STRATEGY PRACTICES WITHIN OIL COMPANIES IN KENYA

A Thesis
Presented to the
Graduate Faculty of the
School of Business and Management
United States International University-Africa

In Partial Fulfilment
of the Requirements for the Degree of
Master of Science
in Management and Organisational Development

by

EINSTEIN KIHANDA NJUGUNA

1996
ABSTRACT

The oil industry plays a crucial role in fulfilling the country's energy requirements. The objective of this study was to investigate the state of strategy practices within the Kenyan oil sector. Its focus was on the local oil marketing companies. Data was collected through personal interviews conducted with at least one manager in each company. The data was then analyzed and comparisons made with similar studies in different sectors.

It was established that Kenyan oil companies make significant use of strategic management practices in their operations. The companies were found to have written mission statements, formal corporate objectives and formal strategy development. They were also involved in industry and competitor analysis. The use of strategy by these companies may be attributed to influence from their parent multi-national corporations, availability of managerial support and resources, competitiveness within the industry, the nature of the Kenyan business environment and the size of the companies.

In comparison to similar studies done both locally and on the continent, it was found that companies in the oil sector displayed a much higher level of strategic management practice. Where similar results were obtained, this was because of a similar multi-national background to that of the oil companies. The study provides an insight into strategy practices in Kenya.
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DEDICATION

To my dear parents, Moses Njuguna and Rachel Nyambura, whose confidence in my abilities often times exceeds my own and who've sacrificed so much to get me this far.

And to Mumbi, Wanjiku, Kuria, Shiru, Hussein and Nguru.
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CHAPTER 1

INTRODUCTION

This chapter will provide an overview and set the context for the study. We begin by discussing strategic management, its purpose in organisations, approaches to strategy development and the forms of strategic management in practice. We will then focus on the research problem, the study objective and the value of the study. This will be followed by the structure of subsequent chapters.

1.1 BACKGROUND

The management of large organizations requires managers to possess well-developed human, technical and conceptual skills (Hill, 1992). Top managers are primarily concerned with decisions relating to the future of the firm. These decisions involve the interplay of both internal and external environmental factors. An understanding of the driving forces behind these environmental influences is necessary in order to properly assess their potential impact on the organization. In this regard, the managers aim at making the organization responsive to any environmental changes (Benton and Lloyd, 1992). The firm's success is dependent on its ability to recognize and respond positively to internal and external environmental challenges. This ability to keep abreast with environmental changes is a first step towards gaining a competitive edge. By using strategic management, organizations are able to recognize and respond to new developments and opportunities appropriately.
1.2 STRATEGIC MANAGEMENT

Strategic management is a managerial approach which encompasses all the crucial activities in an organisation right from defining its objectives to the development of action programmes to achieve these objectives. Its basic concern is the future and how the organisation anticipates it. It systematically considers future events against every business decision. The implications of every such decision are considered prior to implementation (Hussey, 1991). Strategic management is a holistic approach to the management of organisations.

1.2.1 The need for strategic management

The benefits of strategic management to organizations have been documented by writers in this field. These include Schendel and Hofer (1979), Jauch and Glueck (1984), David (1991) and Pearce and Robinson (1991). Strategic management provides guidance while enhancing dynamism and coordination in the firm. This is essential in the times of rapid and discontinuous changes that characterize a turbulent environment. Such changes include the saturation of traditional markets and the influx of new competitors. Organisations could anticipate and respond to the resulting shifts through the use of strategic management (Ansoff, 1984; Ansoff and Sullivan, 1993).

Strategic management enables companies adopt an entrepreneurial approach to their operations. It enables the firm anticipate and respond appropriately to environmental challenges. In addition, the organisation's ability to initiate and influence its
environment is enhanced. Therefore, apart from reacting to change, the firm can initiate the change itself. By adopting a proactive stance, as opposed to a reactive posture, the firm is in a position to exert control over its destiny. This has a positive impact on overall performance (Gluck et al., 1980; Thompson and Strickland, 1987).

Strategic management enhances the competitive edge of the firm. Strategy formulation focuses on how to cope with competition. Competitor analysis techniques enable managers to develop both an enhanced understanding of their industry and methods of systematically reviewing the environment in order to improve their competitive position. In addition, managers are able to generate strategies and action programmes to enable them compete successfully in world markets (Porter, 1979; Hussey, 1984). Strategic management offers a systematic, logical and rational approach to making strategic choices. This is primarily through the provision of data after analysis in order that reasonable and informed risks can be taken where necessary (Jauch and Glueck, 1984).

Within the internal environment of the organisation, employees' attitude to change is of great importance. Strategic management provides an improved perspective of change among employees. It provides a basis for identifying the need for change to all managers, making them view change as an opportunity rather than a threat (Ansoff, 1984).
Though the use of strategic management does not guarantee improved performance, certain potential advantages accrue to companies practising it. These include improved coordination, competitive advantage, prioritization and effective resource allocation. The related intrinsic values include improved security of investment for stakeholders and overall personal development (Greenley, 1986).

1.2.2 Approaches to strategic management

The approaches to strategic management can be classified into two groups: analytical and behavioral. These approaches are based on their view of the dominant variables in strategy development.

The analytical approach comprises the technology of strategic management. It emphasizes the importance of analysis in strategy development. The focus is on the various strategy formulation techniques. These include strength, weaknesses, opportunities, threats (SWOT) analysis, portfolio planning, forecasting, industry and competitor analysis (Hussey, 1990). A significant achievement of the analytical approach has been in shifting "perceptual boundaries" of organizations (Hussey, 1984) by putting information in new patterns, this analytical approach enables managers to see new dimensions and perspectives relevant to their operations.

The behavioral approach lays its emphasis on the behavior of people in organisations. This approach has gradually increased in prominence over the years. This is due to the realisation...
there has been a tendency to over-emphasise the analytic aspects of strategic management almost to the exclusion of political and behavioral factors (Hussey, 1990). It focuses on the behavioral and political aspects of strategic management. These include the corporate structure, culture and leadership. Writers who have drawn attention to the importance of behavioral aspects of strategy include Pettigrew (1973), Mintzberg (1987) and Hussey (1990).

1.2.3 Forms of strategic management

Butcher and Mainelli (1990) have suggested five recognisable forms of strategic management as practised by organisations. These are minimal, budgetary, annual, developmental and comprehensive strategic management. These forms may follow an evolutionary sequence and have certain characteristics.

Organisations with minimal strategic management often produce strategic plans through informal meetings or brainstorming sessions. This is reliance on individual ability to pursue long-term goals and visions.

With regard to budgetary strategic management, signs of a budgetary procedure is indicative of an awareness by the organisation that it understands its position.

Annual strategic management is the next step in the sequence. There is the presence of an annual plan. This plan is more
the sum of the budgets. It is synergistic.

Developmental strategic management arises when the firm starts making long-term plans designed to improve its competitive position. This requires the assessment of the current position, identification of long-term positioning and strong project management to turn long-term plans into actions.

The final form is that of complete strategic management. Though there is no single correct way of achieving this form, some of its characteristics include:

- intensive development of integrated strategies at various levels within the organisation
- the ability to take a long-term view appropriate to the particular organisation
- documentation of the strategy
- appropriate communication throughout the organisation

1.3 STRATEGIC MANAGEMENT IN KENYA

Strategic management in Kenya may be examined from two angles. We begin with strategic management research in Kenya and the conclusions drawn by the various studies. We then examine recent developments in the Kenyan business environment and the potential impact on the oil industry which is the focus of this study.
1.3.1 Empirical Studies

Several studies have been carried out in Kenya, to do corporate planning practices. Aosa (1992) focused on the manufacturing sector. With regard to specific strategy practice, it was established that foreign companies differed significantly from Kenyan companies. The former were found to be more in their approach to strategy. These differences were attributed to the influence from parent companies, access to managerial resources, formal organisational structures and professional managerial approaches.

Karem (1993) looked at aspects of strategic management in the large-scale retail sector. Basing her findings on the typology developed by Butcher and Mainelli (1990), she established that supermarkets practised minimal and budgetary forms of strategic management. Planning characteristics included reliance on intuition and individual ability to pursue long-term goals, with a prevalence of budgets and largely informal planning activities.

The study by Shimba (1993) focused on the Kenyan financial sector. The results established both variations and similarities between the companies with respect to their strategy practice. These variations were based on ownership, size and strategic orientation. Foreign companies were more inclined to develop strategic plans and had longer planning horizons than their counterparts. Smaller companies were more inclined to develop mission statements than large companies. Commercial banks had heavier financial oriented plans than non-bank financial institutions.
institutions. However, it was established that all the companies utilised a market-driven strategy approach.

1.3.2 Recent environmental developments

Over the last 5 years, the Kenya government, with the prompting of donor countries, the World Bank and the International Monetary Fund (IMF) has implemented economic reforms intended to restore economic growth and ensure efficient management of the economy. These reforms include currency devaluation, the freeing of foreign exchange controls, privatization and trade liberalization. The overall aim is the creation of a competitive free market. There has been gradual implementation of the reforms in virtually all sectors of the economy. The Kenyan oil industry has not been an exception.

In October 1994, the Kenya Government formally announced the liberalization of the petroleum sector (Daily Nation, Oct. 28 1994). This meant that the oil companies could import refined petroleum products and set their own consumer prices depending on market forces. Oil marketing companies are likely to face increased competition from new entrants such as Mobil, Alba, Tri-Star etc. (Sunday Nation, November 13 1994). In an economy that is becoming increasingly market orientated, the critical success factors are changing. Success is now dependent on productivity, customer satisfaction and competitive strength (Total (K) Limited Annual Report, 1993). These companies have to adjust themselves to the new business environment. The situation suggests the need for strategic management in order to survive the competition.
1.4 RESEARCH PROBLEM

Earlier on, we discussed the studies conducted on strategic management in Kenya. Aosa (1992) suggests that efforts should be made to document strategic management processes within the Kenyan context. In addition, such studies should be industry-specific. This would control for variations arising from differing strategy practices from industry to industry. It would also create greater understanding of strategy practices in Kenya. He also points out that research could be carried out on other sectors of the economy.

This study will attempt to make a further contribution to research in strategic management in Kenya. It will have its specific focus on strategy practices within the oil companies in Kenya. The study is similar to that of Karemu (1993) and Shimba (1993) but based on a different sector.

1.5 OBJECTIVE OF THE STUDY

This study has one major objective:

To investigate and document the state of strategy practices within the Kenyan oil sector.

The specific practices to be investigated are the following:

1. Mission statements
2. Objectives
3. Formality in planning
4. Participation in planning
5. Planning horizon
6. Strategies and strategy development
7. Environmental scanning
8. Industry analysis
9. Competitor analysis
10. Role of the Board of Directors.

1.6 VALUE OF THE RESEARCH

The importance of the oil sector to the Kenyan economy cannot be overemphasized. It is at the core of industry and caters for a substantial portion of the country’s energy requirements. It would, therefore, be of concern to consultants, management practitioners, students of management and any interested parties to have an exposition of strategic management practices of companies in this sector.

Most of the oil companies are subsidiaries of multinational corporations. It would be important to establish the extent to which their management practices are influenced by their parent companies. In addition, one would also want to know how different their strategy practices are from those of their parent companies. This may be done by comparing the findings of this study with the research results of similar research studies in parent corporations. This exposition would help us establish the similarities or differences between multinational corporations and their subsidiaries.

This study should stimulate research into other aspects of strategy practices with more time and resources. It should also encourage others to conduct research into other sectors of the
Kenyan economy. Finally, it would help in documenting the practise of strategic management in a developing country context.

1.7 SCOPE OF THE STUDY

The study’s focus is on all the established oil companies in Kenya, all of which have their headquarters in Nairobi. These include Shell/British Petroleum (BP), Caltex, Total, Esso, Kobil/Kenyan Oil Company, and Agip. The study will have a bias towards the analytical approach to strategy.

1.8 STRUCTURE OF THE THESIS

The thesis will have five chapters as follows:

Chapter one

This introductory chapter will provide an overview of the study. It will discuss the research problem, objective, important issues, and scope of the study.

Chapter two

This will present the literature review on strategic management and the oil industry. Aspects discussed include the definition of strategic management, strategy, its historical development, and the strategic management process and strategic management in the developing world. With regard to the oil industry, focus will be on both an international and local perspective.

Chapter three

This chapter will present the research methodology employed.
executing the study. Important aspects including the population and methods of data collection will be discussed.

Chapter four
This covers the data analysis, research findings and discussion of the results.

Chapter five
This chapter will present a summary of the research findings, the conclusions of the study, its implications, limitations and the suggestions for further research.
CHAPTER 2

STRATEGIC MANAGEMENT

2.1 INTRODUCTION

This chapter deals with strategic management and the oil industry. We will define strategic management and the strategy concept, present activities undertaken in the strategic management process and highlight the role of the board of directors in the process. We will then trace the historical development of strategic management and briefly discuss its practice in the developing world. The oil industry will also be examined from both an international and local perspective.

2.2 DEFINITION OF STRATEGIC MANAGEMENT

Strategic management has been defined in different ways by different authors. According to Thompson and Strickland (1987:4),

"Strategic management is the process whereby managers establish an organization’s long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute chosen action plans."

This comprehensive definition establishes the obligations imposed upon strategists (top management) in the organisation. Establishing the long term direction implies the need for a vision and mission for the organisation. Setting of specific performance objectives means that achievable targets must also be set. Strategy development specifically asks the question, "how shall we achieve our targets?" The importance of a rigorous environmental analysis is highlighted in the consideration of
both the internal and external circumstances surrounding the
firm. A distinguishing characteristic of strategic management
is brought out in the emphasis on effective implementation of
organisational action plans.

Jauch and Glueck (1984) have stated that,

"Strategic management is the stream of decisions and
actions which leads to the development of an effective
strategy or strategies to help achieve corporate
objectives." (1984:5)

This definition brings out the emphasis on the nature of
decisions made by strategists. Strategic decisions are aimed at
removing obstacles in the way of the attainment of organizational
objectives.

David (1991), additionally defines strategic management as a
managerial discipline that is concerned with cross-functional
decisions. Strategic management integrates the functional
departments (e.g. finance, marketing and production) in order to
achieve overall organisational success.

Other scholars view strategic management as having evolved from
strategic planning. Ansoff (1984) sees strategic management as
a combination of strategic planning and strategy implementation.
This enlarged perspective includes aspects such as organizational
structure, culture and human resources.

Gluck et al. (1980) provide an empirical perspective which views
strategic management as constituting a tight link between formal
strategic planning and "vigorous" execution of set plans. This

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approach asserts that corporations practising strategic management report superior performance and display unique planning characteristics. These include a cross-functional planning framework, a creative and flexible (entrepreneurial) planning process and a supportive corporate value system.

Strategic management may also be seen as an approach to solving the strategic problem facing organisations (Ansoff, 1990). The strategic problem arises from an organisation’s inability to align itself to its external environment leading to a mismatch between its output and the demands of the market. An inability to meet customer needs means that the firm has no justification for its existence. Strategic management therefore examines all the dimensions of the strategic problem in order to give the firm direction and focus on searching for and creating new opportunities. It is therefore a complete way of running a business (Hussey, 1991).

These definitions highlight certain important attributes of strategic management. It ensures that the organisation is constantly focused on the future. The firm should not aim at just surviving today but to perform even better tomorrow. As a management process, it views well-researched analysis as the basis of strategic decision-making. The integrative role of strategic management within the organisation has also to be mentioned. Strategic management also recognises the vast influence exerted by organisational leadership, power structure and dynamics on strategic decisions and, more important, their
2.3 THE CONCEPT OF STRATEGY

The core concept of strategic management is strategy. It is a fundamental planning concept since strategy-related decisions (strategic decisions) influence the way the organisation relates to its environment.

2.3.1 Definition of Strategy

Strategy has also been defined in various ways by different authors. According to Jauch and Glueck (1984), strategy is:

"A unified comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organisation".

Schendel and Hofer (1979) define strategy in terms of its function in the organisation. They assert that:

"The purpose of strategy is to provide directional cues to the organisation that permit it to achieve its objectives while responding to the opportunities and threats in the environment".

Pearce and Robinson (1991) emphasise the importance of strategy with respect to the competitive arena. They define strategy as:

"Large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organisational objectives".

In addition to the emphasis on strategy as a plan, Mintzberg (1987) proposes four other ways of looking at strategy— as a ploy, pattern, position and perspective. These views focus on different aspects of strategy.
Tee (1985) adopts an interpretive approach to strategy. She notes that there is little consensus as to the definition of strategy. This is attributed to the multidimensional and intangible nature of the concept.

Of these definitions have largely paid selective attention only certain aspects of strategy. However, Hax and Majluf (1983) have suggested a comprehensive definition of strategy. According to them, strategy:

1. Is a coherent, unifying and integrative pattern of decisions;
2. Determines and reveals the organizational purpose in terms of long-term objectives, action programs and resource allocation priorities;
3. Selects the businesses the organization is to be in or is in;
4. Attempts to achieve a long-term sustainable advantage in each of its businesses, by responding properly to the opportunities and threats in the firm's environment, and the strengths and weaknesses of the organization;
5. Engages all the hierarchical levels of the firm (corporate, business, functional); and
6. Defines the nature of the economic and non-economic contributions it intends to make to its stakeholders.

This definition combines all the different dimensions of strategy identified by various authors. It views strategy as incorporating two fundamental concerns: the organisation's future and its adaptation to a changing environment.

3.2 Levels of Strategy
Strategy can be viewed from a hierarchical perspective. This
proach visualises strategy at three different levels in a company: corporate, business and functional strategy (Ansoff, 1984; Jauch and Glueck, 1984; Newman et al., 1989; Pearce and Robinson, 1991; Hax and Majluf, 1991). Each strategy level has a different focus. These three hierarchical levels are clearly discernable in large diversified companies.

Corporate strategy has the widest scope and addresses the firm as a whole. Its primary concern is defining the business domain and overall mission of the firm. The firm’s businesses may be in the same industry or in different industries. At this level, the strategy also specifies how company resources will be allocated across the various businesses (Newman et al. 1989; Hax and Majluf, 1991; Pearce and Robinson, 1991).

At the business level, strategy focuses on how each of the firm’s businesses will compete. The concern is on developing a sustainable competitive edge for each business unit in its industry. It is at the business level that competition in the market actually takes place. At this level, there is special emphasis on integrating the firm’s functional activities in order to attain the desired competitive competence (Hax and Majluf, 1991; Pearce and Robinson, 1991).

Finally, there is functional strategy which has efficient resource utilisation as its primary concern i.e. maximum resource productivity. An important consideration is in developing the functional competencies necessary to sustain competitive
vantage. This involves managers addressing themselves to issues regarding the integration and co-ordination of activities within the functional areas of the business. These activities are important for purposes of effectively supporting the business fit strategy (Hax and Majluf, 1991).

At these strategy levels need to be consistent and integrated; they are to be of benefit to the firm. Each level of strategy acts as a guide and a constraint to the next level in the hierarchy. This means that functional strategy is constrained by business-level strategy, which is in turn constrained by corporate-level strategy (Hax and Majluf, 1991; Pearce and Robinson, 1991).

3.3 Functions of Strategy

Any organisation that uses strategy stands to gain considerably. First, it helps to provide the basic long-term direction for the firm (Newman et al., 1989). In this respect, strategy acts as a compass. With it, a clear direction for the company can be set. It enables managers focus into the future while still ensuring that current activities are undertaken. This way, daily tasks can be accomplished without compromising the needs of the future.

Second, strategy helps companies cope with change (Pearce and Robinson, 1991). The importance of the external environment to any organisation cannot be overemphasised. More important, it is continuously changing. Strategy therefore enables the organisation cope with these changes by defining and guiding its
ter of responses.

Third, strategy enables companies to focus their resources and efforts (Pearce and Robinson, 1991). When managers are developing strategy, they identify the critical tasks that have to be performed if the company has to succeed. Resources are then allocated focusing on these tasks.

Fourth, strategy helps companies develop a competitive advantage in the market (Porter, 1980). With such an advantage, the company is able to match or even outperform its competitors.

Finally, strategy enhances effectiveness in the organisation. According to the strategy-structure proposition by Chandler (1962), the structure of an organisation follows the strategy of that organisation. The interaction between strategy and structure helps the firm develop an appropriate organisational structure. Companies using strategy therefore stand to benefit from these advantages. Strategy, however, does have its limitations.

4.3.4 Limitations of Strategy

The limitations of strategy have been outlined by Andrews (1971). Strategy entails forecasting into the future i.e. planning ahead. However, such forward planning may prove to be difficult. This is especially so when one considers the discontinuous changes in the environment. An organisation’s ability to forecast into the future is dependent on the level of turbulence in its environment (Ansoff and Sullivan, 1993). An increased turbulence level means
higher environmental uncertainty. This makes the planning process more difficult.

Strategy requires that there be harmony and consensus among managers with respect to the goals and objectives of the organisation. Such a consensus may at times prove difficult to achieve. By using strategy, there is also the danger of rigidity and inflexibility creeping into the organisation. This is due to the likelihood, by managers, of assuming that underlying planning assumptions remain the same. In practice, such assumptions keep changing.

1.4 STRATEGY FORMULATION

With regard to the strategy formulation process, two schools of thought can be identified. These are based on their views of the process. Firstly, there is the rational-analytic view. Strategy development is seen as a formal, deliberate, disciplined and rational process (Lorange, 1980; Porter, 1980; Yavitz and Newman, 1982; Ansoff, 1984; Max and Majluf, 1984). Managers carry out rational analysis and then make strategic decisions. According to this view, the best rational strategies are always selected.

Secondly, there is the power-behavioral view. According to this school, strategy development is influenced by the power relationships and behavioral factors in a firm (Lindbolm, 1959; Cyert and March, 1963; Mumford and Pettigrew, 1975; Simon, 1976; Pettigrew, 1977; Kotter, 1982; Wrapp, 1984; Mintzberg, 1987; Estrin, 1989). Emphasis is on the multiple goals of
organisations (with potential for conflict), the political aspects of strategic decisions, the importance of bargaining and negotiation and the role of coalitions in the strategy making process.

Although these two schools of thought enhance our understanding of the strategy-making process, none of them in isolation fully explains the process. There is a tendency to emphasise the analytical aspects over the behavioral factors, which is likely to lead to ineffective strategies. In order to maximise on the benefits of strategy-making, formal analytic thinking, power and behavioral aspects should be combined in the strategic management process (Quinn, 1980; Mintzberg and Waters, 1985; Hax and Majluf, 1991).

5 HISTORICAL DEVELOPMENT OF STRATEGIC MANAGEMENT

Strategic management has its origin in the United States of America in the 1950s. Drucker (1954) addressed the issue of strategy and strategy formulation. His primary concern was identifying the firm’s business. Other early writers on strategy development included Ansoff (1965), Chandler (1962) and Andrews (1971). These writings played a crucial in developing interest and adoption of corporate planning by organisations.

Studies conducted in the 1960s and early 1970s revealed that corporate planning was practised in the United States and abroad (Ringbakk, 1969; Taylor and Irving, 1971). Managers increased their familiarity with strategic planning and increasingly
adopted it in their organisations. This period was characterised by relatively stable growth business environments (Taylor, 1986). Planning was rather extrapolative and heavily relied on past experience. Plans were characterised by forecasting and extended budgeting. The underlying assumption was that no major changes would occur in the future. In fact, it was felt that the future would be a logical extension of the past (Ansoff, 1984). The adopted planning systems worked well in a general atmosphere of prosperity.

In the 1970s, the business environment began to change dramatically. This was primarily due to the advent of the oil crisis (1973). Other factors responsible for the changed situation included new technological developments and increased foreign competition. Traditional markets became saturated and a marked decline of growth in many firms was reported. The otherwise stable and predictable business environment was upset and replaced by a turbulent environment. These new developments posed serious challenges to strategic planning. The prevailing planning systems had been developed in a stable and predictable environment. It was necessary for these planning processes to be either modified or adapted to cope with a turbulent business environment.

Serious challenges were posed to strategic planning and widespread criticism over its practise was reported (Mumford and Pettigrew, 1975; Stonich, 1975; Porter, 1980; Peters and Waterman, 1982; Hussey, 1990). Criticism of the process largely
focused on the implementation phase of strategic planning and not on the concept itself. It was necessary to have a match between strategy and the environment within which it is implemented. This would involve considering factors such as the firm's internal culture, functional capabilities and the social, political, behavioral and psychological factors at play, prior to strategy implementation (Ansoff, 1990). Porter (1987) also criticised strategic planning for hindering strategic thinking (hence creativity) within organisations. It left little room for intuition and insight by managers. However, he proposed that strategic planning should be re-discovered and not discarded entirely.

The dominant factor in the proposals by the various writers was that strategic planning needed to be changed. Unlike in the past, it had to reflect the prevailing business circumstances. There was now increasing emphasis on implementation, flexibility and adaptability in strategic planning. This was necessary if strategic planning was to be of benefit to organisations. More specifically, various recommendations were made regarding the changes necessary in the planning systems. It was therefore necessary that strategic planning should:

- be flexible, adaptable and focused
- address implementation issues
- be instrumental in developing competitive advantage
- enhance strategic thinking
- incorporate both analytical and behavioral features
These aspects of strategic planning are still the overriding concerns of strategic management today.

6 THE STRATEGIC MANAGEMENT PROCESS

The strategic management process is the way in which objectives are determined and strategic decisions made in the organisation (Ruch and Glueck, 1984). The philosophy underlying the process is that organisations should continuously monitor internal and external environmental trends in order to adapt to change. Where deliberate efforts at strategy formulation are made, certain activities need to be undertaken by the strategists in the organisation. These are the crucial components of the strategic management process.

They are:

1. Mission specification
2. Statement of objectives
3. Environmental scanning
4. Industry analysis
5. Competitor analysis
6. Market analysis
7. Internal analysis
8. Strategy selection
9. Strategy implementation
10. Strategy evaluation

2.6.1 Mission

The specification of the organisation's mission marks the
gining of strategy analysis. It serves a crucial purpose in organisational decision-making. The business mission is an enduring statement of purpose that reveals an organisation's product or service, markets, customers and philosophy.

A definition, a mission statement:

"...defines the basic reason for the existence of an organisation and helps legitimize its function in society. It clarifies the nature of existing products, markets and functions the firm presently provides" (Jauch and Glueck, 1984:77).

The mission statement specifies the kind of business the organisation intends to involve itself in. In addition, it describes the role the organisation intends to play in the society and the scope of that role. It provides the foundation for priorities, strategies, plans and work assignments. Finally, it is the starting point for managerial jobs and structures (Andrews, 1971).

4.6.2 Objectives

Objectives are statements indicating among others, the specific performance targets which the organisation aims at achieving and the competitive position the organisation seeks to occupy in the market place. They are the enduring ends which the firm seeks to achieve through its existence and operations (Jauch and Glueck, 1984).

Objectives are integral to the strategic management process. They ensure that the organisation's direction is converted into specific achievable performance targets. Objectives provide the
yardsticks by which the organisation’s performance is judged. It then becomes possible to evaluate success. They also provide a more specific definition of the organisation (Jauch and Glueck, 1984).

1.6.3 Environmental Scanning

This process is also known as environmental analysis. It involves monitoring and interpreting broad trends in the external environment of the firm. These trends may be economic, politico-legal, socio-cultural or technological. Such factors greatly influence strategy change. They eventually have an impact on the company’s operations by determining the opportunities for, and threats to, the organisation (Pearce and Robinson, 1991). The identified trends have then to be checked against the company’s planning assumptions such as commercial interest rates, inflation and economic growth rate.

1.6.4 Industry Analysis

An industry can be defined as a cluster of firms or economic units competing with one another for customers of their goods and services and which rely upon others that supply critical inputs (Jauch and Glueck, 1984). Industry analysis involves the organisation comprehensively studying the nature of the industry it operates in. The aim is to enable the organisation develop an understanding of the attractiveness of the industry. Aspects of interest include the industry structure, growth potential, capital requirements, regulatory considerations and major developments.
the attractiveness of the industry is also dependent on the degree of competition in the particular industry. This is in turn determined by:

- the threat of new entrants into the industry
- the threat from substitute products
- rivalry within the industry,
- the bargaining power of buyers
- the bargaining power of suppliers

The collective strength of these forces helps to determine the ultimate profit potential of the industry (Porter, 1980). The stronger these forces are, the less attractive the industry is likely to be.

1.6.5 Competitor analysis

The strategic management process ultimately aims at developing competitive advantage for the firm. The firm is striving to outmanoeuvre its competitors in order to survive. This is not possible if there is lack of sufficient information about its rivals. Strategies of competitors are also highly interdependent and so competitors’ position is a crucial determinant of the choice of strategy (Thompson and Strickland, 1987). Competitor analysis helps a company decide on responses to actions taken by competitors. Strategists can then understand whether to take such actions seriously or not.

Effective competitor analysis requires systematic study about both existing and potential competitors. The process entails
gathering substantial data. The factors that need to be understood with regard to competitors include:

- future goals of competitors
- competitors’ perceptions of themselves and the industry
- competitors’ current strategies
- capabilities of competitors (Porter, 1980).

1.6.6 Market Analysis

Prior to the development of strategies, the firm also needs to understand its market. Such information is important because it helps one understand customer needs and preferences. Market analysis entails the development of customer profiles. Questions of interest may include:

- who are they?
- where do they live?
- what are their lifestyles?

With such information, the firm is able to develop products or services that will appeal to the customers. Market analysis enables companies develop a genuine customer orientation (Abell, 1990).

1.6.7 Internal Analysis

The rationale for conducting internal analysis in any firm is to find out both its current and future strengths and weaknesses. It involves the company undertaking its own self-appraisal. Through an examination of the organisation’s functional areas, strategists are able to determine the organisation’s capabilities in the light of prevailing environmental threats and
opportunities. Functional capabilities are determined by the competencies that have been developed in the key functional areas (Ansoff, 1984; Hax and Majluf, 1991).

1.6.8 Strategy selection

Once the preceding activities are undertaken, several strategic alternatives are generated. It then rests upon the organisation’s strategists to select those strategies that will best accomplish the desired objectives.

This activity involves focusing on several alternatives, considering the selection criteria, evaluating all alternatives against these criteria and making the actual choice. At this point, it is important for strategists to continuously focus on the organisation’s objectives. This ensures that only those relevant strategies will be narrowed down upon (Jauch and Glueck, 1984).

Several techniques have been developed to enable managers generate and compare strategy alternatives (Prescott and Grant, 1988). These include the BCG and product-market evolution portfolio matrices and financial analysis. The process, however, is not purely rational-analytic. Strategy selection is made in the context of the decision-maker and the decision situation. Certain managerial factors, therefore, directly impinge on the choice of strategy. These include perceptions of external dependence, attitudes towards risk, awareness of past strategies, organizational power relationships and the dimension of time.
6.9 Strategy implementation

Once strategies have been developed, they need to be implemented. Strategy implementation is the process in which a formulated strategy is put into action. It is not easy. Even well formulated and appropriate strategies can fail when attempts to implement them are made (Bonomo, 1984; Alexander, 1985). The firm will then be unable to achieve the desired results. Strategy implementation calls for fundamentally different managerial tasks and skills from those necessary in strategy formulation. (Thompson and Strickland, 1987). The strategy needs to be linked to the firm's operational actions. In order for implementation to be successful, the strategy must be in line with various internal components in the company.

The first of these components is the corporate structure. The strategy of a company should be compatible with the chosen strategy. Any changes in strategy are likely to cause internal difficulties which necessitate a new structure. The organizational structure should be supportive of the strategy. There is close interaction between strategy and structure (Chandler, 1962; Hax and Majluf, 1991). Inconsistencies may lead to poor performance in the organisation.

Employees also need to focus their efforts in one direction. Strong leadership in the organisation is therefore very important. Top management should provide vision, initiative, motivation and inspiration. Concerned managers should rally enthusiasm and support all through the organisation for the
chosen strategy. Overall commitment is critical for effective implementation (Pearce and Robinson, 1991).

The company’s culture also has to be compatible with the proposed strategy. Corporate culture incorporates the common values and beliefs shared by employees. Emphasis should be placed on minimising the cultural risk posed by a strategy (Hax and Majluf, 1991). Strategy implementation is enhanced if the organisational culture influences the employees to support the strategy. Corporate culture is a significant attribute in highly successful companies (Peters and Waterman, 1982). The strategists therefore have to develop a strategy-supportive culture all through the organisation.

Strategy implementation also considers the available resources. It is impossible to implement a strategy which requires more resources than can be made available by the company. Human resources are particularly important. There is need for management training and development, employee involvement programmes, performance appraisal and reward schemes so as to motivate and reward employees (Taylor, 1986; Hussey, 1990). This enhances the ability to develop and implement strategy and subsequently improve company performance.

It is important for the organization to have the necessary support systems in line with the requirements of the strategy. These are primarily the administrative processes and procedures (Learned et al., 1969; Thompson, 1990). Successful strategy
implementation requires the development of administrative capacity and skills.

Strategy implementation aims at bringing the organization's conduct of its internal operations into good alignment with strategy and to unite the total organization behind accomplishment of the strategy. This ensures that the organisation's internal activities are not at cross-purposes with strategy and that the actual work of the organisation comes into close harmony with the strategic plan.

2.6.10 Strategy Evaluation

Strategy evaluation is the final phase of the strategic management process. It may, however, be classified as a constituent part of the strategy implementation process as it monitors strategy implementation. It aims at closing the gap between the expected and desired objectives. It ensures that plans are followed through. The process assures that the implemented strategy is meeting the organizational objectives (Jauch and Glueck, 1984).

During this important phase, strategists are essentially monitoring the progress of a plan. The activities undertaken include the setting of performance targets and standards for objectives, strategy and implementation plans. The actual position of these variables relative to the set targets at a particular time is then measured. Both qualitative and quantitative criteria can be used. The results obtained then help
to determine the action to be taken by concerned managers. If the deviations turn out to be too far from the tolerable limits, then necessary and feasible modifications may be made (Jauch and glueck, 1984).

The strategic management process is different in practice. It is not as sequential as it appears above. Most of the activities outlined can and do get undertaken simultaneously. In addition, the model presents strategic management as a highly formal and analytic process. Behavioral factors, however, are also brought to bear on the process. These include intuition, experience, insights and gut feelings. We cannot also ignore the role of politics and power relationships in strategic decision-making.

2.7 THE ROLE OF THE BOARD OF DIRECTORS

2.7.1 Definition of the Board of Directors

The board of directors has been defined by Latham et al. (1992) as;

"A group of persons elected by shareholder votes to be responsible for directing the affairs of a corporation, establishing company objectives and policies, selecting top-level managers and reviewing company performance".

The board provides the link between the ownership and management of the organisation. The directors are the representatives of, and act in, the interests of the shareholders.

2.7.2 Functions of the board

As the ultimate legal authority in the affairs of many
organisations, the board of directors plays a vital role in the strategic management process. It has certain responsibilities to fulfil in order to ensure the overall success of the organisation. These include the following:

- developing, initiating and approving objectives, policies and strategies in the light of the firm's environment
- ensuring the organisation complies with legal requirements
- ensuring the availability of sufficient capital for effective operations
- authorising large capital expenditures
- recruiting key managers such as the managing director, approving top management promotion, ensuring proper management succession and effective executive development
- providing overall leadership to the company
- protecting the financial interests of shareholders
- reviewing management performance and maintaining control
- initiating, defending or encouraging mergers and acquisitions and informing shareholders of related developments
- offering professional advice to executives (Coventry, 1970; Latham et al., 1992)

The board has special responsibilities towards the shareholders, employees, customers and society at large. The confidence of all these four groups enhances the authority of the board.

2.7.3 Types of directors

Two categories of directors constitute the board: Executive and
non-executive directors. Executive directors are board members who are also involved in the daily operations of various functions within the organisation. The input of executive directors in board decisions is important because of their familiarity with daily departmental activities and specialised knowledge of functional areas of the company. In addition, their full time responsibilities at the company means that they are likely to be available for discussion and consultation (Coventry, 1970; Frederick and Sanders, 1980).

Non-executive directors are also known as part-time directors. They are more independent than the executive directors. They are normally included because of their vast professional background, knowledge and experience in certain fields. They also represent certain interest groups among the stakeholders (Coventry, 1970; Jauch and Glueck, 1984).

The quality of the board is crucial to corporate performance. Due to variations in the nature of organisations, it is expected that companies have different types of board members. No specific ideal constitution exists. However, the trend is towards a mixture of subjective expertise and objective wisdom. This calls for a board comprising both executive and non-executive directors. Each director should be seen as a significant contributor to at least one of the company’s necessary strengths. Full utilization of board members’ vast knowledge and experience may help ensure its purposeful guidance of the organisation into the future (Coventry, 1970; Frederick and Sanders, 1980; Neubauer
2.8 STRATEGIC MANAGEMENT IN THE DEVELOPING WORLD

It is notable that despite presenting an exposition of strategic management, the principles outlined are based on developed country experiences. Much of the theoretical and empirical literature on strategic management covers the developed country context, principally the United States of America and Western Europe. Strategic management research over the years has placed little emphasis on the developing world. Jauch and Glueck (1984), noted that little was known about strategic management practices in the developing world.

It is important to gain an understanding of strategic management in the developing world because of the differing managerial context. The operating environment in the developing world is characterised by lack of marketing information, inadequate and inaccurate government statistics (for instance, on balance of payments and inflation), government intervention and political instability. There is no stable basis on which to build planning assumptions and forecasts. Organisations become hesitant to commit themselves to long-range plans due to the largely unpredictable business environment (Haines, 1988).

The situation is compounded by the authoritarian attitude adopted by managers in the developing world. There is little provision
for delegation of authority down the organisation structure. This strongly limits participation in planning in indigenous companies. In addition, managers in the developing world have been found to be psychologically averse to planning (Yavas et al., 1985).

The above factors may result in variations in strategic management practice in the developing world. One cannot therefore rely on findings from studies conducted in the developed world to gain an understanding of strategic management practices in the developing world.

Several studies have been conducted within Africa to document corporate planning practices. These include Woodburn (1984), Adegbite (1986), Pubara (1986), Aosa (1992), Karem (1993) and Shimba (1993). In his study of corporate planning in South African companies, Woodburn (1984) found that foreign companies undertook more strategic planning than indigenous ones. Size and complexity of companies influenced their involvement in planning. The degree of involvement and formality in planning increased with size and complexity. He also observed that less successful companies tended to operate on basically short-term operational plans. They had lower involvement in formulation of objectives and very low involvement generally in strategic and long range planning. The more successful companies reported higher involvement in aspects of strategic management.

Adegbite (1986), in his study of planning in Nigerian business
found that formal corporate planning in Nigeria was fairly widespread. He attributed this to the association with multinational corporations. This is particularly so when one considers the companies he chose to study. He only studied those companies quoted on the Nigerian Stock Exchange almost all of which had significant equity participation by multinational corporations. As he indicates, these findings may not hold true for indigenous companies.

Rubara (1986) also studied corporate planning in Nigeria. He found that planning was informal and characterised by annual and extended budgets. The companies he studied were basically indigenous. This accounts for the difference between his findings and those of Adegbite (1986).

Aosa (1992) reported that foreign companies were more formal in their approach to strategy than Kenyan companies. There were therefore significant differences with respect to strategy practices. Karemu (1993) concurred with these findings and established that supermarkets practised minimal and budgetary forms of strategic management. All were basically indigenous companies. The findings by Shamba (1993) differed slightly from those of Aosa (1992) and Karemu (1993). She established both variations and similarities between the companies with respect to their strategy practices. These variations were based on ownership, size and strategic orientation. Companies were dissimilar in these aspects.
2.9 THE INTERNATIONAL OIL INDUSTRY

In this section, the oil industry is examined from an international perspective. We begin by tracing the industry’s historical development citing important milestones and the role of each player over the years. We will then assess the current state of the industry.

2.9.1 The Standard Oil Company

The oil industry traces its history to Pennsylvania, United States of America (U.S.A.) with the establishment of the Standard Oil Company by John D. Rockefeller in 1870 whose key business was the refining, distribution and transportation of oil throughout America. Over the years, the company expanded its operations on a continental scale. In addition, it owned many subsidiary companies which exported oil worldwide. The company was, however, broken up through anti-trust legislation in 1911 for acting as a monopoly in restraint of trade. The company’s divestiture from all its subsidiaries resulted in the emergence of thirty-eight smaller companies (Sampson, 1976).

2.9.2 Multi-national Petroleum Corporations

The oil industry thereafter came to be dominated by the multi-national petroleum corporations. For over sixty years, it was under the direct control of the companies termed as "The Seven Sisters" or the "International Majors". These were Exxon (Esso), Gulfoil, Texaco, Mobil, Chevron, British Petroleum (BP) and Shell, three of which (Exxon, Mobil and Chevron) were direct offshoots of Rockefeller’s Standard Oil Trust (Sampson, 1976).
These companies were responsible for the growth of the international oil industry over the years. By rapidly expanding outside the United States, they were able to acquire ownership over oil concessions in developing countries such as Mexico, Venezuela and the Middle East region. Their long, chequered experience and vast resources enabled them develop highly integrated structures world-wide. This facilitated their control over all stages in the oil production process and enabled them grow into some of the world’s largest corporations. With their sophisticated operations and international expertise, these companies were the forerunners to the modern multi-national corporation (Sampson, 1976).

At the height of their dominance over the world market, the majors controlled over 80% of the world’s oil production. They, however, faced competition from other American oil companies dubbed "The Independents". These included Standard Oil of Indiana (Amoco), Standard Oil of Ohio (Sohio), Conoco, Atlantic Richfield, Continental, Marathon and Occidental. European state-owned multi-national oil corporations had also penetrated the industry. These included Ente Nazionale Idrocarburi (E.N.I.)/AGIP of Italy and Compagnie Francaise des Petroles (C.F.P.)/TOTAL of France. These corporations had also expanded into many parts of the world, engaging in refining and marketing operations while also participating in production ventures (Odell, 1974; Sampson, 1976).
oil prices were set by the oil companies through mutual pricing policies. Prices were offset against production costs depending on market forces of supply and demand. Through a series of secretive long-term, production-restrictive agreements, the companies efficiently regulated the supply of oil into the world market. This resulted in stabilized oil prices, with no reported increases between 1947 and 1971. A "posted" price, determined by the oil companies, served as the basis for calculating the royalties received by producer countries (Sampson, 1976).

2.9.3 Organisation of Petroleum Exporting Countries (OPEC)

The oil-producing countries presented the greatest threat to the domination by oil companies over the industry. With ever-rising worldwide demand for oil, producer countries were assured of increasing revenues through which they could implement their national development plans. From the late 1950s, however, the business environment began to change. Increased oil production capacity led to an oil surplus in the world market. To stimulate demand, oil companies reduced the posted prices of crude oil resulting in reduced revenues for producer countries.

These developments provoked the formation of the Organisation of Petroleum Exporting Countries (OPEC) in 1960. The members included Saudi Arabia, Venezuela, Iran, Iraq, Kuwait, Algeria, Libya, Nigeria, Qatar, United Arab Emirates, Gabon, Indonesia and Ecuador. They hoped to unify their oil policies and collectively enhance their bargaining power by preventing the companies from dealing separately with the producer countries while setting
profit-sharing terms.

OPEC quickly grew in stature and initially succeeded in preventing further reduction in posted price levels. It also successfully negotiated technical changes in the methods of calculating corporate profits resulting in increased government revenues. A uniform rate for payment of oil royalties to each member country was also worked out. However, a major shortcoming of the cartel was its inability to introduce a mechanism for regulating the output of oil in member countries. In this respect, the organisation proved less capable than the oil companies.

OPEC's formation inevitably politicised the industry. The Middle East, which has the world's largest petroleum reserves, has always been a politically unstable region. It was the exercise of OPEC's political clout that led to the first oil crisis of 1973.

Several factors favoured the OPEC cartel in this respect. Increased demand for oil in the industrialized world, compounded by declining crude supplies, had led to a growing dependence on Middle East oil. Growing demands by producer countries for increased oil prices and joint participation in oil profits, struck a common chord among them. Most important, Israel's refusal to withdraw from the occupied territories also cemented Arab unity. With the outbreak of the Arab-Israel War in 1973, OPEC members were prepared to take advantage of their strong
bargaining position and use oil as a political instrument (Sampson, 1976).

American support for Israel prompted OPEC’s imposition of an oil embargo on America and her allies. This led to a global oil shortage and the eventual quadrupling of oil prices from US$3.00 per barrel in 1973 to US$11.65 in 1974 (Sampson, 1976). The long-term effects were spiralling inflation leading to a global economic recession.

OPEC’s hold over the industry was once again demonstrated with the occurrence, in 1979, of the Iranian Revolution. The ensuing political turmoil led to the closure of the oilfields in Iran, a major OPEC producer. This led to panic-buying on the oil market for stockpiling and eventually to the second oil crisis. Oil prices almost trebled from US$12.09 per barrel in 1978 to above US$30 in 1979 (The Economist, December 22, 1979).

2.9.4 Effect of OPEC on the Multi-National Petroleum Corporations

OPEC’s growing influence had led to the rapid take-over or full nationalisation of oil concessions previously owned by the oil companies, in countries such as Libya, Iran and Saudi Arabia. This resulted in a drastic reduction in oil companies’ share of global oil reserves.

Though they earned huge profits from the drastic price increases instigated by OPEC, the oil companies had since the 1973 oil crisis, opted to diversify into alternative industries. For this
reason Mobil, for instance, had purchased a department-store chain for US$1.7 billion in 1976, while Atlantic Richfield invested US$700 million in mining operations in 1977 (The Economist, May 11 1985).

In addition, the companies also reorganised and rationalised their refining and marketing operations into more compact and competitive business units. When they had owned the oil concessions, the companies' fully integrated structures had concentrated on "upstream" operations in exploration and production while neglecting distribution and selling of oil "downstream". More emphasis was put on improving refining and selling capacities (Sampson, 1976).

2.9.5 Decline of OPEC’s power

After the second oil crisis, OPEC’s influence over the oil industry gradually began to wane. The primary factor of concern was the declining price of oil which was beyond the cartel’s control. For the members, who greatly relied on oil for export earnings, reduced prices meant less revenues. High oil prices had reduced demand among the industrialized European countries and Japan, which are the major oil consumers.

A compounding factor was excessive supply to the market leading to an oil glut. In order to guarantee high prices and maintain high earnings, OPEC had to efficiently regulate oil production among its members so as not to oversupply the market. This was because OPEC members’ oil production capacity had become greater
than the market could absorb. With the exception of Saudi Arabia, however, members consistently insisted on increasing production for higher revenues, regardless of the consequences on the oil market. Producers such as Iran and Iraq desperately needed money to finance their war (The Economist, January 12 1991).

To ensure efficient control of oil output, OPEC introduced national production quotas to be followed by members. However, constant disagreement over their rationale made members flout them regularly. Prevailing self interest and the lack of a coordinated oil policy led to members adopting variant methods to sell crude oil. Eventually, the largest producer, Saudi Arabia, abandoned its role as OPEC’s stabilizing force in 1985 by pursuing an independent oil policy and substantially increasing its production capacity. The resulting oil glut saw oil prices gradually decline to less than US$ 20 per barrel in 1986 (The Economist, September 21 1985; Newsweek, February 3 1986).

Apart from OPEC’s disunity, changes in the structure of the oil markets also led to the decline of the cartel’s powers. This included the gradual shift of oil trading and price determination from long-term contracts to the spot market. Violent changes in oil prices due to the two oil crises had made long-term, fixed price contracts too risky. Trading in oil futures and the spot market drastically increased such that by 1982, more than half of internationally traded oil was priced according to spot rates. OPEC’s official prices were therefore not the sole determinants
of international crude oil prices (The Economist, January 12 1991).

High oil prices and fear of Middle East conflict also led to precautionary measures such as increased oil conservation efforts among consumer nations. With less conflict, these stockpiles added to the supply in the market, fed onto the oil glut and further reduced oil prices. There were also intensified efforts in the search for alternative fuels.

Oil exploration and development in non-OPEC regions also yielded new oil supplies in the North Sea, Mexico and Alaska. This meant less dependence on oil from the Middle East. Unlike OPEC, where members had to restrict themselves to production quotas, oil production outside OPEC was at full capacity. This further lowered oil prices.

The 1980s were therefore extremely difficult years for OPEC due to oversupply of oil leading to a glut and eventually low oil prices. However, this was beneficial to the oil consuming countries.

2.9.6 Current state of the international oil industry

The dominant issue facing the international oil industry today has still been low oil prices. Apart from a brief upsurge (to US$40 per barrel) in the wake of the 1990-91 Gulf Crisis, prices have consistently been below US$20 per barrel (The Economist, March 9 1991). A crucial parameter in price determination is OPEC
members’ production, which has been excessive due to disagreement over production quotas. For instance, overproduction by OPEC members from a quota of 23.6 million barrels to 24.5 million barrels a day, led to a decline in crude oil prices, from US$18.60 in 1992 to US$16.10 in 1993 (Economic Survey, 1994). Additional output from non-OPEC countries such as Britain, Norway and Mexico has worsened the situation.

Other parameters in the price-determination mechanism include the state of crude oil inventories from consumer nations, prepared by the International Energy Agency (IEA), an organisation representing oil importing nations (The Standard, December 5 1994). In addition, OPEC and the IEA also prepare production and consumption forecasts using data on weather forecasts (Northern Hemisphere), economic growth rates and government policy changes. With this energy information, oil analysts are able to prepare oil price forecasts.

Economic recession in the industrial economies of the Organisation of Economic Cooperation and Development (OECD) countries, which are the major oil consumers, has slackened demand for crude oil. In addition, unforeseen slow and even stagnating economic growth in Eastern Europe has not saved the situation. Faster economic growth would increase consumption and demand for oil leading to higher prices.

Oil is still vulnerable to political disruptions. Iraq’s accusation of Kuwait’s involvement in a conspiracy to steal its
market share and flood the market, caused the August 1990 invasion and the Gulf War of 1991. The brief surge in oil prices reflected the world’s continued dependence on oil from the politically unstable Middle East. Concern over the long-term security of oil supplies from this region has regularly caused price increases (Daily Nation, March 24 1995).

The oil embargo imposed by the United Nations Security Council on Iraq, Kuwait and later on, Libya, has magnified the growing powers of non-OPEC institutions over oil production (The Economist, April 25 1992). Reduced oil production due to the exit of these countries, meant increased production by the other OPEC members to make up for the shortfall. Fear of the return of Iraq as a major oil producer, due to the lifting of UN sanctions, have threatened to reduce prices in the international oil market (The Economist, June 24 1995). It reflects the declining influence of OPEC in determining oil production among its members.

Due to increased global concern for the environment, OPEC is faced with new challenges. Members of the European Community proposed the imposition of European Community Environment Tax at the rate of US$3 per barrel to finance environmental conservation (Economic Survey, 1993). This tax on oil imports into the European Community has further confounded OPEC. Output from the North Sea is favoured over that from OPEC.

Oil companies have also had to face new challenges in the form of environmental hazards. For instance, the 1989 oil spill in
Alaska cost Exxon US$3.5 billion in fines and environmental rehabilitation costs (The Economist, March 3 1990). Oil companies are increasingly investing in disaster-prevention technology to minimize the effects of such environmental disasters. In addition, new environmental legislation has made the companies invest in the upgrading of refining and production facilities to meet new standards on petroleum products. It has been estimated that the oil companies now allocate up to 10% of their profits on environmental spending (The Economist, March 3 1990).

Low oil prices have greatly affected the operations of the oil companies especially due to reduced revenues (The Economist, February 8 1992). This has resulted in less investment by oil companies in oil exploration and development. Despite new oil discoveries, crude extraction has proved uneconomical. The growing importance of natural gas as an alternative fuel has seen more oil companies diversifying into its production. Most of them now own subsidiaries involved in gas exploration and distribution.

2.10 THE KENYAN OIL INDUSTRY

The focus in this section narrows down on the Kenyan oil industry. Issues to be cited include the role of oil as a source of energy in Kenya and the development of the industry from independence to date. There will also be emphasis on the second deregulation of the petroleum sector and its effect on the players in the industry.
2.10.1 Oil in Kenya

As in other countries of the world, petroleum plays a crucial role in Kenya's socio-economic development. It accounts for more than 80% of the country's total commercial energy needs (Economic Survey, 1993). Though intermittent oil prospecting has been going on since the 1960s, the country has no known commercially exploitable petroleum reserves. Kenya is therefore a net importer of petroleum. In addition, the country also exports refined petroleum products to neighbouring landlocked countries such as Uganda, Rwanda, Burundi, Zaire and Sudan.

The overall petroleum sector policy objective is to provide the country with a secure, adequate and least-cost supply of petroleum products (Institute of Economic Affairs, 1994). In line with the on-going economic reform process, implemented by the Kenya government in consultation with the World Bank/IMF and donor countries, the petroleum sector was deregulated in October 1994.

2.10.2 First Deregulation (1963-1971)

Between 1963 and 1970, the present market players in the Kenyan oil industry had already established a presence. These were Shell/BP, Esso, Caltex, Mobil (now Kobil), Total and Agip. All were subsidiaries of the multi-national petroleum corporations mentioned earlier. They were responsible for the importation, marketing and distribution of all petroleum products.
The oil industry at this time was partly deregulated. It was largely owned and managed by the oil companies. They were free to determine the prices of petroleum products on the basis of their production costs and profit margins. The only significant control was the "White Oil Rule" which forbade the oil companies from importing refined petroleum products. This was in order to protect the commercial interests of the oil refinery.

Constructed by Shell/BP, the refinery was owned by Shell (25.5%), BP (25.5%), Esso (25.5%) and Caltex (23.5%) through the East African Oil Refineries Limited (Working Party Report, 1968). By agreement, the oil companies had a right to process crude oil, both for the local and export market, for a fee. Using fractional distillation, crude oil could be broken down into constituent marketable products namely liquefied petroleum gas (LPG), automotive petrol, jet fuel, kerosene, diesel and fuel oil.

The market for petroleum products at the time was considered very small. With Kenya still in the early stages of industrialisation, a low urban population and low consumer affluence, there was low demand for petroleum products. Oil industry executives complained of an overcrowded market with their companies carrying excessive overheads due to the industry's high fixed costs (Working Party Report, 1968).

Competition for the small market was stiff. The oil companies resorted to heavy advertising and sales promotion. Aggressive and innovative marketing strategies were employed in order to attract
prospective customers.

The era of a partially deregulated petroleum sector ended with the government's introduction of price controls on all petroleum products in 1971. A preamble to increased government involvement in the industry was reflected in its purchase of 50 percent of the refinery's shareholding from the original owners. A new company, the Kenya Petroleum Refineries Limited (K.P.R.L.), was formed.

2.10.3 Price Controls (1971-1994)

The introduction of price controls was partly caused by the government's view of excessive spending on advertising by the oil companies. It was felt that the savings resulting from reduced spending could be passed on to the consumer in the form of lower petroleum prices. The shift in policy was also in line with the prevailing economic thought which favoured increased Government involvement in all sectors of the economy.

The process of price control implementation was carried out by fixing the existing prices and imposing a price ceiling. Oil companies no longer had the mandate to fix individual prices. Approval for price adjustments had to be sought from the Ministry of Finance (Treasury). This responsibility shifted, in 1979, to the Ministry of Energy.

The parameters used in setting petroleum prices were:

- International crude oil prices
- Freight rates
- Prevailing exchange rate
- Inland transportation costs
- Government taxes
- Crude oil processing fee

Additional parameters included the inflation rate, profit margins and Return on Assets (ROA). International crude oil prices, freight rates and exchange rate fluctuations were closely monitored by the Government on a monthly basis. These were largely responsible for any consumer price adjustments. Regular meetings were held between the Government and the oil companies to review the performance of various parameters. Oil companies were required to send details of all their operating costs and ROA to a central auditor and on to the Ministry of Energy.

During this time, the market players came up with various price-setting formulae for approval by the government. According to an industry executive, these proposals were usually met with either reluctant implementation or outright disapproval. The price control regime was therefore marked with acrimony between the market players in the oil industry and the government. Oil industry executives constantly accused the government of creating inefficiencies in the market by distorting petroleum prices. They complained of the government’s reduction of their companies’ profit margins by increasing taxes with no corresponding price increase (Daily Nation, May 24 1994).
Despite gradual decline and eventual stabilization of international petroleum prices after the two oil crises, local prices for petroleum products still rose. According to an industry executive, this was due to the influence of local factors such as taxation, inflation and the devaluation of the Kenya shilling. The effect was a distinct variation between local and international crude oil prices.

Another industry executive also indicated that price controls on petroleum products had the effect of minimising capital investments by the market players. Due to low investor confidence in the government, most of the players merely held on to existing capital assets. This was reflected in minimal expansion of their retail network and the neglect of the Kenya Petroleum Refineries Limited, a joint investment between the government and the oil companies.

It was also during this period that the government incorporated two companies to operate in the industry; the Kenya Pipeline Corporation (K.P.C) and the National Oil Corporation of Kenya (N.O.C.K.). The Kenya Pipeline Corporation was established to manage the oil pipeline from Mombasa to Nairobi. The corporation started its commercial operations in 1978. At the time, economic indicators reflected potential for rapid economic growth with increasing demand for petroleum products. It was felt that both the road and railway transport system could not adequately cope with this demand (National Development Plan, 1974-1978).
The company had the monopoly over the transportation of petroleum products after processing at the refinery. Oil companies had a transportation contract with KPC for transport services. The company charged tariffs on the basis of each litre of transported petroleum products.

The incorporation of the National Oil Corporation of Kenya (N.O.C.K.) in 1981, reflected the government's intention to be directly involved as an active participant in the oil industry. The corporation, which operated as a department of the Ministry of Energy, became operational in 1985. It was established with the following aims and objectives:

- to maintain strategic oil reserves for the country
- to distribute petroleum and its products to those areas not accessed by the oil companies, especially in the countryside
- to promote prospecting for petroleum deposits in the country

The corporation was mandated by the government to import 30% of the total volume of crude oil into the country. In addition, the oil companies were obliged to purchase 30% of their petroleum requirements from the corporation. According to an executive in the corporation, this arrangement was under a "Gentleman's Agreement". The corporation also collected Petroleum Development Levy proceeds (introduced in 1990) from the oil companies on behalf of the government.
Another indicator of the government's control over the industry was the biting fuel shortages experienced in early 1993. These were attributed to minimal foreign exchange allocation for importation of crude oil, by the Central Bank (Economic Review, April 19 1993).

2.10.4 Second Deregulation (1994)

According to an industry executive, the deregulation process entails the lowering or total dismantling of government controls hindering the operation of a free market system. It is a reflection of the desire by the government to organise the economy on the basis of a free and competitive market in order to enhance economic growth.

In the context of the oil industry, this meant the removal of price controls and freedom for oil companies to purchase petroleum products from the most competitive sources. In line with the requirements of the on-going economic reform process, the sector was once more deregulated in October 1994. The process is bound to have varied effects on the operations of the respective players in the industry. This is primarily due to the oil companies' acquired ability to directly import refined petroleum products.

The most significant concern is with regard to the oil refinery whose protection from direct competition was effectively dismantled by the deregulation of the petroleum sector. The subsequent abolishment of the throughput tax levied on the oil
companies and the reduction of crude oil processing fees was designed to offer more competitive terms to customers. Despite these measures, it is still cheaper for the oil companies to import refined petroleum products than to process them at the refinery. The result has been a drastic reduction in the revenue earned by the refinery.

According to oil industry executives, the level of technology at the refinery has gradually declined over the years. This has made the facility inefficient and incapable of keeping up with modern trends. The refinery's shareholders need to invest approximately $325 million for the modernisation and expansion of existing facilities (Daily Nation, July 18 1995).

Excessive importation of oil products by oil companies has meant a reduction in the supply of cooking gas into the country as already experienced (Daily Nation, March 22, 1995). This is because the refinery currently processes all Liquefied Petroleum Gas (LPG) requirements for the country and there are as yet no sufficient handling and storage facilities for imported LPG.

Oil companies have therefore had to undertake additional investment in the construction of the required gas import facilities. The companies are already competing to ensure long-term supply of LPG to their customers. Existing facilities are undergoing renovation. Shell/BP, Esso and Caltex have already announced a joint project to import cooking gas in order to ensure sufficient supply of the product. At least Ksh.5 million
has been invested in renovating import facilities at Shimanzi in Mombasa (Daily Nation, July 11 1995).

The shortage of Liquefied Gas Bogies (LBGs), for transporting cooking gas by railway, has also been responsible for disruptions in the supply of cooking gas. In order to supplement railway transport, specialised gas transporters for ferrying cooking gas by road from Mombasa to Nairobi have been purchased (Daily Nation, March 11 1995).

With oil companies free to purchase 100% of their petroleum requirements from any source of their choice, the guaranteed 30% market share previously enjoyed by the National Oil Corporation of Kenya has effectively disappeared. This has forced the corporation to be competitive in order to survive. An indicator of the changed scenario was the gas shortage partly caused by the oil companies refusal to purchase a consignment of crude oil imported by the corporation. This was on the grounds that it was overpriced (The East African, January 2-8 1995).

The Kenya Pipeline Corporation no longer has the monopoly over the transportation of petroleum products. Oil companies now have the leeway to use the most efficient and cost-effective mode of transport. Road and railway transport are the available options. The efficiency of these alternatives will determine the extent to which they pose a threat to the corporation's long-term survival.
competition among the oil marketing companies is also expected to take a new direction. Prior to deregulation, the government set the operating margins for the oil marketers. Efficiency was therefore not a prerequisite for survival and success in the industry. Under deregulation, however, the market players have to set their own profitable margins to succeed. The companies have to compete on price and quality of petroleum products and the service packages offered to customers. Due to increased focus on efficiency, lower unit costs will also be necessary for increased profits.
CHAPTER 3
RESEARCH METHODOLOGY

3.1 INTRODUCTION
This chapter outlines the steps undertaken in executing the study. Inclusive are the specific methods and procedures used in the collection, measurement and analysis of the necessary data. We begin by restating the study's objective.

3.2 OBJECTIVES OF THE STUDY
The study had one main objective:

To investigate and document the state of strategy practices within oil companies in Kenya.

The practices investigated were derived from the model of the strategic management process presented earlier on. These are the following :
1. Mission statements
2. Objectives
3. Formality in planning
4. Participation in planning
5. Planning Horizon
6. Environmental scanning
7. Strategies and Strategy development
8. Industry Analysis
9. Competitor Analysis
10. Role of Boards of Directors
In order to facilitate the measurement of these practices, it was important to define them. The operational definitions are set out in Appendix 2.

3.3 SCOPE OF THE STUDY

The focus of the study was on the established oil marketing companies in Kenya. These were Shell/British Petroleum (BP), Caltex, Total, Esso, Agip and Kobil/Kenol. For the study purposes, these are six (6) companies. All had their head offices in Nairobi.

The study took a rational-analytic approach to strategy development. Strategy formulation was viewed as a deliberate and rational process. Such an approach has been adapted in studies documenting corporate planning practices in Africa. These include Woodburn (1984), Adegbite (1986) and Fubara (1986). The same approach was also used in Kenya by Aosa (1992), Karem (1993) and Shimba (1993).

In terms of the time dimension, the study was cross-sectional in nature. It would not have been possible to carry out a longitudinal study which would have observed possible changes over a period of time. This was due to time constraints.

3.4 RESEARCH DESIGN

This was the plan used to undertake and execute the study. The important issue at this juncture was on the specific methods to be chosen, based on the study’s objective and the type of data
The information necessary for the study required the collection of both quantitative and qualitative primary data. Quantitative data was necessary to facilitate comparison. In the context of the study, however, greater emphasis lay in the collection of qualitative data. This was primarily because of the small size of the population. It was necessary to get as much deep and rich data to augment the quantitative data. It would also ensure that there was flexibility in the data collection process.

Various methods of primary data collection have been cited in the literature. Emory (1985) and Boyd et al (1990) mention observation and survey as the two major techniques of primary data collection.

Due to the study's data requirements, a survey format was found to be most appropriate. The practices we were to investigate could not be observed, therefore eliminating the observation method.

3.4.1 Type of Survey

After the survey format was selected, there was need to be more specific as regards the survey mode. Survey data collection modes include personal, telephone, mail and even computer-assisted interviews (Sekaran, 1992). Each of these modes do have their requisite advantages and disadvantages.
With personal interviews, one can obtain deep and very detailed information from the respondents. The interviewer can also be able to gather supplemental information by probing with additional questions and through observation. However, it is costly, time-consuming and poor at controlling interviewer effects. Mail surveys have greater control over interviewer effects but are poor at handling complex questions with the additional risk of a low response rate. Telephone interviews are cheaper and have a high degree of sample control but achieve less rapport.

With these different methods available, it was necessary to select the method which would best suit the study’s objectives, data requirements and resource constraints. There was need for long interviews with respondent managers in order to obtain qualitative information. Supplementary information was also necessary. The personal interview was selected as the most appropriate data collection mode.

3.4.2 Type of Interview

Two types of personal interviews have been identified by Sekaran (1992): structured and unstructured interviews. With regard to the study, both types of personal interview methods were used. For purposes of collecting standard numeric data and supplementary information, structured interviews were used. Such information was necessary for comparison. With regard to detailed information, unstructured interviews in the form of open-ended questions and probes were used. Individual interviews were
conducted. For each oil company, one manager was interviewed.

3.5 THE SURVEY PROCESS
In order to collect the data efficiently, the survey procedure was implemented in four ways: constructing the questionnaire, determining the population, requesting respective companies to participate in the study and interviewing the respondents.

3.5.1 Questionnaire Construction
In order to assist in the interview process, a questionnaire was developed. It was to be personally administered on the respondents by the researcher. The questionnaire had both open-ended and closed questions (See Appendix). Both types of questions were necessary in order to gather both numeric and supplementary data as earlier stated. The questions were derived both from empirical studies and the model of the strategic management process presented in Chapter Two. No pre-testing was carried out. However, slight modifications were made on those questions which proved difficult to understand, after the interview process had started.

3.5.2 Population
The population that was of interest in this study was all the oil companies operating in Kenya. Due to the rather small number of companies, the intention was to undertake a census study. As such, the analysis techniques to be used were non-parametric as opposed to parametric if a sample was to be carried out. There was therefore less emphasis on quantitative techniques.
3.5.3 Request for study participation
Contact with all the companies was established by sending letters of introduction (See Appendix 1a) along with an attached questionnaire. These were hand-delivered to the target managers' offices requesting their participation in the study. Later, follow-up telephone calls were made in order to schedule interview appointments.

Of the six targeted companies, access was gained to four (4). Two companies totally declined to participate, citing various reasons. The response rate was therefore 67% with all respondents completing the interview. This response rate was high as compared to that achieved in similar studies including Shimba (1993) 56%, Karemu (1993) 55%, Check-Teck et al (1992) 25%, Aosa (1992) 15%, Woodburn (1984) 7% and Adegbite (1996) 5%.

3.5.4 Interview Process
The respondents were top managers such as General, Marketing, Planning and Communication managers. It is these managers who are most familiar with the strategy processes in their respective organisations.

The interview process was carried out in two stages. The first stage involved the respondent providing answers to the closed questions. These questions required data such as the year of incorporation and the nature of ownership.
The second stage involved questions which the researcher asked the respondents. These questions were outlined in the questionnaire. At this point, the respondents talked about their companies and experiences. They were not only confined to those questions outlined. Any clarifications and relevant additional and supplementary information was also sought. At this stage, the main purpose of the questionnaire was to keep the interview on course.

3.6 DATA ANALYSIS

3.6.1 Questionnaire Editing and Coding

At the end of each interview, the completed questionnaires were edited in the field. Coding was then undertaken soon after. This enabled basic statistical analysis to be carried out. Transcripts from the field notes were edited and updated so as to ensure that no details had been omitted. It was necessary to do this while the interviews were still fresh in memory.

Due to the small number of companies that made up the population, simple descriptive statistics i.e. proportions, percentages and frequency distributions, were used. In addition, measures of both central tendency and spread were used to compare certain characteristics of the oil companies. These were the age and size of the companies. Due to the exploratory nature of the study, these statistical measures were sufficient to enable basic comparisons to be made.
3.6.2 Coding of Companies

The various company respondents had agreed to provide information on condition that the confidentiality of the companies was maintained. In order to fulfil this undertaking, all the companies were given codes for identification purposes. These were A/C, E/B, X/K and S/Y.

3.7 LIMITATIONS OF METHODOLOGY

With regard to the research methodology employed in the study, potential limitations arose out of using the survey mode for data collection. According to Backstrom and Hursch (1981), survey research has certain weaknesses.

Surveys are obtrusive and are therefore not discreet research instruments. In our study context, it means that the respondents interviewed were fully aware that they were being studied. This awareness could potentially affect their responses.

Using a survey also meant that we had to rely on self-reporting by the respondents about their companies. Such self-reporting may not always be accurate or true.

The use of a structured questionnaire meant that we predetermined the questions which the respondents were expected to answer. It was assumed that the respondents could answer all the questions. However, there may have been cases where the respondents just answered questions even when they did not understand them.
There was confidence, however, that these limitations did not impair the study results. Extra caution was taken to minimise, as far as possible, the potential effects of these limitations.
CHAPTER 4
RESEARCH FINDINGS AND DISCUSSION

4.1 INTRODUCTION
In this chapter we will present and discuss the findings of this study. The results will be presented on the basis of the arrangement of the strategy aspects to be investigated in the questionnaire. Due to the added emphasis on qualitative research in the study, rich and deep supplementary data was also gathered. These will be incorporated into the body of the research findings.

4.2 COMPANY PROFILES
The respondents provided background information with which we were able to develop a profile of each company.

4.2.1 Company A/C
The company is the local subsidiary of a joint venture between two of the multi-national petroleum corporations mentioned in Chapter Two. The parent corporation is a holding company whose primary activity is the direct or indirect ownership of subsidiaries and affiliates worldwide. In addition, the parent company has the correlative responsibility as an investor, to ensure the maximum financial performance of all the subsidiaries.

It was also mentioned that through service agreement arrangements, the parent company provides limited financial,
human relations and specialized services to the local subsidiary. Such an arrangement was discerned, for example, from a certificate displayed in the respondent's office signifying attendance of an "Executive Management Development Programme" at the parent company's head offices.

The subsidiary is largely independent of the parent company and formulates its own strategies. However, these have to conform to corporate policy. In addition, though the local subsidiary formulates an annual business plan for investment purposes, final approval has to be sought from the parent company.

Through mission and vision statements formulated at the head office, the parent company outlines its vision and values. These statements are then distributed to subsidiaries and affiliates worldwide. These include Company A/Z.

4.2.2 Company E/B

The company is a subsidiary of one of the world's largest multinational petroleum corporations. The Managing Director reports to the parent company's Africa Services Division.

The parent company's organisational structure was described as highly decentralized. Overseas subsidiaries enjoy great freedom in making independent operational and investment decisions. This was briefly explained by the company's respondent,

"Our parent corporation hardly concerns itself with operations. We are quite flexible and so we are able to do our own thing. As long as they receive their dividends then we are alright".
It was indicated that the parent company’s input is visible through setting and monitoring the enforcement of health, safety and environmental standards in line with overall corporate policy. Vigorous auditing of subsidiaries also enables the parent company to monitor their operations.

The purchase of crude oil on the international market is undertaken by the parent company on behalf of its local subsidiary through credit arrangements. Due to the company’s long experience in the oil business, it is able to purchase crude oil at competitive prices. The consignment is then delivered to the port of Mombasa and payment duly made.

4.2.3 Company X/K

Of the four companies visited, this is the only one that is locally incorporated. Previously, the company was a subsidiary of one of the multinational corporations mentioned in Chapter Two. During this time, strategic planning meetings were held at the corporate headquarters overseas. Once these strategies were formulated offshore, they were then sent by telex for implementation by local management. Now with a largely local shareholding, the company’s decision-making process is localised.

The company’s respondent mentioned that in 1986, the company integrated its operations with those of another oil company (not included in the study). According to the sister company’s Annual Report and Accounts (1994), the joint operations agreement entailed the integration of both head office departments along
with combining depot operations. Both companies now enter into several commercial transactions. These include joint importation of crude oil consignments, joint exports, oil exchange transactions and purchase of lubricants. The transactions are consistent with those carried out in the oil industry.

Under the joint operation arrangement, the companies also share expenses related to crude consignments, export sales and distribution, selling, marketing, administration and financing. The sharing arrangement is on the basis of their inland market shares of sales volume in the oil industry.

4.2.4 Company S/Y

This company is also a subsidiary of another of the largest multi-national petroleum corporations. With regard to daily operations, the subsidiary is autonomous from its parent corporation. It was stated that this level of freedom was in line with corporate policy where all subsidiaries operate with little interference from the head office. The parent company’s organisational structure was also described as highly decentralized.

The subsidiary’s autonomy may also be seen with regard to the purchase of crude oil on the international market. Unlike the case of Company E/B, this is independently undertaken without any prior arrangement with the parent company. The respondent stated,

"We purchase our crude oil from the most price-competitive sources. If our parent company happens to be offering the best prices on the market, then we can purchase from them. Otherwise it is not obvious that we have to buy from them".
The parent company's major input is in providing Group guidelines and standards especially in the aspects of safety and overall corporate performance. As these standards are expected to be strictly followed, the parent company regularly evaluates their attainment and offers guidance where necessary. Representatives from the parent company also sit on the company's Board of Directors.

This company also manages the local franchise for another multinational petroleum corporation on its behalf. This falls under a joint operation agreement between the two multi-nationals. A similar operation agreement exists for the management of Company S/Y's sister company in Zimbabwe by the other multi-national's subsidiary there.

4.3 OIL COMPANY CHARACTERISTICS

Certain characteristics of the oil companies were investigated. These included the age, ownership and size of the companies. The results are presented in Tables 4.1 and 4.2.

<table>
<thead>
<tr>
<th>Company</th>
<th>Age (Years)</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/C</td>
<td>34</td>
<td>Foreign</td>
</tr>
<tr>
<td>B/B</td>
<td>55</td>
<td>Foreign</td>
</tr>
<tr>
<td>X/K</td>
<td>11</td>
<td>Local</td>
</tr>
<tr>
<td>S/Y</td>
<td>32</td>
<td>Foreign</td>
</tr>
</tbody>
</table>

Source: Interviews
The average age of the companies was 33 years. Companies A/C and S/Y fell well within this range. The standard deviation was 17.98. This figure is attributable to Companies E/B and X/K whose ages differ by 22 years above and below the mean, respectively. Three of the companies have been operating in Kenya for over 30 years. It was also noted that three out of the four companies were foreign-owned. The only local company also turned out to be the youngest.

Table 4.2  
Size of Oil Companies

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Retail Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A/C</td>
<td>288</td>
<td>116</td>
</tr>
<tr>
<td>Company E/B</td>
<td>149</td>
<td>104</td>
</tr>
<tr>
<td>Company X/K</td>
<td>251</td>
<td>116</td>
</tr>
<tr>
<td>Company S/Y</td>
<td>400</td>
<td>160</td>
</tr>
</tbody>
</table>

Source: Interviews

The average number of employees for the companies was 272. While Companies A/C and X/K were close to the mean, Companies E/B and S/Y differed widely from the average. This accounts for the standard deviation of 103.6.

The mean for the retail outlets was 124 with standard deviation at 24.65. Apart from Company S/Y, there was no significant disparity from the mean. With regard to both the number of employees and retail outlets, Company S/Y is the largest of the oil companies studied, while E/B is the smallest.
4.4 RESEARCH FINDINGS

The following are the results obtained from the study.

4.4.1 Mission statements

All the respondents indicated that their companies had prepared written mission statements. Two of these statements indicated that the respective companies aimed at being the best oil marketing company in the country. In addition, the Company S/Y respondent stated that their company aimed at being the first choice for product and service with this clearly stated in the mission statement. Two respondents (E/B and S/Y), stated that their mission statements incorporated safety and environmental concerns. Company E/B’s mission statement also emphasised the practice of business ethics. One respondent (A/C) further indicated that their mission statement was prepared along the lines of that of the parent company.

<table>
<thead>
<tr>
<th>Awareness</th>
<th>Number</th>
<th>Proportion(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management Only</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Top and Middle Management</td>
<td>2</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Interviews

Differences emerged in the awareness of the presence of a mission statement among the companies’ staff. As seen in Table 4.3 above, it was only in two companies that both top and middle management seemed to be aware. In these two cases, the mission statements were regularly emphasised and articulated
through internal corporate newsletters. Of the other two which reported lack of awareness, one respondent stated,

"We have a mission statement which I have seen, but I don’t think other employees in the company are aware that it’s around. It’s not publicised as such even within the company" (Respondent for Company X/K).

A similar view was expressed by the respondent for Company E/B.

The influence of the parent companies with respect to the mission statement was also emphasised. Company A/C respondent indicated that the overall vision of the parent company was translated to the local affiliate through the mission and vision statement.

4.4.2. Objectives

Table 4.4 indicates the frequency with which certain corporate objectives were mentioned by the respondents.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Frequency</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve Market Share</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Increase Sales Turnover</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Profit Growth</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>First Brand Choice</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Return on Assets (ROA)</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Safety, Health &amp; Environment</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Maximize Shareholder value</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Cost Competitiveness (Efficiency)</td>
<td>1</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Interviews
All the companies had set objectives. Market leadership, improved sales turnover and growth in profits were the most frequently cited objectives. 3 of the companies stated that they had an objective to be the first brand of choice to the consumer. Improved Return on Assets (ROA) was also mentioned as an objective.

Two respondents stated that safety, health and environmental issues were taken very seriously in their companies. Detailed action programmes addressing these concerns had been introduced and were under constant review. One respondent mentioned, for example, that their company had launched a "Safe Driver Award Scheme" to improve road safety awareness among the company’s and petrol station operators’ drivers. Another respondent stated that their company held monthly "Safety" meetings to review progress on safety concerns and set targets. The maximization of value to shareholders and improved efficiency of company operations were also mentioned as objectives.

Both the quantitative and qualitative aspects of the objectives were emphasised and articulated in order to make them specific and attainable. One respondent stated that specific numbers were used when necessary. This applied in the case of market share, profit growth and sales turnover.

An important consideration was the need for extra caution while pursuing certain objectives. This was due to the potential risk of drastic effects on the companies’ cash flow position which
would seriously affect daily operations. One respondent stated, "It is very possible in the oil industry, just like in others, to register rapidly increased sales without a corresponding growth in profits because some bulk consumers, especially government departments, end up not paying on time or not at all. We are therefore very careful about sales growth. We would rather sacrifice growth than consistently have overdue debts in our books" (Respondent for Company X/K).

The levels at which corporate objectives were set is presented in Table 4.5. In two of the companies, corporate objectives were set at the top management level. Objectives in Company A/C were set at the Board level. In Company S/Y, these were set by the "Management Team" which, in effect, was the company's Board of directors.

In the other two companies, middle management participated in setting objectives. For instance, in Company E/B, objectives were set at the middle management level (departmental heads) and then approved by top management. In Company X/K, the Marketing Manager played a primary role in the process.

<table>
<thead>
<tr>
<th>Table 4.5 Participants in Setting Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants</td>
</tr>
<tr>
<td>Top Management only</td>
</tr>
<tr>
<td>Top &amp; Middle Management</td>
</tr>
</tbody>
</table>

Source: Interviews

All respondents indicated that corporate objectives were communicated to the company's employees. The various methods used and their frequency is presented in Table 4.6.
Table 4.6 Methods Used to Communicate Objectives

<table>
<thead>
<tr>
<th>Channel of Communication</th>
<th>Frequency</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meetings</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>In-House Magazine</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Seminars</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Corporate Policy manuals</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Mission &amp; Vision Statement</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Informal Discussions</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Budgetary Plans</td>
<td>1</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Interviews

4.4.3 Plans and planning horizon

As shown in Table 4.7, all the respondents indicated that their companies prepared budgets for planning purposes. These budgets were primarily financial in nature. However, the Company X/K respondent stated that their budgets were comprehensive as they incorporated both marketing and financial plans. Company S/Y’s plans also incorporated operations and Health, Safety and Environment (HSE).

Table 4.7 Types of plans used

<table>
<thead>
<tr>
<th>Types of plans</th>
<th>Frequency</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgets</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Annual Plans</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Short-term plans</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Long-term plans</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Functional Plans</td>
<td>3</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: Interviews
Annual plans were prepared by all the companies. These were reviewed in the course of the financial year. All the companies also prepared short-term plans. It was emphasised that short-term planning prevailed due to the price control regime. Most of the companies were still adjusting their systems to cope with a deregulated environment.

Not all the companies had long-term plans, however. In Company X/K, the respondent indicated that previous effect of price controls, resource constraints and the predominantly local operations influenced the company to plan at short-range for a maximum period of two years.

Differences also emerged in the other types of plans. In three of the companies, separate functional plans were prepared with the marketing plan being the most frequently mentioned. The plans mentioned by respondents were all documented.

Table 4.8 Planning Horizon

<table>
<thead>
<tr>
<th>Company</th>
<th>Planning Horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/C</td>
<td>5 years and above</td>
</tr>
<tr>
<td>E/B</td>
<td>1-3 years</td>
</tr>
<tr>
<td>X/K</td>
<td>1-3 years</td>
</tr>
<tr>
<td>S/Y</td>
<td>3-5 years</td>
</tr>
</tbody>
</table>

Source: Interviews

With regard to the planning horizons covered by corporate plans, Table 4.8 shows that the respondents had different results. Company E/B and Company X/K had the shortest planning horizon. Company E/B’s respondent elaborated on this practice,
"All our plans are short-range in that they incorporate no longer than a one-year period. If for instance, we want to improve our retail network by opening a new petrol station, the proposal is accepted at the end of the financial year. At the beginning of the next fiscal year, money is provided and construction undertaken within the same year."

As seen from the table, the other companies had 3-5 years and above 5 years planning horizons respectively. In all cases, it was mentioned that an annual review of the planning environment was carried out.

4.4.4 Participation in planning

Participation in planning was restricted to top management only in Company A/C. This is seen in Table 4.9. Additional input from middle management was noted in the other companies.

<table>
<thead>
<tr>
<th>Participants</th>
<th>Number</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management only</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Top &amp; Middle Management</td>
<td>3</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: Interviews

With regard to participation in planning, Company S/Y respondent had this to say,

"Planning in our company is a bottom-up process. We therefore need the input of all those involved in the implementation of these plans."

Table 4.10 indicates the features of the planning process and their frequency within the oil companies.
Table 4.10 Characteristics of the Planning Process

<table>
<thead>
<tr>
<th>Feature</th>
<th>Frequency</th>
<th>Proportion(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence of a Planning Department</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Time-table for preparation of plans</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Informal planning sessions</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Clear-cut planning responsibilities</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Formal Planning Meetings (Inter-departmental)</td>
<td>2</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Interviews

All the respondents stated that their companies had planning departments. Similarly, time-tables for the planning period existed in their corporate calendars. For instance, Company X/K respondent indicated that they started preparing budgets during the last quarter of their financial year.

It was also mentioned by three of the respondents that they held informal sessions, usually outside the company premises, for planning purposes. Three of the respondents also stated that there were individuals within the company with specific planning responsibilities.

It was also apparent that only half of the respondents indicated that they held formal sessions for planning purposes. This was because as they stated, it was a process that went on throughout the year. Reflective of this is the response by Company X/K respondent in this respect,

"There is no particular time that we sit down and say that we are now planning. It is a continuous process of interaction and consultation among the various departments within the company. Key assumptions keep changing and so
we have to keep reviewing them in order to plan right".

4.4.5 Formality in planning
As an overall assessment of the nature of the planning system adapted by the companies, it was important to establish the formality of planning within the oil companies. In this context, formality meant a planning effort where various parts of the organization contribute through a system of formal procedures on a regular basis. It is therefore systematic. From the findings obtained above, we were able to establish that all the companies had a high level of formal planning.

4.4.6 Strategies and strategic plans
As shown in Table 4.11, the respondents interviewed cited a variety of strategies used by their companies to gain a competitive edge. Quality customer service was mentioned by all the respondents. This was defined as comprising politeness and friendliness to customers, efficient and reliable service delivery by attendants, cleanliness and attractiveness of service stations, improved product quality and provision of facilities such as shops, cafeteria and workshops.

The ability to purchase crude oil on the international market at competitive prices was also mentioned by all the respondents. This would increase the profit margins of the companies and also enable them to sell petroleum at competitive prices on the local market. Other strategies mentioned included advertising, increased training and support for petrol station operators and the addition of new stations to their retail networks.
Low retail prices were mentioned as a strategy by Company X/K. Soon after the deregulation of the industry, oil companies had increased retail prices for their products with the exception of Company X/K. At the time, it aimed at maintaining pre-deregulation prices so as to gain a competitive edge.

The strategies devised by the oil companies had also changed with time. Once again, the primary reason was due to the deregulation of the sector. For instance, one company had to terminate a promotional strategy of presenting bars of soap for every specific amount worth of petrol purchased. This was because it clashed with its intended strategy of being the lowest priced retailer. Reduced cash inflows had been reported as a result of simultaneously offering the lowest prices and additional costs from the purchase of soap.

<table>
<thead>
<tr>
<th>Table 4.11 Strategies Mentioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
</tr>
<tr>
<td>Quality customer service</td>
</tr>
<tr>
<td>Competitive product source</td>
</tr>
<tr>
<td>price</td>
</tr>
<tr>
<td>Advertising</td>
</tr>
<tr>
<td>Dealer training, support and</td>
</tr>
<tr>
<td>incentives</td>
</tr>
<tr>
<td>Addition &amp; improvement of</td>
</tr>
<tr>
<td>service stations</td>
</tr>
<tr>
<td>Lower retail prices</td>
</tr>
</tbody>
</table>

Source: Interviews
The respondents were also asked how they developed their strategies. Respondent for Company X/Y mentioned that strategy formulation involved an elaborate process of data collection in their company. Advanced statistical techniques, including the use of regression analysis, were used to assist managers in making strategic choices. The importance of intuition in the decision-making process was also mentioned by the Company E/B respondent:

"There are times when one cannot merely rely on facts and figures to make some decisions. What may be required is for you to maximise on an opportunity. You see an open window, jump through and once you are in, you look around to decide the next move. At such times, you cannot just look at the facts and make a decision. You need a sixth sense."

The respondents individually mentioned several variables that were of particular interest during the strategy formulation process. These included the industry growth rate, market trends, government regulations, past performance, customer needs, the goals and strategies of competitors and overall corporate policy of the parent company.

The strategies mentioned were all documented in the companies' strategic plan. Strategy formulation and development was therefore a formal process in these organisations.

**Table 4.12 Participants in Strategy Formulation**

<table>
<thead>
<tr>
<th>Participants</th>
<th>Number</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management only</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Top &amp; Middle management</td>
<td>3</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: Interviews

86
Table 4.12 shows the participants in strategy formulation in the oil companies. Participation in strategy formulation was restricted to top management in Company S/Y. Middle management involvement was noted in the rest of the companies.

Company A/C respondent stated that formal discussions and brainstorming sessions were held in order to ensure maximum input by participants in the process.

4.4.7 Environmental scanning

The main concern of the nature of Environmental Scanning carried out by the companies was local and international economic trends, government policy and market trends.

In Company A/C, Market Research was stated as the activity similar to environmental scanning. Market Research firms were hired on a regular basis to carry out this activity. The aim was to gather specific information needed for decision-making and problem-solving. The General Manager-Marketing & Operations was in charge of this function.

The respondents for Companies S/Y and X/K stated that their companies had Marketing Intelligence systems which carried out the activities mentioned as comprising environmental scanning. The system's aim was to monitor those developments in the environment that potentially affect the company and then disseminate this information to the relevant departments. The importance of this activity was highlighted by Company S/Y's
respondent who said,

"It is important for us to know what is going on around us—we are not an island."

The responsibility for environmental scanning varied slightly among the companies. In Company S/Y, one officer in every department was in charge of gathering market intelligence. Input from all departmental managers and other staff helped in the analysis of the information. In the case of X/K, the Budget Controller and Market Analyst were in charge of this function.

In Company E/B, the respondent stated that information gathered was analyzed at the functional level and ultimately to the corporate planning function. Each department had a Planning Analyst who oversaw this activity.

The following were mentioned by the respondents as sources of information for environmental scanning purposes:

1. Economic surveys and statistical bulletins with information on Key Economic Indicators such as Inflation, Gross Domestic Product (GDP) and Gross National Product (GNP).
2. Annual Budgetary Estimates by the Minister of Finance.
3. International publications such as "The Financial Times"—in Company S/Y it was observed that these publications were purchased on a daily basis and supplied to various departments.
4. Local Daily Newspapers.
In all cases, relevant information from these publications was analyzed by computer, where possible. If the information was found to be important, it was passed on to the relevant department(s). Respondents indicated that information obtained was used in offering guidance while preparing budgetary proposals.

4.4.8 Industry analysis

All the respondents indicated that their companies carried out industry analysis. In addition, three out of the four respondents stated their companies’ position in the industry on the basis of market share.

Table 4.13 Key success factors mentioned

<table>
<thead>
<tr>
<th>Success Factor</th>
<th>Frequency</th>
<th>Proportion(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Appeal</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Adequate financial resources</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>High calibre of staff</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Innovative marketing strategies</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Outlook of petrol stations</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Convenient location of petrol stations</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Efficient Information System</td>
<td>2</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Interview

As seen in Table 4.13, all the respondents mentioned customer appeal as a critical success factor. The new business environment had emphasised the need for the oil companies to focus on this aspect of their business if they were to succeed.
due to the high level of capital investment necessary in the industry, the availability of adequate financial resources was mentioned as a critical success factor by all the respondents. The facilities mentioned included retail outlets, road tankers, fuelling equipment, fuel storage terminals and gas import storage facilities.

The calibre of staff employed was also mentioned by all the respondents as a critical factor for success. Respondent A/C stated that this was important because it had a direct implication on corporate performance. As such, he indicated that they employed highly qualified staff and had a rigorous recruitment process to ensure that they got the best applicants. In addition, it was also mentioned that they offered attractive remuneration packages in order to retain these employees in their organisations.

An efficient information system was mentioned by two of the respondents as a crucial success factor. This would quicken the decision-making process as time was of the essence in the industry. All the respondents indicated that various aspects of their operations were already computerised.

Various sources of information relevant to the industry and which were used by the oil companies, were also mentioned. These were:

1. Price Monitoring Report issued weekly by the Ministry of Energy after the deregulation of the industry.
2. Local and International press reports on topical issues affecting the industry

3. International periodicals with a specific focus on the International Oil Industry such as "Petroleum Intelligence Weekly", "Platts Oilgram News", "Middle East Economic Survey" and "Middle East Economic Digest".

4. Information from Kenya Petroleaum Refineries Ltd:
   a) Crude oil processing requirements data for each oil marketing company
   b) Monthly and annual Sales data for each oil marketing company

5. Government reports on annual national crude oil requirements.

The executives interviewed considered the rate of the industry's growth as the most important aspect of the industry, as seen in Table 4.14. One respondent described the industry as one with a moderate growth rate. The industry's new strategic focus was ranked equally in importance. Previously, as stated by respondent X/K, the oil companies had primarily focused on efficiency of supply and distribution (logistics) of petroleum products to their retail outlets. With deregulation, there was now added emphasis on quality customer service.

The influence of government regulations on the industry was gradually declining, in the opinion of the respondents.
Table 4.14 Mean scores on the importance of industry aspects
(The maximum score is 5.0)

<table>
<thead>
<tr>
<th>Industry Aspect</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Growth rate</td>
<td>4.75</td>
</tr>
<tr>
<td>New strategic focus in the industry</td>
<td>4.75</td>
</tr>
<tr>
<td>Regulatory influences by the Government</td>
<td>4.50</td>
</tr>
<tr>
<td>Exit/Entry into/out of the Industry</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Source: Interviews

Deregulation meant the relaxation and elimination of governmental controls over the industry. However, the executives voiced their concern over the discomfort exhibited by the government with regard to the new liberalised environment.

Lack of new and clear policy guidelines to govern the industry's operations in a deregulated environment, was cited by the respondents as a major issue that remained unresolved. The government's delay in undertaking this important measure was cause for uncertainty and confusion within the industry. It was felt that in the light of the prevailing uncertainty, new entrants would take advantage and penetrate the market unfairly. This would also create room for the entry of low quality petroleum products which were potentially harmful to the consumer. Such a scenario was envisaged by the Company S/Y respondent,

"The oil industry is a highly delicate one whose products can have disastrous consequences on human life. Threats include cases of impure kerosene which can and actually
have killed. As such, we cannot afford to have fly-by-night operators who are just out to make a quick profit and then leave at their will. It is crucial that certain ground rules be laid down and observed by every player - old and new. The risk to human life is too great to be left in their hands".

In addition, the respondent also indicated that his company had played a leading role in making specific presentations to the government on the deregulation process. These were to cover both the existing companies and new entrants. The proposals concerned the future of the refinery, ensuring a level playing field in the industry and creating a regulatory framework incorporating health, safety, environmental protection and other related issues. Input from both the government and the industry would be necessary in working out the new regulations. Continued delay in establishing new guidelines would continue to strain relations between the government and the oil companies.

Oil company executives were also disgruntled by the government’s "unnecessary interference" in the industry even after it had been deregulated. One respondent (Company A/C) viewed the government’s negative attitude towards the oil companies as an attempt to regain its control over the industry,

"It defies all commercial reason for the government to continue maintaining a grip on the oil companies. It is only doing so for chauvinistic reasons - as an exercise of its reduced power".

The executives interviewed were at loggerheads with the government at the time especially because of the weekly Price Monitoring Report published by the Ministry of Energy. The report presents the petroleum product prices offered by various
oil companies along with recommendations to consumers on the most price-competitive companies. The Company A/C respondent also expressed his opinion on the report,

"The price monitoring report interferes with market forces. It doesn’t make the customer any wiser. The customer does not come to fill in at a petrol station just because of the price. One also considers such factors as the location of the station and quality of services offered".

This opinion was shared by the Company S/Y respondent,

"The choice of a petrol station by a consumer is also dependent on convenience, not just the price. So with liberalisation, the government should not concentrate merely on the prices. It has no business informing the consumer on the different prices being offered. It is not allowing the free market mechanism to operate in this changed environment. You do not expect that oil companies will all have similar pricing strategies. So this amounts to interference. It is apparent that government officials have little understanding of elementary economics".

However, not all the respondents agreed with the above opinion. The Company X/K respondent, in contrast, saw the government’s actions as justified,

"I think the government has honest intentions after the liberalisation of the industry. It has a moral responsibility in consistently ensuring that oil companies maintain adequate supplies of petroleum products and offer them at reasonable prices to the consumer. The government seems to be out to protect the citizens. That is why it still does not want to let go of the industry completely because of its strategic importance".

The respondents also voiced their concern over a government directive issued by the Ministry of Energy at the time of deregulation. All the oil companies were directed to build up stocks worth a minimum of 30 days consumption for liquid petroleum products and 10 days for LPG (cooking gas) (Daily Nation, October 28, 1994).
The Company S/Y respondent took issue with this requirement as a very high extra expense for the oil companies. He added that it would result in cash flow problems especially if this additional inventory was to be financed by bank overdrafts. The extra cost of the stocks to the companies was estimated at $35 million.

The entry or exit of companies into, or out of the industry was ranked the least important industry aspect. However, a score of 4.0 meant that high consideration was given to this factor. This can be seen from Table 4.14.

### 4.4.9 Competitor analysis

The interviewees were also asked to indicate the nature of information on their competitors that they collected. The results are presented in Table 4.15. In addition to this information, the respondent for Company A/C indicated that by observing their competitors' activities, such as the construction of new service stations, they were able to estimate their financial capability.

Other types of competitor information of interest included lease expiry dates on dealer-owned petrol stations where a particular oil company might not have a presence. This helped in deciding on the appropriate time to approach the station's proprietor and enter into a contract with the dealer ahead of renewal by competitors.
<table>
<thead>
<tr>
<th>Nature of Information</th>
<th>Frequency</th>
<th>Proportion(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Retail network development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(New Petrol Stations)</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Sales statistics</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Product Lines (eg. Lubricants)</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Stocks/Supplies</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Calibre of Personnel</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Advertising/Promotion</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Retail prices</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Financial position</td>
<td>2</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Interviews

Information on price discounts offered to bulk commercial consumers were also of interest for purposes of matching or even improving on them. The state of equipment such as petrol dispensers (pumps) and road tankers was also established. In order to estimate and assess competitors' operational costs, the oil companies also monitored the distribution costs incurred by competitors.

Several sources of information on competitors were mentioned by the respondents. These are presented in Table 4.16.

All the respondents indicated that Marketing Representatives were regularly sent out to visit competitors' facilities and report on their findings. They indicated that they always "spied" on
each other with all the market players fully aware of the fact.

**Table 4.16 Sources of Competitor Information**

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Proportion(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Representatives</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>External Auditors</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Press Reports</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Refinery</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Exchange of information</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Employees</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Petrol station dealers</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Rumours</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Informal discussion</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Banks</td>
<td>1</td>
<td>25</td>
</tr>
</tbody>
</table>

**Source: Interviews**

Respondents stated that there was very free exchange of inside information among the oil marketing companies. They all indicated that they were quite familiar with various aspects of their competitors' operations due to readily available information. Company X/K respondent stated,

"If, for instance, I wanted to know how much stock a particular oil company is holding, all the information is available on computer".

In addition, all the companies sent pertinent financial data to a single auditor who compiled this information. Copies of these financial reports were made available to the companies.
The refinery was also mentioned as a source of information about competitors. Since it was a jointly operated facility, it was possible for the oil companies to obtain information on stocks and supplies of crude oil held among themselves.

In order to achieve the petroleum sector policy objectives mentioned in Chapter 2, it was inevitable that there was exchange of pertinent information among the competitors. Due to the need to assess the national petroleum supply situation, monthly meetings between the companies' representatives and Ministry of Energy officials were held. At these meetings, the companies assessed their different stock levels in order to determine their ability to efficiently supply the market. Joint reports on stocks and supplies of crude oil were prepared. Statements on overall stock levels could also be obtained from central petroleum product storage terminals such as the one at Kipevu in Mombasa. This high level of data exchange enabled coordination between all the different companies.

Another category of information that was exchanged among the companies was with respect to personnel remunerations. One respondent indicated that regular salary surveys among industry employees were conducted on a periodic basis. It was therefore possible to know, for example, the company that offered better remunerations along with the salary structures for different job categories within the industry.
employees from rival oil companies also provided information about competitors. The respondent for Company X/K stated that there was a notable level of personnel turnover within the industry with some employees moving from one oil company to another. One of the respondents had previously worked in a different oil company for over 5 years. Another respondent also stated that their company periodically "scouts around" for prospective employees from competitors. New employees at times provided relevant information about their former companies to their new employers, in addition to their experience.

Petrol station dealers also played a role in offering information about competitors. One respondent mentioned that in cases of dealer-owned dealer-operated petrol stations, there were families within the Asian community which owned several petrol stations but leased them out to different oil companies. In such situations, it was possible for these dealers to exchange pertinent information within their family network and pass it on to the oil companies.

The importance of various aspects of competitors to the oil companies is presented in Table 4.17.

The current strategies employed by competitors was cited as the most important consideration with respect to competition among the oil companies. These strategies were therefore monitored as indicated by the Company S/Y respondent,

"You need to understand your competitor in this industry. You have to know what the rest are doing if you are to have
a strategy. One can't operate in the dark".

Table 4.17 Mean scores on the importance of competitor aspects
(The highest score is 5.0)

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitors' strategies</td>
<td>4.75</td>
</tr>
<tr>
<td>Marketing practices</td>
<td>4.75</td>
</tr>
<tr>
<td>Goals of competitors</td>
<td>4.50</td>
</tr>
<tr>
<td>Physical/Human resources</td>
<td></td>
</tr>
<tr>
<td>of competitors</td>
<td>4.25</td>
</tr>
<tr>
<td>Possible new entrants</td>
<td>4.25</td>
</tr>
<tr>
<td>Competitors' financial strength</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Source: Interviews

The companies' views as regards the other aspects of competition are also shown in the table above.

An important observation was with regard to the oil companies's opinion with respect to new entrants into the industry especially in the light of the deregulation of the industry. This aspect featured as almost the least of their concerns in affecting competition within the industry. Oil industry executives interviewed were unanimous in their view that there was little to worry about. The respondent for Company E/B had this to say,

"The number of new entrants into the industry does not threaten us; as long as there is a level playing field. The only fear is if they come in and do their business illegally".

A similar view was expressed by the Company X/K respondent,

"As long as nobody takes any shortcuts, we are alright. Everyone should play according to the rules".

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he went on to add,

"One of the greatest fears we have is that new-comers might get to use the pipeline without sufficient payment of the equivalent of pipe-fill from Mombasa to Nairobi. If this happens, then they could easily underprice us unfairly due to their minimal transportation costs."

The fact that all the aspects of competitors had a score of 4.0 and above shows that all were given high consideration by the companies.

4.4.10 Role of the Board of Directors

The composition of the Board of Directors in the respective companies is presented in Table 4.18. In Companies A/C, E/B and S/Y the composition of the Board was predominantly Executive. This meant that the directors also added up as full-time employees of the companies and had various departments under their ambit within the respective organisations. In addition to the executive members of the Board, Company S/Y had two non-executive directors, also known as Special Directors. Both were appointed to the Board upon retirement by virtue of their long and dedicated service to the company. Their vast experience was considered valuable to the company.

In Company X/K all directors were non-executive. These were the company's principal shareholders. All played a key role in the review and approval of budgetary plans and proposals which entailed financial commitment. They also provided financial resources whenever necessary.
Table 4.18 Composition of the boards of directors

<table>
<thead>
<tr>
<th>Company</th>
<th>Composition of the Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/C</td>
<td>Executive</td>
</tr>
<tr>
<td>B/B</td>
<td>Executive</td>
</tr>
<tr>
<td>X/K</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>S/Y</td>
<td>Executive and Non-Executive</td>
</tr>
</tbody>
</table>

Source: Interviews

The following were mentioned by the respondents as the main duties and responsibilities of the Board of Directors:

1. Where the board was executive, the directors also had a functional role in various departments and were directly involved in managing daily operations in their companies.
2. To set organisational objectives.
3. To provide vision to the company.
4. To formulate strategies.
5. To provide leadership over the company by giving counsel and advice on important strategic issues facing the company.
6. To review the company’s overall performance and point out areas where improvements are necessary.
7. To provide guidance on the future development of the company.

All respondents were of the view that an important role of the Board of Directors was to provide overall guidance to the company.
Pricing Policies

Additional supplementary data was also obtained from the respondents during the interviews. Though this information was indirectly related to the study objectives, it was earlier indicated that there was additional emphasis on obtaining qualitative information.

The companies now in a position to set their own petroleum product prices, it was also of interest to investigate the nature of the pricing policies adapted by the various oil companies. Two different policies were observed.

Companies E/B, X/K and S/Y maintained a uniform petroleum pricing policy. The respective prices were set at their head offices and were held by all their retail stations. Additional information obtained from Company S/Y indicated that retail stations were categorised on the basis of geographic zones. Each zone had its own retail prices. The justification for the policy was that transportation costs varied among the different zones. The retail prices therefore reflected these variations.

Company A/C on the other hand maintained a pricing policy where petrol station dealers set the consumer prices. The company's respondent had this to say,

"The dealers are left to determine the prices at their discretion. Once the company charges them the depot prices, the dealers then set their prices. As long as they meet our sales targets then they are okay. Obviously, if the dealer overcharges, he is more likely to lose in sales volume and he will have to answer to the company for that".
The company’s dealers were therefore independent and flexible enough to determine their own prices depending on market forces.

4.5 DISCUSSION OF RESULTS

Oil companies were investigated with respect to their involvement in strategy practices. One significant factor that may explain the results obtained is that Kenyan oil companies are subsidiaries of multi-national corporations. This may be seen from the company profiles that we developed earlier on. This accounts for the prevalence of mission statements. Parental influence was reported by all the companies, even by the sole locally incorporated company. One respondent indicated that mission and vision statements were passed on from their parent company. The parent companies therefore have an influence on strategy practices.

The availability of managerial support and resources enabled them undertake formal strategy practices. An example is the Executive Management Development Programme attended by one of the respondents at the parent company headquarters. This support has enabled the oil companies have formal corporate objectives with necessary communication, formal planning practices and also employ professional managers to oversee their operations. Participation in setting objectives, planning and strategy formulation was restricted to top and middle management. The level of participation may be explained by this professional managerial approach.
nature of the oil industry may explain the high level of industry and competitor analysis. It is a highly competitive industry and is dominated by foreign companies. As discerned from their corporate objectives, all were interested in improving market share, increasing sales turnover, generating high profits and registering high return on assets (ROA). They were all interested in understanding the industry structure, factors affecting their environment such as regulatory procedure and the rate of their competitors. The competitive nature of the industry also explains their involvement in formal strategy development. The companies had to develop and document strategies to survive.

Historically, the oil industry has seen the market players consistently co-operating and sharing pertinent information among themselves. Being subsidiaries of the original players on the international scene, this practice has no doubt filtered down to the Kenyan oil industry. This also accounts for the high rate of industry and competitor analysis.

The nature of the Kenyan business environment has also played a crucial role in determining the companies’ strategy practices. By the time the study was conducted, the oil companies were still adjusting from a price-controlled regime to a deregulated sector. Price controls had forced the companies to plan on a short-term basis. Adjusting to the new environment would take some time.
The size of the oil companies may also have influenced the nature of their involvement in strategy practices. All the companies had over 140 employees and more than 100 retail outlets. This means that all are big companies. It would therefore be necessary to undertake formal management practices in order to effectively oversee their operations.

4.6 COMPARISON WITH OTHER EMPIRICAL STUDIES

This section will compare the findings of this study with those from similar studies on strategy activities.

Aosa (1992) studied large private manufacturing companies in Kenya. He found that most of the companies had no explicit mission statement. Similar results were obtained by Karemu (1993). In her study on supermarkets in Kenya, she found that only 18% had mission statements and even then, only a half had them in written form. However, a study by Shimba (1993) on Kenya's financial sector found that over 60% of the companies had mission statements. Similarly, all the oil companies were found to have mission statements. Our results can be explained by the fact that oil companies are subsidiaries of multi-national corporations.

With regard to the presence of objectives, Karemu (1993) indicated that all the supermarkets had objectives but not in written form. Aosa (1992) reported similar findings. Shimba (1993) established that 96% of the financial institutions had set goals. Adegbite (1986) studied twenty companies quoted on the
He found that all these companies had formal corporate objectives. In most cases, these were in written form. Similar results were obtained in this study. All the oil companies had set objectives and in written form. These ranged from improving on market share to enhancing cost competitiveness in operations.

The disparity in the findings with respect to both mission statements and corporate objectives is attributable to the nature of the companies covered by Adegbite (1986) and the researcher. In both cases, the focus was on subsidiaries of multi-national corporations. This means that there is substantial foreign influence in their management. This is unlike in the other studies, whose focus was on largely indigenous companies.

The issue of participation in the setting of objectives was also to be compared. Karemu (1993) found that in 86% of the supermarkets, only directors participated in the process. Shimba (1993) found that 80% of the commercial banks had goal-setting done by top-level management while 20% had staff also participating in the process. Adegbite (1986) established that the responsibility for the setting of objectives lay with the Board, although most of the groundwork was usually done by the Chief Executive Officer (CEO). In two of the oil companies, it was found that only top management participated, while in the rest, both top and middle management were involved.
These findings are attributable to the fact that the supermarkets were primarily family-owned businesses which meant that participation in setting objectives was confined to only the directors who also added up as family members. Companies in the industry were all found to be professionally managed, hence involvement of even middle management in the setting of objectives.

Of the respondents in this study indicated that corporate objectives were communicated to their companies' employees by use of various channels. Among the companies studied by Adegbite (1986), half of them communicated their objectives to senior managers only. On the other hand, Karemu (1993) found that more than half of the supermarkets indicated that they did not find it necessary to communicate objectives to employees. The family-owned ownership and management of supermarkets may once again account for these results. With respect to the oil companies, the professional managerial approach especially the linkage with their parent (multinational) corporations accounts for the differences.

Ibara (1986) studied companies covering a wide cross-section of Nigeria. With regard to planning practices, he found that over 80% of the companies he studied indicated that they had formal planning. Upon further probing, however, it was found that most of these actually meant that they primarily relied on budgets for planning purposes. Most of them planned by extrapolation. Karemu (1993) also found that the main focus of planning by supermarkets
was on budgets. Little commitment was shown towards the long-term plans that the supermarkets claimed to have. Shimba (1993), however, found that most of the plans developed by financial institutions were short-term (less than 5 years). Adegbite (1986) established that almost all the respondents had formal corporate planning systems in operation. His findings are similar to those of this study. All the oil companies prepared budgets, annual plans and short-term plans. In addition, three of them also prepared both long-term and functional plans.

Differences among the companies studied can also be discerned with regard to the planning horizons. Two of the oil companies had a 1-3 year planning horizon while the rest respectively had 4-5 year and above 5 years planning horizons. Adegbite (1986) found that the planning horizon in 75% of the companies he studied was mainly over a period of 3-5 years. In the study by Shimba (1993), the planning horizon was predominantly 5 years. Oremu (1993) found that the most popular range of planning horizon was 0-1 year. Similar findings were reported by Fubara (1986).

Oremu (1993) found that in 73% of the supermarkets, only directors participated in the planning process while in the rest, both directors and managers were involved. Once again, this may be attributed to the fact that most of them are family businesses. Adegbite (1986) also found that in most of the companies, it was only top level management that participated in the preparation of plans. In this study, it was found that in one
company, only top management participated in planning. The involvement by both top and middle management was seen in the others.

We found that all the oil companies had a planning department with planning responsibilities and a manager to oversee this function. In addition they also had time-tables for the preparation of plans. Adegbite (1986) also found that several of the companies had separate planning departments under a corporate planning manager. The common multinational background shared by the companies in this study and that of Adegbite (1986) accounts for the similarity of the results in this respect.

All the oil companies had strategies and these were in written form. Shimba (1993) found that 70% of the financial institutions had strategic plans with 80% of these having them in written form. Karemu (1993) had different results. All the supermarkets indicated that they had strategies. However, the majority of them did not have the strategies in written form. The differences are due to the professional managerial approach used by the oil companies unlike the case of the supermarkets.

Formal strategy development was seen among all the oil companies. In the case of Karemu (1993), it existed in only 23% of the supermarkets. In one of the companies in this study, it was only top management that participated in strategy formulation. Among the rest, both top and middle management were involved. Karemu (1993) established that in 68% of the supermarkets, it was only
the directors who participated in strategy formulation. The involvement of both directors and managers was seen in the rest. Shimba (1993) found that in 90% of the financial institutions, only top and senior level managers were involved in the development of strategies and strategic plans.

Environmental scanning, in varying forms, was found to be an important activity undertaken by the oil companies. In addition, all the respondents indicated that it was a formal, systematic process. These findings differ from those of Aosa (1992) and Karemu (1993). Aosa (1992) indicated that most of the companies studied encountered various difficulties while conducting the activity. Karemu (1993) also found that only 18% of the supermarkets indicated that they deliberately sought information in various aspects of the external environment. In the oil industry, information on the external environment is readily available. In addition, oil companies are professionally managed meaning that there is specific responsibility for environmental scanning within these companies. This was not the case with companies covered in the other studies.

With regard to competitor analysis, Shimba (1993) found that 85% of the financial institutions indicated that they incorporated various aspects concerning their competitors in the development of their strategic plans. 80% of then also collected information about their competitors, though they relied on simple procedures such as annual reports and market sources. This study found that the oil companies carried out competitor analysis and largely as
a formal and systematic process. They used various channels to obtain relevant information. The findings of both studies differ from those of Karemu (1993). She found that the supermarkets undertook little competitor analysis. Some claimed it was a difficult process, while others stated that competitors did not concern them.

Oil companies attached greatest importance to the strategies and marketing practices of their competitors. New entrants into the industry was ranked as the second last of their concerns. The financial strength of their competitors was ranked last in importance. Karemu (1993), however, found that the supermarkets attached greatest importance to the number of supermarkets in the industry with respect to competitors. The strategies and marketing practices of competitors were ranked second in importance. They ranked competition from other retail shops as last in importance.
CHAPTER FIVE
OVERALL DISCUSSION OF RESULTS

1 INTRODUCTION
In this chapter, we will discuss the study's findings in relation to the theory on strategic management illustrated by the model presented in Chapter two. Various elements of the strategic management process were brought out by the model. These included defining the mission, stating objectives and external analysis.

2 SUMMARY OF FINDINGS
All the oil companies studied had written mission statements and formal corporate objectives. These objectives were communicated to employees in the organisations through the use of various channels. Top and middle management participated in the setting of objectives. Apart from the primary planning tools such as budgets and annual plans, the oil companies also had a mix of functional and long-term plans. Planning horizons varied from 1 to 5 years.

It was top and middle management that participated in the planning process. All the companies had planning departments in addition to using time-tables for the preparation of their plans. Oil companies therefore have formal planning systems.

Various well documented strategies were used by the oil companies. Formal strategy development with top and middle management involvement was also noted. Environmental scanning,
In various forms, was carried out as a formal systematic process. Competitor analysis was carried out by all the oil companies. Substantial information on competitors was sought. The companies attached importance to various aspects of their competitors’ operations. Industry analysis was also present among all the companies. Critical success factors for the industry were mentioned by the respondents. Functions of the various boards included strategy formulation, setting objectives, leadership and guidance into the future, performance review and the approval of plans. The board’s involvement in the strategy process was therefore substantial.

According to the company profiles, though the oil companies were multi-national subsidiaries with varying levels of influence from parent companies, they enjoyed a high degree of autonomy. They had the freedom to make independent strategic decisions. The unique characteristics of the industry were seen in the interlinking of companies through international joint ventures and local joint operation agreements. Relations between the oil companies and the government were found to be strained. Several unresolved industry issues contributed to these sour relations between the two parties. The oil companies were also found to have differing policies on the retail pricing of their petroleum products.

**SYNTHESIS**

The findings of this study indicate that strategic management practices among Kenyan oil companies are generally in line with
strategic management theory. The theory states that organisations should develop written mission statements, formal specific corporate objectives and should conduct both internal and external analysis. These elements, which are discussed in the literature, are practised in various forms by the oil companies.

In chapter one, we presented various forms of strategic management practices in organisations, as stated by Butcher and Minelli (1990). Using this typology, it can be established that all companies are close to the form of developmental strategic management. They do not solely rely on budgets for planning purposes. Though there is the predominance of short planning horizons, this may be attributed to the era of price controls when the companies had to depend on the government to determine prices. At the time when the study was conducted, the companies were still adjusting to the new environment. It was established that there is also significant reliance on long-term plans. In addition, documentation and communication of strategies is prevalent. This demonstrates Kenyan oil companies practise formal strategic management.

The practice of strategic management in the oil companies is attributable to their reliance on professional managers to conduct their operations. More important is the fact that all are subsidiaries of multinational companies. This foreign influence is obviously had an effect on the management systems adapted by these companies. In the literature review, we mentioned that strategic management emerged from the developed world. The home
countries of these multinationals are in the developed world. This principally accounts for the differing results obtained from similar studies conducted in Kenya and Africa. These studies focused on indigenous companies, most of which are managed authoritatively, as mentioned in chapter two. Multinationals, on the other hand, place great emphasis on formal planning and staff training and development. They also have elaborate recruiting procedures in order to employ quality staff. This enhances a professional managerial approach by these companies.

5.4 IMPLICATIONS OF THE STUDY

From the findings obtained from this study, we know that oil companies undertake formal long-range planning. It means that oil companies are able to anticipate the future and meet the challenges ahead. They are not just "muddling through". In an era of turbulence such as the current global situation, the use of strategic management will ensure they survive. Their consistent monitoring of competitors is also important in order to enhance customer value.

Kenya’s oil industry is at cross-roads today. Oil companies are making attempts to adjust to the new business environment. New developments keep emerging in the industry. The companies have to adequately brace themselves to face the challenges brought about by deregulation. At one end, they have to operate profitably so as to maximize value to their shareholders. Also important, however, is their obligation to the country. They are entrusted with the responsibility of supplying petroleum and its
products countrywide at "reasonable" prices. Maintaining an equitable balance between these two aspects is an onerous task.

With competition in the industry expected to increase, oil companies need to enhance and improve on their strategic management practices. This would guarantee their continued survival in the industry. They need to effectively enhance their understanding of both their internal and external environment. Effective strategies can then be developed with each company attempting to gain an edge over the other. In the long term, the beneficiary is the customer.

Relations with the government were found to be strained. Crucial measures have to be undertaken in order to settle any unresolved issues. This would end the suspicion that underlies their relationship. Each party has to understand the part they have to play in meeting the country's crude oil requirements.

5.5 LIMITATIONS OF THE STUDY

Earlier on, in chapter three, the limitations of the methodology employed in the study were pointed out. These arose from the use of a survey mode of data collection. The weaknesses of survey research were potential limitations in the study. However, extra caution had been taken to minimise the potential effects of these limitations.

There were also other limitations. These arose from both practical constraints and the inherent nature of the study.
Firstly, it was the researcher's intention that the study should cover the entire population of companies in the oil industry. Two companies, however, declined to participate in the study. They cited confidentiality and corporate policy as their reasons for non-participation. Slight differences may have been noted in the results from the non-participants. However, they are also subsidiaries of multi-nationals and their omission may not have substantially affected the accuracy of the results obtained.

Secondly, the study may have focused on too many aspects of strategy. This was due to the paucity of past studies on which to base this one. Deeper insight on specific strategy aspects may have been obtained from a narrowly focused study.

Thirdly, the study took one dimension of strategy development: the a rational-analytic approach. Such important factors as power and behavioral aspects which influence strategy development in the organisation were ignored.

Fourthly, the results of this study were compared with those of similar studies in strategy activities. These studies covered different types of companies. In this study, only the oil companies were surveyed. None of the other studies had such a focus. This differences in the companies studied may account for variations in strategy practices, which affected our comparisons.

These limitations should therefore be borne in mind when evaluating the research findings. This will help us put them in
their proper perspective.

5.6 SUGGESTIONS FOR FURTHER RESEARCH

Research in strategic management in Kenya is still in its infancy. One could undertake similar research into other sectors of the Kenyan economy.

One could also select fewer strategy aspects and cover them in a much wider perspective. Additional insight could be obtained from such a narrowly focused study.

5.7 CONCLUSION

The study aimed at investigating and documenting select strategy practices in oil companies in Kenya. Four out of the six oil companies were investigated. It was found that Kenyan oil companies are generally involved in formal strategy practices. Awareness of various aspects of strategy and strategic management was reported. The results can be attributed to parental influence, availability of corporate support, the nature of the industry, the business environment and the size of the oil companies.
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APPENDICES
Appendix 1a: LETTER OF INTRODUCTION

Dear Sir,

RE: REQUEST FOR RESEARCH PARTICIPATION

I am a Graduate student at the U.S. International University - Africa pursuing the M.Sc. in Management and Organisational Development in the School of Business and Management. In order to fulfill the degree requirements, I am currently undertaking a research study entitled: "STRATEGY PRACTICES WITHIN OIL COMPANIES IN KENYA". The study's focus is on general management practice within oil companies and relating to the industry in general.

Being a top-level manager, I am kindly requesting your participation by sparing me some time to fill in the attached questionnaire. I shall call your office later so as to schedule an appointment to discuss your responses.

Please be assured that the information you will provide is strictly for academic purposes and will be kept confidential. I shall avail a copy of the results to you once the study is complete.

Yours faithfully,

Einstein Kihanda Njuguna

Encl.
APPENDIX 1b : QUESTIONNAIRE:

COMPANY DATA

1. Name of company:
2. Name of Parent company:
3. Country of origin:
4. Under which category would you place your ownership ? (Tick where appropriate)
   (a) Wholly Foreign (51% +)
   (b) Wholly Local (51% +)
   (c) Joint Ownership (50/50)
5. Number of employees (year)
6. Number of petrol stations (year)

I. GENERAL INFORMATION

1. Title of interviewee:
2. How long have you been with the company ?
3. Please state your past work experience ?

II. MISSIONS AND OBJECTIVES

4. What business do you consider yourself to be in ?
5. (a) Do you have a mission statement for your company? Yes/No.
   (b) If so, what is it ?
   (c) Is it a written statement ? Yes/No.
6. Do you have any set objectives for your company ? Yes/No.
   (a) If so, what are they ? (Please rank them in order of importance attached to each -from the most to the least important )
   1)

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(b) At what levels in the organisation are these objectives set?
(c) Who are the participants in the setting of these objectives?
(d) Is everyone in the organisation aware of these objectives?
(e) How do you communicate these objectives?

III. PLANNING

7. (a) What types of plans does your company have?
   (classification by the time span - long range, short range, functional level etc.)
(b) How long ago were these plans first developed in your company?
(c) Are these plans written once they have been developed? Yes/No.
(d) Who are the participants in the development of these plans?
(e) What time periods do your plans cover? (Please tick where appropriate.)
   0-1 year
1-3 years
3-5 years
5 years and beyond.

(f) Indicate whether the following features are characteristics of your planning processes:
   i) Formal planning meetings Yes/No.
   ii) Informal planning sessions Yes/No.
   iii) Timetables for the preparation of plans Yes/No.
   iv) Clear-cut responsibilities for planning Yes/No.
   v) Existence of a planning department Yes/No.

IV. STRATEGIES AND STRATEGIC PLANS

8. (a) Has your company developed any strategies for operation? Yes/No.
   (b) If so, what are they?
   (c) Have you changed these strategies over time? Yes/No
   (d) If so, why?
   (e) Do you intend to maintain these current strategies? Why/Why Not?
   (f) How are these strategies developed?
   (g) Who are the participants in the development of strategies? (eg. departments, individuals etc.)
   (h) Are these strategies in written form?

V. EXTERNAL SCANNING:

9. (a) Does your organisation gather external information to assist in strategy-making? Yes/No.
(b) How do you gather this external information?

(c) What do you do with the data once it has been gathered?

(d) Who is in charge of this activity?

VI. COMPETITOR ANALYSIS:

10. (a) Who are your competitors? (please list them starting with the most important)

(b) Do you gather information about your competitors? Yes/No.

(c) If Yes, what kind of information?

(d) How do you gather competitor information?

(e) Please indicate the level of importance that your company attaches to the following aspects of competition (1 = Least Important up to 5 = Most Important):
<table>
<thead>
<tr>
<th></th>
<th>The number of your competitors</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ii</td>
<td>Possible new entrants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii</td>
<td>Current strategies used by</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv</td>
<td>Financial strength of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v</td>
<td>Marketing practices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi</td>
<td>Physical and human resource of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii</td>
<td>Goals of competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

VII. INDUSTRY ANALYSIS

a) What is the company's rank/position in the industry?

b) What are the key factors that determine success in the industry?

c) Does the company gather information that is unique to the industry?

d) Please indicate the level of importance that your company attaches to the following aspects of industry (1 = Least Important up to 5 = Most Important):
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>Governmental Regulatory influences</td>
</tr>
<tr>
<td>ii</td>
<td>Growth rate of the industry</td>
</tr>
<tr>
<td>iii</td>
<td>Exit/Entry of firms into/out of the industry</td>
</tr>
<tr>
<td>iv</td>
<td>New strategic focus in the industry</td>
</tr>
</tbody>
</table>

### VII. BOARD OF DIRECTORS

a) What is the size of the board of directors in your organisation?

b) What would you consider to be its role in the planning process in your company? (Please tick where appropriate)

- **Very Important** [ ]
- **Quite Important** [ ]
- **Important** [ ]
- **Totally important** [ ]
APPENDIX 2 : OPERATIONAL DEFINITIONS

1. Mission Statement:
A Statement defining why an organisation exists and the nature of its business.

2. Objective:
A quantified or more precise statement of the specific aims or purpose of the organisation.

3. Formality in Planning:
The deliberateness in planning demonstrated by an organisation. This may be indicated by the amount of time spent on planning, the designation of planning responsibilities, existence of written plans and the communication of these plans.

4. Participation in Planning:
The cadres of management in the organisation that share in, and make contributions to, the planning process.

5. Planning Horizon:
The time span covered by plans in an organisation.