STRATEGIC RESPONSES ADOPTED BY KENOLKOBIL LIMITED TO CHANGES IN THE BUSINESS ENVIRONMENT IN KENYA

BY

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DECLARATION

Student’s declaration

I declare that this project is my original work and has not been submitted for a degree in any other university or college for examination/academic purposes.

Signed …………………………………. Date………………………

Stephen Ndirangu Kinyanjui

Reg. No: D61/70177/2009

Supervisor’s declaration

This research project has been submitted for examination with my approval as the University supervisor.

Signed …………………………………….. Date ………………………

Professor Evans Aosa

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DEDICATION

This study is particularly dedicated to my wife Purity and our children Susan and Martin, who supported and encouraged me in the completion of this project.

ACKNOWLEDGEMENT

I would like to take this opportunity to give thanks to the Almighty God who makes all things possible. God has blessed me and has seen me through the completion of this project.

A study of this nature is usually a product of various efforts and I am grateful to all those who helped me to accomplish this study. While it is not possible to name all of them, recognition has been given to a few. My special thanks go to my supervisor Professor Evans Aosa for his invaluable professional support, advice, and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to you. I would also like to thank all the academic and support staff in the School of Business, University of Nairobi for their dedication and support.

The senior management of KenolKobil Limited cannot pass without my special acknowledgement for taking time of their busy schedule to provide me with all the information I needed in the course of the research. Without their immense cooperation I would not have reached this far.

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ABSTRACT

Organizations are environment serving and have to align themselves well to cope with the ever changing business environment. Every organization depends on the environment for its survival and prosperity. Today's business environment is dynamic, complex and highly competitive. Thus, every organization encounters numerous changes in its environment and needs to adapt its strategies in response to these changes. This study sought to identify changes that have occurred in the environment that have affected KenolKobil and how the company has strategically responded to these changes. Data collection was done through a case study approach that sought to elicit general and specific information on changes in business environment and how the company has responded to the changes. Data analysis method applied for this case study was content analysis. This enabled focus on issues that bring out the theme of changes in the environment and how organization strategically responds to these changes. Research findings from the study indicate that the biggest threat to the future survival and profitability of KenolKobil is government regulation on fuel prices. The second threat is expansion strategy by rival oil marketers. This study has confirmed that KenolKobil has put in place strategies to position itself ahead of the competition. Since the biggest threat to KenolKobil is regulation of fuel prices, the company has embarked on a regional expansion strategy to become a Pan-African oil marketer. In view of the findings, the study recommends KenolKobil together with other oil marketers to lobby the government to remove fuel price controls to allow free market dynamics and industry self-regulation. Equally, important is to get a strategic partner to inject capital for the regional expansion strategy, and/or issue corporate bond to finance the expansion strategy. Since the study was on one oil marketer, data gathered might differ from data that may be collected from other oil marketers. This is because different organizations even if operating in the same industry adopt different strategies even for a similar change in the business environment. The study also faced a number of challenges. Two main ones were time and financial constraints.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

All organizations operate in an environment that is characterized by constant changes. Machuki and Aosa (2011) noted that from time to time, organizational environments undergo catastrophic upheavals which lead to changes that are so sudden and extensive that they alter the trajectories of entire industries, overwhelm the adaptive capacities of resilient organizations, and surpass the comprehension of seasoned managers. As the pace of changes in external environment accelerates, organizations' survival and profitability depends on devising strategic and operational responses to unforeseen discontinuities. Thompson, Strickland, Gamble and Jain (2008) have also noted that insightful diagnosis of a company's external environment is a prerequisite for managers to succeed in crafting a strategy that is excellent fit with the company's situation, is capable of building competitive advantage, and holds good prospect for boosting company performance.

All industries are characterized by trends and new developments that gradually or speedily produce changes important enough to require a strategic response from participating firms. Organizations operate in a macro-environment shaped by influences emanating from the economy, population demographics, societal values, governmental legislation, technological factors and the industry and competitive arena in which the company operates (Thompson et al., 2008). An organization's macro-environment includes all relevant factors and influences outside the company's boundaries. Strategically relevant influences coming from the macro-environment can sometimes have a high impact on a company's business situation and a very significant impact on the company's direction and strategy. Companies have to craft strategies that are responsive to changes in the operating environment. Changes in the macro-environment may occur rapidly or slowly, with or without advance warning and the impact of these changes on a company's choice of strategy can range from big to small.

The management of the company must scan the external environment, stay alert for potentially important developments, assess their impact and influence, and adapt the company's direction and strategy as needed. The factors and forces in a company's macro-environment having the biggest strategy shaping impact typically pertain to the company's immediate industry, competitive environment, actions of rival firms, buyer behavior, and supplier-related considerations.

The oil industry has in the recent past witnessed significant changes in the operating business environment. Therefore, oil companies have to review their strategies and respond appropriately to the changing macro-environment. The size and nature of the market place for petroleum products in Kenya has emerged significantly over the years attracting many players. According to Sambu (2010), the market of 40 players is under the influence of four firms, French oil giant Total is the leader, KenolKobil, a public quoted compared is the second major player and the other two major players are Kenya Shell and Oilibya. The government has also invested in the industry through the government owned National Oil Corporation of Kenya (NOCK), Kenya Petroleum Refineries Limited, Kenya Pipeline Corporation and market price regulator Energy Regulatory Commission (ERC). Other players are private limited companies including Gapco, Engen Limited, Hass Petroleum Company, Gulf Energy, Galana Oil Company, Mogas Oil Company and other small independent players.

1.1.1 Environment dependence

Organizations are open systems that get their inputs from the external environment, process the inputs into products which they offer to the environment as goods and services. Generally, organizations are not immune to environmental turbulence and have no ability to stop the discontinuous changes in the environment. The best they can do is to respond to the changes in order to reduce the adverse effects on the company's operations and performance. Changes in the macro-environment may occur rapidly or slowly, with or without advance warning and the impact on a company's choice of strategy can range from big to small.

Weihrich and Koontz (1993) have noted that all managers, whether they operate in a business, a government agency, or a church, must in varying degrees, take into account the elements and forces of their external environment. While they may be able to do little or nothing to change these forces, they have to respond to them. Managers scan the external environment and must stay alert for potentially important developments, assess their impact and influence, and adapt the company's strategy as needed.

The external environment that all organizations interact with consists of political, economical, social, technological, environmental and legal environment. Machuki and Aosa (2011) have noted that within Organization Theory (OT), organizations have been conceptualized and researched as open systems engaging in transactions with their environments. Thus, the organization can be viewed as an "open system" that affects and is affected by its environment. It is important for the management of the organization to maintain an accurate and current awareness of important aspects of and trends in the organization's external environment. A number of major companies have lost dominance or gone out of business because of their failure to recognize and adapt to changes in their environments, or by failing to be leaders in making necessary changes.

Thompson et al., (2008) have noted that all companies operate in a 'macro-environment' shaped by influences emanating from the economy at large, population demographics, societal values and lifestyles, governmental legislation and regulation, technological factors, and closer home, the industry and competitive arena in which the company operates. A firm's macro-environment includes all relevant factors and influences outside the firm's boundaries. Strategically relevant influences coming from the macro-environment can sometimes have a high impact on a company's business situation and have a significant impact on the company's direction and strategy.

1.1.2 Strategic responses

To optimize profitability in a turbulent environment, the responsiveness of an organization's strategy must match the turbulence in the environment but also the organization's capabilities should match the aggressiveness of its strategy. Therefore, the logic relating environment to strategy and in turn to performance is compelling, but empirical demonstrations of the relationships have only recently been made for developed countries (Machuki and Aosa, 2011). In essence, an organization's external environment has implications for its performance.

Companies have to craft strategies that are responsive to environmental regulations, growing use of the internet and broadband technology. However, the factors and forces in a company's macro-environment having the biggest strategy-shaping impact typically pertain to the company's immediate industry and competitive environment, the actions of rival firms, supplier-related considerations and so on (Thompson et al., 2008).

Butler, Dickie and Naude (2010) have noted that nowadays corporations are challenged by dynamic environments with a rapid speed of changes, burgeoning complexity and increased uncertainty. Firms must be able to cope with unplanned situations which cannot be predicted in advance. Therefore, organizations are constantly engaged in discovering the unknowable and their strategy has to assist them in this process in order to enable their firms to manage crises.

According to Butler et al., (2010) turbulent environments call for organizations to detect and create new opportunities and then select those that are worthy of actual resource allocation in order to be exploited for the firm's benefit. The ability of firms to benefit from new opportunities requires them to develop new resources and dynamic capabilities over time rather than protect their unique resources.

1.1.3 The Oil industry in Kenya

Oil plays a significant role in the global economy and is the most traded commodity in the world. According to BBC News, of 18 October, 2007 crude oil is the world's most actively traded commodity. The largest markets are in London, New York and Singapore but crude oil and refined products –such as gasoline (petrol) and heating oil –are bought and sold all over the world. Petroleum products are used in almost all the industries of the world economies including the Kenyan economy. As such the oil industry in Kenya has attracted international and local players. According to Sambu (2010), the market has over 40 players. However, among the 40 players the market is under the influence of four firms, Total Kenya is the leader controlling a third of the market, KenolKobil controls 18.7 per cent, Kenya Shell 17.8 per cent and Oilibya 11.7 per cent. Other players include Gapco Oil Company, Hass, National Oil Corporation of Kenya (NOCK), Gulf Energy, Engen, Mogas, and Galana Oil Company.

In the recent past, significant changes have occurred in the business environment in which organizations in the oil industry operates at the local and international levels. According to Ondari (2010) the Energy (Petroleum Pricing) Regulations 2010, contained in a special gazette notice signed by Energy minister Kiraitu Murungi and which will take effect on December 15, will see marketers making a profit of Sh. 6 at the wholesale level and Sh. 3 at retail level. This is one of the major governmental changes that have occurred in the oil industry. The Energy Regulatory Commission (ERC) reviews and regulates fuel prices on 14^{th} of every month. Before enactment of this law, oil companies were free to set their own prices based on free market dynamics of supply and demand.

Another change that has occurred is the establishment of a common exchange pool for LPG gas cylinders and standardization of gas cylinder regulators. All players in the oil market are required to exchange cooking gas cylinders with rival companies. This change in the oil industry has stabilized cooking gas prices as any player who retails cooking gas above the market, will loose out on sales.

The expansion strategy by rival companies especially Total Kenya Ltd is the other change that has occurred. Juma (2011) has noted that, Total Kenya has regained top spot among oil marketers in Kenya, knocking down its main rival KenolKobil to second place. Data from the Petroleum Institute of East Africa (PIEA) –the industry lobby –shows that Total's market share climbed from 22.6 percent in June to 23.7 percent in September, making it the largest player in terms of local sales.

Macharia (2012) has noted that Kenya announced on Monday its first oil discovery, saying it was found in the northern part of the country where British Tullow Oil Plc has been conducting exploratory drilling. Kenya and East Africa region have become an international hot spot for oil and gas exploration after commercial oil deposits were found in Uganda and natural gas in Tanzania. The discoveries of oil deposits in Kenya and Uganda and LPG in Tanzania are the other significant changes that have occurred. Tullow Oil PLC has been exploring for oil in Uganda leading to discovery of oil.

Escalating international crude oil prices are the other major change that has occurred in the oil industry. Current fuel prices are the highest ever, not only here in Kenya but all over the world. High prices have adversely affected demand for fuel and oil companies are therefore reporting reduced profits and huge losses.

The opening up of Eastern Europe, the Gulf crisis, slowdown in the world economy and increased demand of oil especially in China and Japan have posed real challenges for managers in the oil industry. This has made it increasingly difficult for oil companies to succeed in the turbulent environment.

Upheavals in the oil producing countries such as Libya, South Sudan and Sudan are the other changes that have affected oil supply in the international market. Instability in these countries has disrupted oil production reducing oil supply in the international market leading to high prices of the commodity.

Increased piracy activity in the Horn of Africa has resulted in a number of oil tankers carrying fuel to Kenya and other destinations being captured and detained by pirates. As a result of this piracy, the insurance premiums for vessels carrying oil and passing through the Indian Ocean corridor have increased significantly and this has adversely affected local fuel prices.

The above are some of the major changes that have occurred in the oil industry and it can be assumed that oil companies, especially the major players are responding to these changes. KenolKobil Limited is one of the major players in the oil industry and has therefore been chosen in this study to examine the strategic responses that the company has adopted to cope with the above changes.

Oil plays a strategic and key role in the economy of all the countries of the world. Thus, governments all over the world keep a keen eye on the oil industries mostly to avoid disruption and adverse economic consequences. The oil industry is an important sector in the economy and oil prices affect almost all the sectors of the national economy. Normally, an increase in prices of oil products, affect the prices of all other commodities across the economy. This is how important the oil industry is and this makes it a very interesting area of study to understand how oil companies are responding to changes in the macro-environment.

1.1.4 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. The KenolKobil Group is Africa's fastest growing indigenous oil marketing conglomerate with an expansive investment portfolio spanning the entire Eastern, Central and Southern parts of the African continent. The Group consists of subsidiaries in nine African Countries outside Kenya Head Office. 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 venturing into new markets, the Company has been aggressively strengthening its existing business through acquisition of new assets as well as innovation of new products. The KenolKobil Group strong business model coupled with visionary leadership provided by the Company's professionally constituted Board of Directors and Management team have seen the Company post impressive results over the years. According to the company's Bulletin of first half 2011, KenolKobil Vision is to be the leading brand in every market the company operates in, and a major player in Africa. The Mission of the company is to develop, improve and increase quality and total value of its products and services; become a market leader through continuous innovation, customer focus and to provide the highest 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, pursue enhancement of product storage to ensure uninterrupted supplies to Network and other customers and constructive collaboration and communication with individual dealers to attain optimum site potential.

1.2 Research problem

Today organizations operate under a dynamic and ever changing business environment and need to respond to changes in the external environment by realigning their strategies to the changing macro-environment. Failure to respond to changes in the business operating environment is likely to result in the failure of the organization. Changes in the macro-environment have placed managers of organizations in a state of alertness. In order to survive this dynamic environment, organizations need strategies to deal with emerging environmental changes. It is therefore important for organizations to respond appropriately to changes in the macro-environment in order to remain viable. Crafting and implementing cutting-edge strategies to respond to changing business environment has become an endless preoccupation for many market leaders.

The Kenyan oil industry and indeed the general business environment have undergone tremendous macro-environmental changes. Consequently, there has been pressure on organizations to respond with strategies formulated to propel them to retain their market share and competitive position. The oil industry in particular, has witnessed significant changes in the business environment. The changes that have occurred include government regulation of fuel prices, creation of a common exchange pool for LPG gas cylinders, expansion strategy by rival companies, discovery of oil in Kenya and Uganda, escalating international crude prices, crisis in oil producing countries, increased piracy in the Horn of Africa, among others.

The environmental turbulence in the oil industry has not spared KenolKobil as a leading oil marketer because it has no ability to stop the discontinuous 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.

Recent studies have been done in Kenya to document strategic responses adopted by various entities to changes in the business macro-environment. Kiptugen (2003) studied the strategic responses that Kenya Commercial Bank Limited has adapted to changing competitive environment. In another study, Ngaluma (2008) researched on the strategic responses of the Kenya Electricity Generating Company to changes in the external environment. Ndoti (2008) on the other hand studied the strategic and operational responses by Kenya Petroleum Refineries Limited to challenges in the competitive business environment.

Namenya (2008) study was on responses of National Bank of Kenya to competitive forces in the banking industry. Another study by Njogu (2007) was on the strategic responses by Schindler Kenya Limited to changes in the environment. On the other hand Gitonga (2008) study was on the response strategies of Equity Bank Limited to competition in the Kenyan banking industry.

Due to contextual differences in sectors in which different entities operate as well as managerial differences among the organizations, strategic responses gained from other studies may not be assumed to explain strategic responses adopted by KenolKobil. How has KenolKobil responded to changes that have occurred in the environment of the oil industry?

1.3 Research objective

The objective of this study is to establish the strategic responses adopted by KenolKobil Limited to changes in the business environment.

1.4 Value of the study

As mentioned earlier, no study has been done on the strategic responses that KenolKobil Limited has adapted to changes in the business operating environment. This will be an investigative case study. This study will provide crucial information to the staff of KenolKobil Ltd on strategic responses taken by management as a result of significant changes in the business operating environment.

Managers will be able to use this study as a management reference point for strategies being put in place, both present and future that will ensure their company's survival and success over the other companies. It will clearly show justification why various strategies have been put in place.

The study will also be of value to management practitioners and consultants as it will provide a corporate lesson of the strategies to be employed and those that need to be discarded and the relative importance of each. Also to benefit are the students of strategic management who will learn from the study how to apply strategy in a context of a fast changing macro-environment. The academia will gain insights into strategic responses adopted by firms facing increased competition, government price controls as well as a foundation of further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Literature review is a body of text that aims to review the critical points of current knowledge to a particular topic. Secondary sources are good sources of literature review and its goal is to situate the current study within the body of literature. It is important to review what other scholars have done in this field of strategic management. Thus, literature that relates organizations to their environments will be very relevant and will be discussed below. The concept of strategy that relates organizations to their external environment will also be reviewed. In addition, studies that have been carried out in this particular area will be reviewed. And lastly, a review of specific strategic responses that are generally employed by management to realign their organizations to changes in the business environment will be done.

2.2 Concept of strategy

Strategy like many other concepts in the field of management means different things to different people and organizations. There is no agreed all embracing definition of strategy but rather it is an elusive and somewhat abstract concept. Strategy therefore, should be clearly understood from its operational context. In game theory, for example, strategy refers to one of the options that a player can choose. That is, every player in a non-cooperative game has a set of possible strategies, and must choose one of the choices. According to Gluek, strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process. The resource-based view (RBV) of the firm emphasizes that the competitive advantage of firms is based on their ability to possess valuable, rare, costly-to-imitate and non-substitutable resources and capabilities (Butler et al., 2010)

Weihrich and Koontz (1993) have observed that the term strategy has been used in different ways. Some writers focus on both the end points (mission and goals) and the means of achieving them (policies and plans). Others emphasize the means to the ends in the strategic process rather than the ends per se. Strategy refers to the determination of the purpose, and the basic long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these aims.

According to Thompson et al., (2008) a company's strategy is management's action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving the company's financial and market performance. Thus, a company's strategy is all about how management intends to grow the business, how it will build a loyal clientele and outcompete rivals.

Yabs (2010) has observed that the word strategy has its roots in Greek language. It came from the word *strategos,* which means the art of an army general in deploying forces to defeat an enemy. Competition in industry was equated to war tactics and most business organizations borrowed military terminologies such as strategies, logistics, tactics, staff, chain of command, and unity of purpose, frontline staff, marketing frontiers, sales force, tactical maneuvers, strategic alliances and others.

Hunger and Wheelen (2007) have observed that from his extensive work in this field, Bruce Henderson of the Boston Consulting Group concluded that intuitive strategies cannot be continued successfully if the corporation becomes large, the layers of management increases, or the environment changes substantially. The increasing risks of error, costly mistakes, and even economic ruin are causing today's professional managers to take strategic management seriously in order to keep their companies competitive in an increasingly volatile environment.

Yabs (2010) has defined strategic management as the art of mobilizing resources and the science of formulating, implementing, and evaluating decisions that enables an organization to realize its objectives. Strategic management is used to refer not only to the general plans of an enterprise, but also to the process of incorporating environmental factors in decision making. Management of the enterprise take into consideration all factors both external to the firm and internal in order to improve the chances of success. The major aim of strategic management can be viewed as to lessen the future uncertainties and to minimize surprises.

As can be observed from the above, there are many definitions of the concept of strategy given by different authors, each giving definition depending on the objective of his/her research. Overall, the strategies give direction and purpose to deploy resources in the most effective manner, and to coordinate the stream of decisions being made by different members of the organization.

2.3 Organizations and the environment

The environment under which the organizations operate is infinite and includes everything outside the organization. Organizational environment that can be considered important consist of elements that exist outside the boundary of the organization and have the potential to affect all or part of the organization. Machuki and Aosa (2011) have noted that the environment of an organization is composed of an infinite set of elements outside the boundaries of the organizations, associations of individuals, and broad forces represent important segments of the organization’s environment.

Yabs (2010) has noted that macro-level environmental forces are all those forces that are external to the firm. Macro-level environment refers to the national environment in which the firm operates. This is opposed to micro-level environment that refers to individual industrial sectors or even to an individual firm’s environment.

There are three types of environments of the firm: External remote environment, External Industry or Immediate or Operational Environment and Internal Environment. Remote environment refers to factors that are far from the firm but influence its operations. They include politics, economics of a country, social factors, technological factors and ecological factors. These factors have been termed PESTEL. Industry or operational or immediate environmental forces refers to the factors slightly closer to the firm such as customers, suppliers, employees, and other firms having dealings with the company (Yabs, 2010).

Strategic management is a process and includes environmental scanning (both external and internal), strategy formulation (strategic planning), strategic implementation, and evaluation and control. Strategic management emphasizes the monitoring and evaluating of external opportunities and threats in light of a corporation's strengths and weaknesses in order to generate and implement a new strategic direction for an organization.

Distinguishing between the external and the internal environment of the firm is common to most approaches to the design and evaluation of business strategies. One well-known approach is the SWOT framework: Strengths, Weaknesses, Opportunities, and Threats. This framework distinguishes between two features of the internal environment, strengths and weaknesses, and two features of the external environment, opportunities and threats. However, the SWOT framework is handicapped by difficulties in distinguishing strengths from weaknesses and opportunities from threats (Yabs, 2010).

Hunger and Wheelen (2007) have defined strategic management as that set of managerial decisions and actions that determines the long-run performance of a corporation. Strategic management includes environmental scanning (both external and internal), strategy formulation, strategy implementation, and evaluation and control. Crafting and executing strategy are the heart and soul of managing a business enterprise.

According to Thompson et al., (2008) the managerial process of crafting and executing a company's strategy consist of five interrelated and integrated phases. These phases are strategic vision, objective setting, crafting a strategy, implementing and executing the chosen strategy, and strategy evaluation and control. Strategic management is key to the survival in a turbulent business environment which characterizes today's business environment where change is the only constant factor. There is no single industry or company that is able to escape the environmental winds of change. Effective strategic management appears to be the answer to company's management in effectively and efficiently coping with changing business environment.

2.4 Strategic responses

Hunger and Wheelen (2007) have noted that companies often respond differently to the same environmental changes because of differences in the ability of managers to recognize and understand external strategic issues and factors. Few firms can successfully monitor all important external factors. According to Thompson et al., (2008) to respond to changes in the external environment, companies in most all industries have to craft strategies that are responsive to environmental regulations, growing use of the internet and broadband technology, and energy prices. However, the factors and forces in a company's macro-environment having the biggest strategy-shaping impact typically pertain to the company's immediate industry and competitive environment, actions of rival firms, buyer behavior, suppliers' considerations and so on

Companies in all types of industries have adopted strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets. Thompson et al., (2008) have noted that a strategic alliance is a formal agreement between two or more separate companies in which there is strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control, and mutual dependence. In most cases strategic alliances involve joint sales or distribution, joint production, joint research et al.

Another strategic response that organizations employ is mergers and acquisition. Thompson et al., (2008) have noted that combining the operations, via merger or acquisition is an attractive strategic option for achieving operating economies, strengthening the resulting company's competences and competitiveness, and opening up avenues of new market opportunity. Many mergers and acquisitions are driven by strategies to achieve cost efficient operations out of the combined companies, to expand a firm's geographic coverage, to extend the firm's business into new product categories, to gain access to new technologies or other resources and competitive advantage, and to try to invent a new industry.

Companies also employ vertical integration strategies enabling them to operate across more stages of the industry value chain. Vertical integration extends a company's operations and competitiveness within the same industry and involves expanding the company's range of activities backward into suppliers of inputs and/or forward toward the final consumers (Thompson et., 2008). The main reasons for investing company resources in vertical integration are to strengthen the firm's competitive position and to enhance its profitability.

Outsourcing is another strategic response that is widely employed by organizations. It involves a conscious decision to abandon attempts to perform certain value chain activities internally and instead give them out to outside vendors and strategic allies. The two big drivers for outsourcing are that outsiders can in most cases perform certain activities better and/or cheaper and it allows a firm to focus its entire energies on its core activities that are the most critical to its competitive and financial success. According to Thompson et al., (2008) the current interest of many companies in making outsourcing a key component of their overall strategy and their approach to supply chain management represents a big departure from the ways companies used to deal with their suppliers and vendors.

Offensive strategic responses have been employed by most companies to improve their market position. Offensive strategies are important when a firm has no choice but to try to whittle away at a strong rival's competitive advantage and gain profitable market share. Thompson et al., (2008) have noted that a blue ocean strategy seeks to gain dramatic and durable competitive advantage by abandoning efforts to beat out competitors and instead inventing a new industry or distinctive market segment.

Consequently, according to Butler et al., (2010) to survive in a fast-paced environment, firms must embed flexibility into their strategic actions. Turbulent environments call for organizations to be able to detect and create new opportunities and then select those that are worthy of actual resource allocation in order to be exploited for the firm's benefit.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology deals with the description of the methods applied in carrying out the research study. The research methodology includes the design of the research, data collection procedures and analysis of the collected data using available tools.

3.2 Research design

A case-study approach was employed to identify strategic options KenolKobil Ltd has adopted due to changes in the business operating environment. According to Kombo and Tromp (2006) a research design and methodology can be regarded as an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance with the research purpose. It is the conceptual structure within which research is conducted. Case studies bring out very focused and valuable insights to phenomena that may otherwise be vaguely known or understood. Case studies also enrich generalized knowledge and make it possible for the researcher to use one or more methods depending upon the prevailing circumstances for example in-depth interviews and questionnaire.

Kombo and Tromp (2006) notes that a case study seeks to describe a unit in detail, in context and holistically. It is a way of organizing educational data and looking at the object to be studied as a whole. In a case study, a great deal can be learned from a few examples of the phenomenon under study.

KenolKobil is a major player in the oil industry and a public quoted company. This made the company a suitable candidate for this study and also a good representative of other major players in the oil industry that are facing similar challenges. Case studies have been used in other studies and proved successful for example by Mbogo (2003).

3.3 Data collection

Both primary and secondary data was used for this study and effort has been made to ensure the validity and reliability of the data collection exercise. This is an important approach for a case study design which calls for several source of information to be used for verification and comprehensiveness. Kombo and Tromp (2006) have observed that, data is collected to further a researcher's understanding of a puzzling issue. Further, data collection is a vital component in research as it is through the collected information that research findings are made, recommendations offered and the way forward formulated.

The primary data collection instrument was interview guide that was hand-delivered to the respondents at KenolKobil Ltd. Data collection method used to collect data by the researcher was booking appointments with the senior management of KenolKobil Ltd and delivering the interview guides to their offices. From the interview guide questions, the researcher got written answers.

Data collection involved obtaining data by communicating with respondents and asking them questions. Respondents were asked a set of open-ended questions concerning the organization, changes in the macro-environment and KenolKobil Ltd strategic responses to the changes. In addition to the data collected through the interview guide, available company documents, audited accounts, newspaper articles, magazine articles, company catalogs and other available secondary information pertinent to the firm were used to collect additional data.

3.4 Data analysis

Data from interview guides and secondary sources have been summarized according to study theme of strategic responses adopted by KenolKobil Ltd to deal with changes in the business environment. Content analysis was used to analysis the data collected from the respondents. According to Kombo and Tromp (2006) content analysis examines the intensity with which certain words have been used. Content analysis systematically describes the form or content of written and/or spoken material. Content analysis is a technique of making inferences by systematically and objectively identifying specific characteristics of messages and using the same approach to relate to trends.

The approach of content analysis has been used previously in similar research projects, such as the one by Muriithi (2008). He argues that this method is scientific as the data collected can be developed and verified through systematic analysis. The qualitative method can be used to uncover and understand what lies behind a given phenomenon under study. This type of analysis is suitable as it does not limit respondents on answers and has the potential of generating much more detailed information.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter deals with analysis of the data and interpretation of the research findings. The data in this study was content analyzed in order to find out the changes that have occurred in the oil industry and the strategic responses adapted by KenalKobil to these changes. Set out here below are the changes that have occurred in the business environment of the oil industry and strategic responses by KenolKobil.

4.2 Environmental changes facing Kenolkobil in Kenya

Changes in the business environment generally affect the long term viability and profitability of the organization and thus require timely and appropriate strategic responses in order for the firm to survive and prosper. All the respondents interviewed acknowledged that significant changes have occurred in the business environment in which KenolKobil operates.

One of the significant changes acknowledged by all the respondents was the regulation of fuel prices by the government effective December 2010. The government controls the maximum prices that oil companies sell the fuel to the motorists. Adherence to the prices is mandatory and failure to do so attracts heavy fines and/or cancellation of the operating license.

Another change cited by the respondents is volatile and high international crude oil prices that the industry is facing. The respondents observed that the current prices in the market are the highest the industry has witnessed and the projection of higher prices in future. Respondents were apprehensive that high prices will suppress demand and adversely affect the performance of KenolKobil.

The expansion of rival companies especially Total Kenya is another change that was acknowledged by the respondents. In a move that involved acquisition of Caltex petrol stations in Kenya, Total Kenya is now number one oil marketer in Kenya in terms of market share overtaking KenolKobil. In a deal agreed with the government, some of the Caltex service stations were acquired for the state oil corporation, National Oil Corporation of Kenya.

According to the respondents another significant change that has occurred in the industry is the establishment by the government of a cooking gas exchange pool where oil marketers exchange gas cylinders with rival companies. Through the exchange pool, the oil marketers have standard cooking gas cylinder fitted with standard gas regulators and to accept gas cylinders from rival companies at the retail level.

The respondents cited the increased piracy in the horn of Africa as another change that has affected the oil industry. The respondents lamented the high increase in the insurance premiums and delays in ship docking at Mombasa Port due to increased piracy activities. The delay in delivery of oil has resulted in fuel shortages in the market and this has affected revenues and profits of oil marketers.

Another significant change that was cited by the respondents is the purchase of fifty one percent of Kenya Petroleum Refineries Ltd by Essar of India and elevation of the refinery facility to a merchant status. Oil marketers are apprehensive that the inefficiencies at Kenya Petroleum Refineries Ltd will delay supply and delivery of oil into the market. The respondents lamented that unless the refinery is managed professionally, inefficiencies at the refinery will make oil products even more expensive.

The respondents cited another change as the upheavals in the oil producing countries that have affected the supply of oil in the industry. The upheavals have adversely affected the oil outputs in the market distorting the supply level thus increasing fuel prices and this has eroded the margins of oil marketers.

Other changes acknowledged by most respondents are oil discovery in Uganda and cooking gas in Tanzania. These discoveries have implications on the operations of KenolKobil in these two countries where the company has set up operations.

4.3 Strategic responses

According to Ansoff and MacDonnell (1990) strategic management is concerned with creating a strategic position which assures future environment viability of the organization. The strategic analyst of every firm is concerned with the continued long term profitability potential. Companies in most all industries have to craft strategies that are responsive to environmental regulations, technology, actions of rival companies, political and social economic factors. Failure to respond to changes in the environment may threaten the survival of the firm.

4.3.1 Strategic alliances and partnership

A strategic alliance is a formal agreement between two or more separate companies in which there is a formal agreement between two or more separate companies in which there is strategically relevant collaboration, joint contribution of resources, shared risk, shared control and mutual dependence Thompson et al., (2008). In one of the monthly management meetings the Chief Executive Officer of KenolKobil informed the management that the Board of the Directors had directed the management to look for a strategic partner to take the company to the next level. Following the board resolution, the management of KenolKobil started negotiations with a strategic partner Puma Energy of Switzerland. Puma Energy is an international oil company that is seeking to enter the local oil market for the first time by acquiring a controlling interest of KenolKobil Group. The partnership will complement the companies own strategic initiatives and strengthen KenolKobil competitiveness in domestic and regional market.

Puma Energy operates in other key oil markets in Africa and has the financial capacity and technical know-how to operate across borders and is expected to strengthen the expansion strategy of KenolKobil to be a Pan-African oil marketer. It is expected that the expansion strategy that Kenolkobil has been pursuing will be greatly enhanced by the partnership with Puma Energy both locally and regionally.

In another strategic alliance, KenolKobil jointly operates the Nairobi Joint Depot (NJD) with Total Kenya Ltd. In this arrangement the two oil marketers share overhead costs to reduce their operational costs and also loan each other fuel in case one has a shortfall. This strategic partnership is unique as other players operate individually. Strategic partnership may experience significant drawbacks due to the potential for conflicting objectives, disagreement over how to best operate the joint depot, and so on.

4.3.2 Regional expansion

As noted by Thompson et al., (2008) when a company has resource strengths and capabilities suitable for competing in other countries markets, launching initiatives to transfer its expertise to cross-border markets becomes a viable strategic option. One of the strategic responses that KenolKobil has adapted is regional expansion spanning the entire Eastern, Central and Southern parts of the African continent. This expansion is in top gear especially with the introduction of fuel price regulation in Kenya in 2010 and aggressive marketing by rival companies to gain market share in the local market. KenolKobil regional expansion is especially targeting countries where the market thrives on the market economies of demand and supply.

The regional expansion strategy is guided by management opinion that when the economy in one country is not doing well the other economies are most unlikely to be experiencing the same economical phenomenon. This will therefore cushion KenolKobil operations against adverse economic impact on its overall profitability. The regulatory frameworks of individual countries where Kenolkobil operates are different and this may poses both opportunities and threats

Furthermore the expansion strategy decision was also informed by the fact that a number of corporate and individual customers that use the K-card fuel card of KenolKobil have operations across the regional block. In order to serve these customers in most if not all locations KenolKobil management decided to follow there customers across the boundaries. Local managers were seconded to the neighboring countries to oversee the operations of KenolKobil Ltd.

4.3.3 Outsourcing

A study by Ngaluma (2008) researched on the strategic responses of the Kenya Electricity Generating Company to changes in the external environment. The study found out that the company had outsourced its non-core activities. Outsourcing involves a conscious decision to abandon or forgo attempts to perform certain value chain activities internally and instead to farm them out to outside specialists and strategic allies Thompson et al., (2008). The two big drivers for outsourcing are that outsiders can often perform certain activities better or cheaper and it allows a firm to focus its entire energies on those activities at the center of its expertise and that are the most critical to its competitive and financial success.

KenolKobil has employed the strategy of outsourcing non-core business activities of transporting fuel to their fuel service stations to transporting and logistic companies. Outsiders can in most cases perform certain activities better and/or cheaper and this allows KenolKobil to focus its entire energies on its core activities of oil marketing that is critical to its success. This strategic response was informed by the fact that maintaining a fleet of tankers to transport fuel, ensuring safety of the fuel in transit, maintenance of the trucks and other logistics and administrative would divert KenolKobil from its core business and is also expensive.

The outsourcing strategy is also used in the maintenance of KenolKobil machineries and equipments at all the fuel stations. KenolKobil has contracted firms that specialize in the maintenance and servicing of fuel pumps and these firms offer twenty four hours services to all service stations. The contracted firms ensure minimum down time in dispensing of fuel in the entire fuel stations network. Other outsourced services include security, cleaning services and cash in transit to the bank by G4S.

4.3.4 Aggressive marketing

According to Thompson et al., (2008) aggressive moves to capture a bigger market share invite cutthroat competition, especially when many industry members, plagued with high inventories and excess production capacity, are also scrambling for additional sales. Firms employ aggressive marketing to wrest market share away from rivals that often provoke retaliation in the form of escalating marketing and sales promotion or a price war to the detriment of everyone’s profits. Offensive strategic responses are employed by firms to improve their market position and to try to build a competitive advantage or widen an existing one.

KenolKobil has come up with a fuel card marketing tool that is based on a software similar to the Mpesa money transfer. The K-Card enables the motorist to load money into the card at any KenolKobil service station and to use the card to fuel at any KenolKobil service station. In addition the card offers the motorist a discount on all purchases through a promotion campaign dumped “Deal Poa.” The K-card has captured and locked-in a clientele base that fuel at KenolKobil service stations at a discount thus protecting the market share from rival firms.

The company has been aggressively marketing its products to corporate customers that use huge volumes of fuel and lubricants. These organizations include Kenya Tea Development Authority, Kenya Power and Lighting, Kenya Airways, Kenblest, Nairobi Water and Sewerage Company, among others. These are high value customers and a niche market outside the service stations network and because of their high volumes the company offers them a discount graduated on volumes purchased each month.

The service station dealers also enjoy incentives known as sliding scale whereby on reaching certain volumes per month, the dealer gets monetary reward for every litre of fuel sold over and above the target volumes. The target volumes are guided by the location of the stations and the proximity of the competition. Dealers are encouraged to offer exemplary services to the customers to ensure loyalty and repeat orders so as to reach the set targets.

4.3.5 Low cost strategy

Thompson et al., (2008) have noted that striving to be the industry's overall low-cost provider is a powerful competitive approach in markets with many price-sensitive buyers. A company achieves low-cost leadership when it becomes the industry's lowest-cost provider rather than just being one of perhaps several competitors with comparatively low costs.

For maximum effectiveness, companies employing a low-cost provider strategy need to achieve their cost advantage in ways difficult for rivals to copy or match. KenolKobil is a major player in the monthly fuel open tender system (OTS) where oil marketers tender to import and supply all other marketers with fuel for a whole month. Oil marketers tender every month to the Ministry of energy and the lowest bidder is awarded the tender. KenolKobil has been aggressive in the OTS by quoting low prices and winning tenders.

4.3.6 Vertical and horizontal integration

Thompson et al., (2008) have noted that vertical integration extends a firm's competitive and operating scope within the same industry. It involves expanding the firm's range of activities backward into sources of supply and/or forward toward end users. The strategic impetus for forward integration is to gain better access to end users and better market visibility.

The best potential for being able to reduce costs via a backward integration strategy exists in situations where suppliers have outsized profit margins, where the item being supplied is a major cost component, and where the requisite technological skills are easily mastered or can be gained by acquiring a supplier with the desired technological know-how. KenolKobil has extended its operations and competitiveness by expanding the company's range of activities backward into suppliers of inputs. KenolKobil directly imports oil and also use tankers to transport oil from the port instead of using the Kenya Pipeline Company facilities that are sometimes unreliable. The company has also invested heavily in fuel service stations by outright ownership instead of entering into long-term leasing agreement with landlords of service station facilities.

In addition to entering into dealership agreements, KenolKobil has company run fuel service stations. In this arrangement the oil marketer sells fuel direct to motorists and employees of KenolKobil Ltd operates the fuel service station on o day-to-day basis. These service stations are known as company run. This strategy is employed for newly acquired fuel service station as the Company searches for a dealer to run the station. The company's new business manager is on the look out for new strategic sites where the Company can build new service station or hire from independent operators.

4.4 Discussion

Organizations are open systems that get their inputs from the external environment, process the inputs into products that are offered back to the environment as goods and services. Butler et al., (2010) have noted that nowadays corporations are challenged by dynamic environments with a rapid speed of changes, burgeoning complexity and increased uncertainty. Firms must be able to cope with unplanned situations which cannot be predicted in advance. KenolKobil Ltd has in the recent past faced a dynamic environment due to significant changes have occurred in the oil industry that include regulation of oil prices by Energy Regulatory Commission (ERC), standardization of cooking gas regulators, escalating international crude oil prices, upheavals in oil producing countries among other changes.

The environmental turbulence in the oil industry has not spared KenolKobil as a leading oil marketer because it has no ability to stop the discontinuous changes in the environment. The best KenolKobil can do is to strategically respond to these changes to reduce their undesirable effects on the organization.

4.4.1 Comparison with other theories

Hunger and Wheelen (2007) have noted that companies often respond differently to the same environmental changes because of differences in the ability of managers to recognize and understand external strategic issues and factors. Few firms can successfully monitor all important external factors. To optimize profitability in a turbulent environment, the responsiveness of an organization's strategy must match the turbulence in the environment but also the organization's capabilities should match the aggressiveness of its strategy. Therefore, the logic relating environment to strategy and in turn to performance is compelling, but empirical demonstrations of the relationships have only recently been made for developed countries (Machuki and Aosa, 2011). The respondents answers have revealed that KenolKobil constantly monitor the environment and has employed generic strategies to changes in the external environment.

KenolKobil has been searching for strategic partners to help the company in its regional expansion the company has expanded its operation in Eastern and Central Africa, outsourcing its non-core operations, vertical and horizontal integration of its operations among other strategic responses. KenolKobil has put into practice, strategic management by adopting some of the generic strategies in responding to changes in the external environment.

4.4.2 Comparison with empirical studies

Strategic responses adopted by KenolKobil Ltd to changes in the business environment are similar to those employed by other firms. Empirical studies have been done in the past to document strategic responses adopted by various firms to changing business environment. For example Kiptugen (2003) found out that, as a result of the economy's progressive decline, legislative changes, liberalization, and technological advances, Kenya Commercial Bank had responded by restructuring its operations, through closure of branches, disposal of non-core assets, development of new marketing strategies, acquisition of an information technology system, and culture change.

In another study, Ngaluma (2008) found out that Kenya Electricity Generating Company used various strategies such as diversification, adoption of up-to-date technology, astute management, and expansion to respond to changes in the external environment. Ndoti (2008) found out that Kenya Petroleum Refineries (KPRL) had responded to challenges in the competitive business environment by switching to production of unleaded fuel, diversification into product related services, joint venture projects, rigorous personnel training and development, and a five year strategic plan to address the numerous challenges facing the company. In addition, Njogu (2007) found out that Schindler Kenya Ltd responded to changes in the environment by paying greater attention to the needs of the customers, restructuring, sales aggressiveness, and introducing new products.

Generally, organizations are not immune to environmental turbulence and have no ability to stop the discontinuous changes in the environment. The best they can do is to respond to the changes in order to reduce the adverse effects on the company's operations and performance. Changes in the macro-environment may occur rapidly or slowly, with or without advance warning and the impact on a company's choice of strategy can range from big to small. Failure to respond to changes in the business environment may result in the failure of the organization

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, discussions and conclusions from the research findings as per the objective of the study. Based on the findings, recommendations have been given regarding the changes facing KenolKobil and the strategies being put in place. The limitations of the study as well as suggestions for further research are also discussed.

5.2 Summary of findings

The study sought to identify the changes that have occurred in the business environment in which KenolKobil operates and to establish the strategic responses adapted by KenolKobil to these changes. Key changes and responses from the findings and discussions in chapter four are summarized here below.

The capping of fuel prices and standardization of cooking gas cylinders by the government are the most significant changes that have occurred in the market. These have adversely affected the performance of KenolKobil Ltd. The regulations contradict the economic rule of free market forces of demand and supply and where prices are determined by these forces. The second significant change is the expansion strategy by rival companies that have reduced the market share of KenolKobil.

KenolKobil has strategically responded to these changes by expanding its operations regionally to become a Pan-African oil marketer. The company is able to operate in free market economies and maximize profits in other regions. The other significant response is the negotiations to bring on board a strategic international partner, Puma Energy. This alliance will put the company in the same financial position and international best practices among other multinationals such as British Shell and Total of French. Thirdly, the launching of the fuel card, K-Card is another significant response that has transformed how motorists fuel their vehicles in a most convenient way that is cash-less.

5.3 Conclusion

The study established that KenolKobil Ltd interacts with the external environment in form of an open system by drawing inputs from the environment, processing the inputs into outputs that it offers to the environment in form of products. Thus, changes in the external environment especially in the oil industry have a direct impact on the operations of the firm. Indeed the capping of fuel prices has an adverse effect on the profitability of KenolKobil and in 2012 the company reported the highest loss in its history. The company has been monitoring the changes occurring in the environment and responding appropriately by reviewing and re-aligning its strategies

In response to the changes in the oil industry, the study concludes that KenolKobil should reflect more on raising money to finance the regional expansion strategy by getting a strategic partner and/or raising additional capital through the Nairobi Stock Exchange by issuing corporate bonds or rights. In addition the company should take up price differentiation strategies such as offering discounts on fuel prices to royal customers who are the holders of K-Card. On product differentiation strategies, KenolKobil should launch cooking gas with meters that will show the consumers the level of gas remaining in the cylinders. KenolKobil can brand other products like battery water and battery acid. The study concludes that the strategies that have been adapted by KenolKobil to changes in the business environment have generally been highly effective.

5.4 Recommendations

This study will provide crucial information to the staff of KenolKobil Ltd on strategic responses being taken by management as a result of significant changes in the business operating environment. Managers will be able to use this study as a management reference point for strategies being put in place, both present and future that will ensure their company's survival and success over the other companies. It will clearly show justification why KenolKobil want to implement the regional expansion strategy and become a Pan-africal oil marketer. It is recommended that the management of KenolKobil Ltd continues to search for a strategic partner after the collapse of negotiations with Puma Energy.

KenolKobil Ltd can also explore the option of issuing rights issue to the existing ordinary shareholders to finance the regional expansion. It is also recommended that the company explore the option of issuing a long term corporate bond to finance the expansion. The financing option through corporate bond has been used by other firms quoted at the stock exchange including KenGen and Barclays bank.

KenolKobil Ltd management can explores the possibility of linking the K-card to the Mpesa money transfer system to facilitate loading K-card with funds from Mpesa. A number of firms including Kenya Power and Nairobi Water and Sewerage Company have partnered with Safaricom Ltd to facilitate payment of bills through Mpesa. Similar arrangement can be put in place at all KenolKobil service stations.

In order to have a lean and efficient organization structure KenolKobil management can decide to restructure the organization. Restructuring has been employed successfully by other oil marketers like Kenya Shell Ltd to reduce the wage bill and remain profitable. Restructuring strategy has been used successfully by other quoted companies at the Nairobi Stock Exchange for example Kenya Commercial Bank.

Management practitioners and consultants will benefit from this study. They will be in a position to evaluate the strategies that have worked for KenolKobil Ltd and those that have failed to make informed decisions and recommendations to their clients. Students of strategic management and academia will benefit from this study as they will learn how to apply strategy in a fast changing business environment. They will also gain insights into strategic responses adopted by firms to various changes in the business environment and can also use this study as a foundation of further research.

5.5 Limitations of the study

Since this was a study on one oil marketer, KenolKobil Limited, data gathered might differ from strategic responses adopted by other oil marketers. This is because different organizations even if operating in the same industry adopt different strategies that differentiate them from their counterparts. The study however, constructed an effective research instrument that sought to elicit general and specific information on the strategic responses adopted.

The study faced both time and financial constraints. The duration that the study was conducted was limited hence exhaustive and extremely comprehensive research could not be carried out on strategic responses. Due to limited finances the study could not be carried out on all the operational centers of KenolKobil Ltd. The study, however, minimized the adverse effects of these limitations by conducting the interviews at the organizations headquarter since this is where strategies are made and rolled out to other operational areas.

5.6 Suggestions for further research

The environment under which all types of organizations operate is dynamic and ever changing. The scope of the study can be extended to cover other companies facing macro-environment changes in their operating environment including other oil marketers in Kenya. Managements of different firms are different and therefore the way one management will respond to different changes will be different.

A further study can be carried out to investigate the challenges facing KenolKobil in implementing its regional expansion strategy. Since 1999, KenolKobil has been expanding in the regional market and therefore it would be interesting to carry out a study that will investigate the strategy implementation process.

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APPENDICES

Appendix: I

LETTER OF INTRODUCTION

JUNE 8, 2013

The Respondent
KenolKobil Ltd

Dear Respondent

RE: REQUEST TO COLLECT DATA FOR MBA RESEARCH PROJECT

I am a student at the University of Nairobi in the School of Business pursuing a degree of Masters of Business Administration. I am conducting a research study on "strategic responses adopted by KenolKobil Ltd to changes in the business environment in Kenya".

To undertake the research study you have been selected to participate in this study as a respondent. The study will focus on face to face interview where the researcher will pose guided questions in a session lasting about 30 minutes. The information provided will be treated in strict confidence and used for academic purpose only. A copy of the final report will be available to you upon request.

Your assistance and cooperation will be highly valued and I remain,

Yours faithfully,

Stephen N. Kinyanjui	Professor Evans Aosa
MBA Student No. D61/70177/2009	University Supervisor

Appendix II

INTERVIEW GUIDE

Section A. Respondent's profile

Name (optional) ………………………………………………………………….

Position held …………………………………………………………………….

How long have you worked in this position? ………………………………….

How long have you worked in KenolKobil Limited? ………………………….

Section B. Changes in the business environment facing KenolKobil Ltd

1. Describe the significant changes that have taken place within the last 5 years in the business environment which have affected KenolKobil Ltd (e.g. changes in technology, government regulations, increased competition, etc)

2. What is the impact of these changes to KenolKobil Ltd and how has KenolKobil Ltd been affected?

Section C. Strategic responses

3. Has KenolKobil Ltd responded to these changes? Yes/No
4. Explain in details how KenolKobil has responded to these changes.
5. Are there any changes that KenolKobil has not responded to and why?