other companies was on the design and layout of the outlets to improve the image thus attract customers as indicated by means of 3.99 and 3.97 respectively. At the same time, well-dressed pump attendants contributed to the sales made in a day with a mean of 3.83. All the values of standard deviations are too low showing that there was strong convergence in the views expressed by respondents.

Product differentiation was one of the identified strategic responses among the studied firms. The findings are indicated in Table 4.5.

Table 4.5: Product differentiation

Factors	Mean	Std. Dev
The company believes in high standard customer service	3.81	0.667
We tend to believe that advertising is a strategy on its own in the market	3.70	0.899
We consider more strategic locations for our outlets in order to attract the customers attention thus sale	3.80	0.934
The company's brand speaks volume for itself and makes positioning easier	3.90	0.781
Staff training is mandatory to ensure that the employees are well vast with the activities of the surrounding market	4.05	1.092

From Table 4.5, most of the respondents agreed that staff training was mandatory to ensure that the employees were well vast with the activities of the surrounding market, the company's brand spoke volume for itself and makes positioning easier and that the company believed in high standard customer service as supported by means of 4.05, 3.90 and 3.81 respectively. Most of the studied firms considered more strategic locations for their outlets in order to attract the customers attention thus sale while other firms believed that advertising was a strategy on its own in the market as shown by means of 3.80 and 3.70 respectively.

Expansion strategy was another strategic response identified by the researcher. The findings on this strategy are shown in Table 4.6.

Table 4.6: Expansion strategy

Factors	Mean	Std. Dev
The outlets opened in several areas result to an expansion in sales thus performance	3.62	0.496
Adequate staff is important to performance of the organization	3.57	0.359

The findings in Table 4.6 indicate that the outlets opened in several areas resulted to an expansion in sales thus performance and that adequate staff was important to performance of the organization as indicated by means of 3.62 and 3.57 respectively.

The researcher sought to assess how adoption of technology as a response strategy was applied in the studied firms. The findings are shown in Table 4.7.

Table 4.7: Adaption of Technology

Factors	Mean	Std. Dev
We apply the use of latest technology to stay competitive	4.15	0.372
Automation of operations is embraced in almost all the outlets and the main offices as well	3.69	0.624
We maintain a reasonable staff number due to the latest ways of accessing and getting things done in the market	3.44	0.542

From Table 4.7, latest technology was applied to stay competitive and automation of operations was embraced in almost all the outlets and the main offices as well as shown by means of 4.15 and 3.69 respectively. Respondents however were not sure whether their firm maintained a reasonable staff number due to the latest ways of accessing and getting things done in the market with a mean of 3.44.

4.4 Performance

Performance was the dependent variable in the study. The findings are shown in Table 4.8.

Table 4.8: Performance

	Mean	Std. Dev
There is an increased level of strategic responses that influences the performance of the firm	3.70	0.725
There is an increase in cost that is associated with the operations of the service delivery and the strategy applied	3.66	0.612
There is increased information sharing with other department in order to enhance operational efficiency	3.92	0.554
There is a decline of overall administrations costs	3.68	0.819
There is increased speed with which decision making can be undertaken within the firm to impact the performance of the organization	3.58	0.432
There is high efficiency of cost cutting and increase in the profitability	3.39	0.652
There is increased creativity in the use of the strategic responses in the market to outdo the competition thus upgrade the performance of the company	3.43	0.971
There is an accurate demand for performance of the firm that will impact the market share level	3.47	0.769
There is high response to dynamic customer needs in regards to the competition in the surrounding market.	3.73	1.54
There are increased customer satisfaction levels	3.80	0.287

From Table 4.8, there was increased information sharing with other department in order to enhance operational efficiency and an increased customer satisfaction levels as indicated by means of 3.92 and 3.80 respectively. There was also high response to dynamic customer needs in regards to the competition in the surrounding market and an increased level of strategic responses that influences the performance of the firm as shown by means of 3.73 and 3.70 respectively.

There was also a decline of overall administrations costs, an increase in cost that is associated with the operations of the service delivery and the strategy applied and increased speed with which decision making can be undertaken within the firm to impact the performance of the organization as indicated by means of 3.68, 3.66 and 3.58 respectively. Respondents however were not sure on whether an accurate demand for performance of the firm that was will impact the market share level, increased creativity in the use of the strategic responses in the market to outdo the competition thus upgrade the performance of the company or high efficiency of cost cutting and increase in the profitability as supported by means of 3.47, 3.43 and 3.39 respectively.

4.5 Strategic Responses and Organizational Performance

In order to determine a link between strategic response and organizational performance, the researcher conducted regression analysis. Table 4.9 presents the findings of the Model summary.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857[a]	.734	.705	2.21907

As indicated in Table 4.9, the value of R square was 0.734, which shows that 73.4% change in organizational performance of the studied firms is explained by their strategic responses in place.

An Analysis of Variance ANOVA was conducted at 5% level of significance. The findings are indicated in Table 4.10.

Table 4.10: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	503.135	4	125.784	15.188	.000[b]
Residual	182.199	22	8.282		
Total	**685.333**	**26**			

From Table 4.10, the value of F calculated 15.188 while F critical is 2.817. Thus, the overall regression model was fit in estimating how strategic responses influenced organizational performance in the studied firms.

The beta coefficients and p values are indicated in Table 4.11. This helped in establishing significance between the study variables.

Table 4.11: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	22.810	.998		22.866	.000
InnovationStrategy	.410	.017	1.105	24.525	.000
Outsourcing Strategy	.133	.017	.376	7.831	.000
Differentiation Strategy	.459	.021	1.226	21.593	.000
Focus Strategy	.356	.030	.669	11.725	.000

a. Dependent Variable: Performance

Based on the findings in Table 4.10, the resultant regression equation becomes;

$$\mathbf{Y=22.81+0.410}X_1\mathbf{+\ 0.133}X_2\mathbf{+\ 0.459}X_3\mathbf{+\ 0.356}X_4$$

Y = Performance

X_1 = InnovationStrategy

X_2 = Outsourcing Strategy

X_3 = Differentiation Strategy

X_4= Focus Strategy

Thus, at 5% level of significance, innovation strategy p=0.000 had significant effect on performance. According to Ayyagari et al. (2015), Innovation strategy results into efficiency and effectiveness within an organization. Outsourcing with p value p=0.000 also had significant effect on performance. The finding is in line with Balogun et al. (2015) who revealed that outsourcings significantly reduces costs and therefore enhances efficiency within an organization.

Differentiation strategy with a p value p=0.000 had significant effect on performance. Focus strategy whose p value p=0.000 significantly affected performance. These findings are in line with Mohammed (2014) who explored the link between strategic responses and performance of manufacturing firms in Dar es Salaam, Tanzania and found that the most popular responses strategies adopted by firms were mergers, differentiation, product innovation and strategic alliances. Adoption of these responses was found to contribute positively towards improved performance. It can therefore be summed up that strategic responses significantly affect organizational performance. This finding is in line with Muema (2014) who revealed that oil marketing firms have put in place differentiation, focus and cost leadership strategies to remain competitive.

It is very clear from the findings of the study, that strategic responses are very crucial in the performance of the organization, especially in the petroleum industry that is usually affected by the changes of the external and internal environment. Thus, it is prudent enough for the petroleum firms to implement the strategic responses in their organization in order to have a positive influence in the performance of the organization. This finding is in consistent with other previous studies identified earlier in the chapter, showcasing a significant relationship of the strategic responses to the performance of the organization.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the analyzed data. The summarized findings are used to make conclusion and recommendations. The limitations and areas for further studies are also clearly pointed out.

5.2 Summary of the Findings

The study sought to examine the effect of strategic responses on performance of petroleum companies in Nairobi, Kenya. From the descriptive statistics, it was established that most of the studied firms used their brand names for cultivation of customer loyalty, for claiming of the quality of products and services, for differentiation of customers and for positioning.

On product differentiation as a strategic response, the study established that staff training was mandatory to ensure that the employees were well vast with the activities of the surrounding market, the company's brand spoke volume for itself and makes positioning easier and that the company believed in high standard customer service. Most of the studied firms considered more strategic locations for their outlets in order to attract the customers attention thus sale while other firms believed that advertising was a strategy on its own in the market.

In respect to expansion strategy as another responses strategy, the study established that the outlets opened in several areas resulted to an expansion in sales thus performance and that adequate staff was important to performance of the organization. On the adoption of technology as another strategic response, the study indicated that latest technology was applied to stay competitive and automation of operations was embraced in almost all the outlets and the main offices as well.

The researcher regressed the identified strategic response against performance. From the findings, the value of the coefficient of determination R square was 0.734. This shows that 73.4% change in organizational performance among petroleum companies in Nairobi, Kenya is explained by their strategic responses. The determination of p values at 5% level of significance indicated that innovation strategy p=0.000 had significant effect on performance. Differentiation strategy with a p value p=0.000 had significant effect on performance. Focus strategy whose p value p=0.000 significantly affected performance. Outsourcing with p value p=0.000 also had significant effect on performance.

5.3 Conclusion

The study concludes that most petroleum firms use their brand names for cultivation of customer loyalty, for claiming of the quality of products and services, for differentiation of customers and for positioning. In most petroleum firms, staff training is mandatory to ensure that the employees are well vast with the activities of the surrounding market, their company’s brand speak volume for itself and makes positioning easier. The study further concludes that the outlets opened in several areas resulted to an expansion in sales thus performance and that adequate staff was important to performance of most petroleum firms. Latest technology is applied to stay competitive and automation of operations is embraced in almost all the outlets and the main offices as well.

The study further concludes that innovation strategy has significant effect on performance. Differentiation strategy has significant effect on performance. Focus strategy significantly affects performance. Outsourcing has significant effect on performance.

5.4 Recommendations of the Study

The study recommends that the senior management team of all petroleum firms in Kenya need to improve on their innovation strategies in order to positively influence performance. The study recommends the need for the management team of all petroleum firms in Kenya to invest in technology, differentiation of products and outsourcing which shall positively influence performance of their organizations.

The study recommends that those regulatory bodies including the Energy Regulatory Commission should formulate effective policies and regulations to support innovation, outsourcing and differentiation among petroleum firms. The Capital Market Authority as a regulator of listed petroleum firms (Total Kenya and KenolKobil) should also come up with sound rules and regulations that help these firms to effectively respond to changes in their environment.

5.5 Limitations of the Study

The study was limited to petroleum firms in Nairobi City County. The study focused on strategic responses and how they affected performance of these firms. Strategic responses were measured by differentiation, innovation, outsourcing and adoption of technology. These formed the independent variables of the study. On the other hand, organizational performance was the dependent variable of the study.

5.6 Suggestions for Further Studies

The current study focused on strategic responses which were seen to explain 73.4% change in performance. Thus, future studies should be carried out to identify other factors with an influence on performance. The current study was limited to petroleum firms operating in Nairobi. Future studies should incorporate the energy firms including Kenya Power and Lighting Company (KPLC) and KenGen. This is because these two categories of companies are regulated by the same ministry of energy and petroleum in Kenya.

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APPENDICES

Appendix 1: Introduction Letter

Dear sir/madam,

Re: Introduction Letter

I am a finalist post graduate student pursuing Master of Business Administration, strategic management option, at the University of Nairobi. In partial fulfillment of the requirement for the degree, I am currently carrying a survey research on effects of strategic responses on performance of oil firms in Nairobi, Kenya.

For the purpose of effectively conducting the study, I wish to kindly collect data through the attached questionnaire. Any information gathered through this interview shall be treated as confidential and used solely for the purpose of meeting my research objectives. A copy of the final research project shall be availed to you upon request.

Yours sincerely,

Esther Kadaga

Appendix II: Research Questionnaire

SECTION A; GENERAL STAFF PROFILE

Kindle provide the relevant information by filling in the spaces provided or ticking against most appropriate answer

1. How long have you worked with this firm?

   a) 0-5 years ☐
   b) 6-10 years ☐
   c) 11-15 years ☐
   d) 15-20 years ☐
   e) Above 20years ☐

2. Tick your highest academic achievement.

   a) Diploma ☐
   b) Undergraduate degree ☐
   c) Post graduate degree (MBA) ☐
   d) Post graduate degree (PHD) ☐
   e) Others (specify) ☐

SECTION B: STRATEGIC RESPONSE

3. What are the benefits of using your brand name? Kindly tick where appropriate.

   a) Cultivate customer loyalty ☐
   b) Different from competition ☐
   c) Allows for positioning ☐
   d) To claim quality of products and services ☐
   e) Others (specify)________________________________

4. Kindly indicate the extent to which you have used the following strategic action plans to beat competition in the market and increase the profitability at the outlets. Use a scale of 1-5 to indicate with a tick where;

1 – Not at all

2 – Low extent

3 – Moderate extent

4 – Large extent

5 – Very large extent

	Factors	**1**	**2**	**3**	**4**	**5**
1.	We have well motivated employees					
2.	The company engages in having more outlets through dealers to maximize the profits and hence the market share					
3.	We focus on the design and layout of the outlets to improve the image thus attract customers					
4.	We embrace good housekeeping at the outlets					
5.	The company values the convenience and accessibility for the customers at the outlets					
6.	Well-dressed pump attendants contribute to the sales made in a day					
7.	We focus on maintaining customers through valuable customer service					

5. How has each of the following strategic responses been useful to your company in response to changes in the market? Use a scale of 1-5 to indicate with a tick; 1-Very Important, 2-Important, 5-Moderately important, 4-Not so important and 5-Not important

a) Product innovation

	Factors	**1**	**2**	**3**	**4**	**5**
1.	We have new products in the market					
2.	The company embraces products improved in response to the market					
3.	We have new processes of doing things applied by the organization at the forecast					

b) Outsourcing

	Factors	**1**	**2**	**3**	**4**	**5**
1.	We have Security services at the outlets					
2.	The human resource at the outlets are outsourced in regards to appreciate the main activities at the outlets					
3.	System providers (cards) are available at the outlets to curb the non-cash customers and appreciate the increase in sale					
4.	Cost cutting is a technique applied as observing the margins that go along with reducing costs					

c) Product differentiation

	Factors	**1**	**2**	**3**	**4**	**5**
1.	The company believes in high standard customer service					
2.	We tend to believe that advertising is a strategy on its own in the market					
3.	We consider more strategic locations for our outlets in order to attract the customers attention thus sale					
4.	The company's brand speaks volume for itself and makes positioning easier					
5.	Staff training is mandatory to ensure that the employees are well vast with the activities of the surrounding market					

d) Expansion strategy

	Factors	**1**	**2**	**3**	**4**	**5**

1.	The outlets opened in several areas result to an expansion in sales thus performance					
2.	Adequate staff is important to performance of the organization					

e) Adaption of technology

	Factors	**1**	**2**	**3**	**4**	**5**
1.	We apply the use of latest technology to stay competitive					
2.	Automation of operations is embraced in almost all the outlets and the main offices as well					
3.	We maintain a reasonable staff number due to the latest ways of accessing and getting things done in the market					

SECTION C: PERFORMANCE

6. Below are statements describing on Performance. Kindly indicated the level to which you agree with them in accordance to the following scale:

1-not at all, 2-low extent, 3-moderate extent, 4-large extent, 5-very large extent

No.	**Statement**	1	2	3	4	5
1	There is an increased level of strategic responses that influences the performance of the firm					
2	There is an increase in cost that is associated with the operations of the service delivery and the strategy applied					
3	There is increased information sharing with other department in order to enhance operational efficiency					
4	There is a decline of overall administrations costs					
5	There is increased speed with which decision making can be undertaken within the firm to impact the performance of the organization					
6	There is high efficiency of cost cutting and increase in the profitability					
7	There is increased creativity in the use of the strategic responses in the market to outdo the competition thus upgrade the performance of the company					
8	There is high response to dynamic customer needs in regards to the competition in the surrounding market.					
9	There is an accurate demand for performance of the firm that will impact the market share level					
10	There are increased customer satisfaction levels					

THANK YOU FOR YOUR TIME

Appendix III: List of Petroleum Companies in Kenya

1. Total Kenya Limited
2. Vivo Energy Limited
3. KenolKobil Limited
4. National oil corporation of Kenya
5. Libya Oil Kenya Limited
6. Gas line Petroleum Limited
7. Mogas Kenya Limited
8. Lake Oil Limited
9. Hass Petroleum Kenya Limited
10. Petro Oil Kenya Limited
11. Oryx Energy Limited
12. Tosha Petroleum
13. Engen Kenya Limited
14. Astrol Petroleum Company
15. Gulf Energies Limited
16. Bushra Energy Limited
17. Luqman Petroleum Limited
18. Regnol Oil (K) Limited
19. World Fuel Services Kenya Limited
20. Kenya Petroleum Refineries Limited
21. Performance Parts Limited

22. Link Oil Ltd
23. Oil Energy Kenya Limited
24. Petrocam Kenya Ltd
25. Aspam Energy Kenya Limited
26. East African Gasoil Limited
27. Galana Oil Kenya Limited
28. Gapco Kenya Limited
29. Stabex International Ltd
30. Olympic Petroleum Limited
31. City Oil (K) Limited