RESPONSE STRATEGIES ADOPTED BY TULLOW OIL COMPANYIN KENYA TO CHANGES IN EXTERNAL ENVIRONMENT

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DECLARATION

The research project is my original work and has not been submitted for examination in any other University.

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DEDICATION

This project is dedicated to my mother Mildred Ogogo for her endless love, encouragement, prayers, support and for teaching me the value of education

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LIST OF ABBREVIATIONS

CAPEX-	Capital Expenditure
EHSMS-	Environmental, Health and Safety Management System
EMCA-	Environment Management and Coordination Act
EOPS-	Early Oil Pilot Scheme
HSE-	Health, Safety, Environment and Security Programme
LAPPSET-	Lamu Port Southern Sudan-Ethiopia Transport
MOU-	Memoranda of Understanding
NEMA-	National Environment Management Authority
NOC-	National Oil Corporation
PSC-	Production Sharing Contract
TDU-	Thermal Desorption Unit (TDU)

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ABSTRACT

Organizations are environment serving and dependent have to align well to cope with the ever changing business environment. Every organization depends on the environment for its survival and prosperity. Today’s business environment is dynamic, complex and uncertain. Thus, every organization encounters numerous changes in its environment and needs to adapt its strategies in response to these changes.The study soughtto establishing the changes that have occurred in Tullows external environment that affect the operations of Tullow Oil Company in Kenya and the response strategies adopted by Tullow to respond to these changes. The study was guided by contingency theory also known as it all depends theory and open system theorywhich predicts that response strategies are essential due to the fact that organizations are open systems and have a continuous interface and interaction with the external environment and as such these strategies will be triggered by the changes. The research design used was a case study as it allowed indepth analysis of the data the company. The study used both primary and secondary data. primary data was collected by conducting a personal interview with respondents from top management of Tullow while secondary data was collected from previous research, articles and journals. The data collected from the respondents was analyzed using content analysis because the data was qualitative in nature. The study findings reveal that changes in the external environment of Tullow are mainly fluctuation of global oil prices, fluctuation in exchange rate, political instability caused by long electioneering period, poor physical infrastructure, local content requirements and management of expectations of residents, fast paced rate of technological changes in the industry, lack of demarcation of roles of policy makers, lack of legal certainty ,changes in the regulatory framework governing production or reserve sharing ratio, environmental regulations among others. The study found out that the company did not respond to all the changes in the environmental conditions but to those changes which were deemed to impact on the company’s activities to a large extent. The Strategic responses to address these changes included formation of strategic alliances, partnerships and collaborations with different stakeholders, adoption of innovation and new technology, diversification of the portfolio or asset, implementation of integrated waste management system, corporate social responsibility, cost leadership strategies, focus and retrenchment. The study recommended stakeholder engagement through working closely with national government, county leaders, local leaders, members of parliament, and chiefs among others in all their activities to enhance good working environment for Tullow oil .The study suggested that in order to understand strategic responsible for change at Tullow oil a further study should be carried out with other international upstream oil companies in the industry using a cross sectional studies to find out where there are any differences in the environmental challenges or the strategic.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The environment in which an organization operates is dynamic, turbulent and is in continuous state of change. According to Ansoff (1984) organizations depend on the environment for input and output to achieve its overall desire, therefore organizations are open systems and can only survive through constant interaction and adjustment to the environment. Changes in the environmental forces can either affect the organization positively or negatively and therefore the organization is required to respond to the changes in a timely manner since any change that may disrupt the flow of input and output may create major problems in the organization and might even lead to its fall.

Olivier (2011) stated that it’s important to understand the environment in which a business is operating in order to run an organization successfully. The success of a business depends on better understanding of the environment and a successful organization doesn’t look at the environment on an adhoc basis but develops a system to study the environment on a continuous basis to try and protect organization from any threat and take advantage of the opportunities.

The response strategies to the changes in the environment vary from one firm to another with the context and the extent of environmental change, the more hostile the external environment is the more an organization needs to respond to it, however most of the changes are extremely difficult to predict with degree of certainty, this forced the organization to monitor the environment continuously and consistently to avoid running out of business.According to Pearce and Robinson (1997), for organizations to achieve their main purpose it is vital for them to align to their environment by keeping in touch with the environment to check on the changes and employing strategies that that can enable it adapt to the changes.

1.1.1 Concept of strategy

The concept of strategy is multi-dimensional and has been defined in different ways by many scholars. According to Pearce and Robison (1997) strategy is the game plan which results in future oriented plans interacting with competitive environment to achieve company's objectives. Chandler (1962) defined strategy as the determination of the long-term goals and objectives of an enterprise and the adoption of the course of action and allocation of resources necessary for carrying out these goals.

Ansoff and McDonnell (1990) stated that strategy is a set of decision making rules for guidance of organizational behavior. Therefore every successful business has a plan and can predict where it's heading. According to Schendel and Hofer(1979) strategy is the match between an organizations resources, skills and environmental opportunities the organization wants to achieve. Without resources there is little an organization can achieve, resources give a firm the potential to exploit the available opportunities in the dynamic environment.

Strategy links the organization and the environment and no organization can be successful without linking its strategies to the environment. Organizations should understand the environment in which they operating, it gives the organization focus and a sense of direction that will enable them to achieve their goals. Achrol (1991) held that with globalization of world economies, the environmental volatility is on the increase and is unpredictable. Organizations have to constantly be alert to anticipate change and implement the change to the end, (Mintzberg, 1987).

1.1.2 Response strategies

Johnson et al, (2005) posits that response strategies are decisions made by an organization in order to align the firm to the environmental changes. They are strategies adopted by the firm to cope with environmental changes. Choice of strategies depends on firms internal capability and its dynamic resources hence, strategic responses are influenced by external environmental changes and the firms internal capability.

According to Pearce and Robinson (1988) response strategies are a set of decisions and actions that result in formulation and implementation of plans designed to achieve a firms objective. In an uncertain world the future cannot be forecasted with sufficient accuracy, managers should understand the dynamic and complex nature of their environment to think through problems in a strategic fashion and to generate a range of strategic options that might be pursued under different circumstances.

According to Aosa (1992) a mismatch between the environment and the organisation occurs when the organisation fails to respond to changes in the environment, the failure brings strategic misfit. Strategy is the connection between organization and environment (Ansoff, 1987; Mitzberg, 1987; Aosa 2000) and therefore no organization can be successful without aligning its strategy to the environment. A good strategy takes into account a firm capability as represented by organizational strength and weaknesses against environmental challenges as presented by opportunities and threats. Therefore new challenges require adjusting strategies or new strategies. Strategy gap will arise if a firm does not align its strategy to the environment. Porter (1985) the firms strategies should change with the changes in the environment, it's important that it matches its capabilities with the selected strategies inorder to attain a sustainable competitive advantage.

1.1.3 Oil Industry in Kenya

The petroleum industry in Kenya is broadly divided into three segments and this includes upstream sector which deals with exploration and production, the mid-stream sector that deals with storage, refining and transportation and downstream sector that supplies and distributes of oil and gas Raed et al. (2006)**.**The upstream sector in Kenya is mainly dominated by international oil and gas companies such as Tullow oil and Africa oil and oil field service companies like Hulliburten, Baker Hughes and Schlumberger among others that provide goods and services that are used in exploration and production life cycle.

The midstream players in Kenya are mainly the Kenya Petroleum Refineries Limited(KPRL) which refines imported crude oil from the Gulf and Kenya Pipeline Corporation which stores and transports petroleum via rail, road or pipelines. in the downstream sector however, the main players are Total Kenya, Vivo (formerly Kenya Shell), KenolKobil, Libya Oil Kenya, Gapco, Gulf Energy, Galana Oil, Hashi Energy, National Oil of Kenya (NOCK) that provides stability and pricing through participation across the value chain, Oryx Energy and other oil marketing companies which are the independents, resellers and consumers(Petroleum Insight, 2013). There are a total of 71 registered oil marketers in Kenya categorized as multinational oil companies, local oil companies and independent oil dealers (Petroleum Insight 2014). This research however focuses on the upstream sector in Kenya which is divided into sedimentary basins and that is Anza, Lamu, Mandera and tertiary rift basins.

Oil and gas sector has been dominated by international oil companies with BP and Shell carrying out exploration work in the 1950s with the first exploration well being drilled in 1960 in Lamu Basin, Other international oil and gas companies who have ventured into exploration work include Exxon, Apache, Africa oil, BG Group, Total, Amoco, Chevron, Woodside drilling a total of over 34 wells which were found to be not commercially viable Deloitte (2013). The many attempts were made by international oil companies to explore and drill wells after the revision of Kenyan legislation in 1994 that was focused on giving incentives to attract international companies in the country. In the recent past the government has also tried to encourage local oil companies to enter into the industry and most are fully engaged in the downstream and midstream sector but none is fully associated with the upstream.

Wright (1996) characterized the oil and gas industry to be having a high capital on investment, high level of uncertainty or risk due to its exploratory nature, high technology, heavy engineering, large scale, large number of engineering disciplines and specialist from exploration to decommission and spasmodic delivery or supply chain. This nature of the industry has created many challenges to the key players especially the upstream international oil and gas companies and the service companies. Most of these oil and gas drilling firms are international and are not familiar with the local Kenyan environment in terms of culture, the people, the politics, technology and infrastructure among others. This raises the need for the oil exploration and drilling companies to implement strategies that will counter challenges in the environment for them to survive.

1.1.4 Tullow Kenya Business Venture Limited

Tullow Kenya Business Venture is based in Nairobi and it is a branch of Tullow Oil Plc which is a multinational oil and gas exploration company founded in Tullow, Ireland. Tullow has most of its activities in Africa and Atlantic margins where it discovered new oil provinces in Ghana, Kenya, Uganda and French Guiana. The company was founded by Aidan Heavey in 1985 as a gas exploration business operating in Senegal following the licensing, gas production and sales in 1987.

In September 2010, Tullow came into the Kenyan upstream scene and signed a Farmout agreement with Africa Oil for the acquisition of 50 per cent interest in block 10BB and 10A of Ngamia-1 well in Lokichar basin Turkana County where it also assumed the role of operator. In addition it acquired 50 percent of Africa Oil interests in block 12A and 13T and ended up becoming the operator in the fields. It first announced its major find after drilling Ngamia-1 exploration well in block 10BB March 2012. Many more of exploration successes have been done by Tullow in Lokichar Basin of Turkana County and these include at Twiga, Etom, Agete, Ewoi, Ekunyuk, Erut, Ngamia, Emekuyu, AgeteEtuko and Ekales-1 deposits. The standard newspaper (Tullow at a glance. Tullow Oil Plc)

As Tullow Company tries to carry out its operations it’s faced with various challenges for such us inadequate facilities for camp, yard for storing material, work place for contractors, language barrier, geopolitical uncertainty technology. The plunged oil prices in the international market just when the firm was gearing up to go into production have introduced a new twist into the already complicated oil marketing environment In the local Kenyan operating conditions, moreover the county governments are semi-autonomous with powers to enact their own legislations. Many times the county legislations and county economic agenda are at variance with the national ones. These bring confusions as to how to comply with both differing legislations. These challenges slow down the company's operations and might impact negatively on its strategic goals, objectives and survival.

1.2 Research problem

The environment within which oil companies operates is very volatile and unpredictable. Mintzberg (1998) stated that the environment does not change in a systematic way, therefore, companies should adjust by rethinking their strategies and internal capabilities to march with the environmental conditions and changes. Ansoff and McDonnel (1990) argue that organization strategies and internal capabilities keeps changing match the environmental conditions. Therefore in an uncertain environment where the future cannot be forecasted with sufficient accuracy, there is need for organisations to understand the dynamic and complex nature of the environment to think through problems in a strategic fashion and to generate a range of strategic options that might be pursued under different circumstances.

The oil industry problems affect most industries that depend on petroleum products and by products, it's considered to be one of the largest because it is used in almost all transport industry including aviation hence the world needs oil very badly and depends on its products and by (Amnesty International, 2004). In Kenya and the world at large different industries may experience different level of environmental turbulence, top management may have little or no control over the external environmental changes especially when its high velocity change. Thus firms should adjust to changes by adapting to them. The adaptation may require strategies involving changes in technology, process, structure, culture, leadership, policies and other factors. The oil and gas industry has been built on long-term investments but is being faced with new reality of increased risks, uncertainty, dynamics, price volatility, fluctuating exchange rate, domestic government restrictions and requirement technological changes, demand uncertainty and so many other changes that could make the companies be swept under if they don't devise response strategies to the changes in the external environment.

Several studies have been done in relation to response strategies and environmental changes (Bamiatzi & Kirchmaier, 2012Parnell, Lester & Menefee, 2000; Mathenge, 2008;2012;Mutugi2006;Simon, 2014 among others). Bamiatzi and Kirchmaier (2012) concluded that in adverse situations most firms employ a multiple-strategy approach. Parnell, Lester and Menefee (2000) observed that in turbulent business environment using different strategies may be a more effective way of adapting to the uncertainty in the environmental changes. Combination strategies may serve as a more effective means of adapting to unpredictable environmental changes. Combining different strategies help organizations to align themselves with the changes in the environment.

Mutugi (2006) carried out a study on strategic responses of Barclays Bank Kenya limited to changes in the retails banking in Kenya. In his findings, Mutugi observed that there were many barriers to entry in banking industry and Barclays response was by use of marketing strategies, human resource strategies such as staff rightsizing, staff cutback and also staff redundancy. Simon (2014) conducted a research on Strategic responses adopted by Kenya commercial bank ltd to digitize customers' service and operation. He found out that the strategic responses adopted included online goods or service trading, E-inventory management and E-manufacturing management. Although the study was aimed at bringing out the effects of adoption of the strategic responses by Kenya Commercial Bank, it brought out the general performance of the commercial banks in the country.

On the above note, challenges faced by various organisations and industries are different and similar strategies cannot be adopted by the firms to the external environment challenges, moreover there are no studies done on strategic responses by Tullow oil company to external environmental changes hence this constitutes a knowledge gap. What are the response strategies of Tullow Oil Company to the changes in external environment?

1.3 Research objectives

The study has two objectives

i. To determine changes in the external environment that affect Tullow oil company in Kenya
ii. To determine the strategic responses by Tullow oil company in Kenya to the environmental changes

1.4 Value of the study

This study will be of great importance to various interest groups including the managers in the petroleum industry because it helps them understand implications of various responses applied. The response strategies can be used to determine role in determining the sustainability or failure of organization as they position the organization strategies in a turbulent operating environment

The study will also aid future investors in the oil industry to determine whether to invest in oil and gas or not depending on the changes in the environment

It shall be significant to academicians and researchers of all institutions relating to oil and gas and will form a foundation upon which other related and replicated studies can be based on.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of related literature from other researchers, journals and authors. It focuses on theoretical foundation, the concept of strategy, external environmental changes, the factors responsible for the environmental changes and the strategic responses to cope with the environmental turbulence.

2.2 Theoretical foundation

This section covers the theories that support the study. There are two major theories that explains the relationship between the environment and the firms' strategy and that is the open system theory and contingency theory.

2.2.1 Open Systems Theory

Open system theory was first introduced by Lugwig Von Bertanlanffy (1956) who defined a system as a set of elements standing in interaction. The theory states that all organizations are different because of the uniqueness in their operating environment. Organizations are strongly influenced by the environment; the system must exchange resources with the environment to survive.

Katz and Kahn (1966) characterized open system to be one that imports input from the outside environment, transforming that input through a process to get the final product called output, they further argued that the system is a continuous cycle and gives a negative or positive feedback to the environment to maintain the balance, steady state or dynamic equilibrium. Negative feedback seeks to correct or reduce deviation while a positive feedback is supposed to enhance the systems current situation. They posit that having the same starting point can end in different results and different starting point can give the same result hence the concept of equifinality, where there is no one best and no one single way since organisations are not equally effective. If a system is left on its own entropy deterioration is bound to occur, therefore they should be monitored and managed well.

A system is composed of many smaller units called sub-systems that are highly integrated Waring (1996). To achieve the overall desire, a system has various inputs that it obtains from the environment and then processes this to come up with certain output, subsystems too have their own boundaries that have variety of inputs, processes and output. A change in a part of the system can affect the whole organization. Luthans and Stewart (1977) contend that organisations are social systems with subsystems that interact with the external environment to achieve goals. They further explain that there is holism in the system which means there is interrelatedness and interdependence of the subsystems with each other, output from one subsystem serves as input to another. The subsystems in an organization can be seen as the structure and the departments which seem to be related and depend on each other.

The range of a system can be from simple to complex and are in constant interact with the environment therefore making them open. A complex system has many subsystems which are arranged in order of rank and integrated to achieve goals. Necessary adjustments should be made to a part or activities that are weakened or misaligned in the system to achieve its goals effectively. According to Ansoff (1984), organizations are open systems that exist in a turbulent environment, they environmentally dependent and serving, they rely on the environment for input and output.

The theory can be used to explain how oil companies are open systems and how they get input such as the their raw material mainly petroleum from the environment, capital of financing it obtains form banks and other institutions and human resource which includes engineers and experts in various departments and fields, these all go through various processes to get the output which can be the final product and the byproducts that go back into the environment, a feedback is then relayed to the system on whether to utilize more input or not. Therefore the organization cannot be looked at in isolation, it’s in a constant interaction with the environment and it does not operate in a vacuum.

2.2.2 Contingency Theory

The main proponent of the theory Fiedler (1964)who he argues that leadership style depends on the situation in which the leader is operating since there is no one best way to lead. Contingency theory is also known as “it all depends theory” and states that there is no one best way to lead, decide or manage; it all depends on the circumstances and the situation at hand Galbraith (1973). Instead, the most favorable course of action is contingent or dependent upon the internal and external condition existing in the environment hence organizations should be organized by aligning their goals to the environmental factors to achieve a strategic fit.

Lawrence and Lorsch (1967) argue that the rate and extent of variability in the environment greatly affects the development of internal attributes in the organization and that different uncertainty is produced by different types of the environment and to some extent greater degree of uncertainty is experienced mostly in dynamic and complex environment. Organizations differentiate themselves with the environmental complexity, if the complexity is high the differentiation will be high and if the complexity is low the differentiation is low. They continued to by saying that organizations integrate themselves a lot in a way that agrees with the environmental complexity which is measured by the degree of similarities and turnover of the environmental elements.

The theory can be applied to businesses to explain the divisive strategies that managers can up with when faced with different situations in the ever changing business environment. It is used to explain how Tullow Oil business has employed different strategies that best fits the situation in the business environment. The decision whether corporate, business or functional will depend on unique challenges it experiences. The strategic decision of whether to invest or divest, to form a strategic alliances, to employ or reduce workforce, to drill well or to abandon them, to produce more or less and many others all depend on the factors that are prevailing in the environment.

2.3 Overview of strategy

According to Chandler (1962) strategy is a comprehensive master plan that determines the long term goals of an enterprise. Porter(1996) states strategy is purposely selecting a dissimilar set of activities to bring a differentiated mix of values and according to Stickland and Thompson (1993) strategy is a game plan that is composed of all stakeholders in an organization ranging from the employees to the suppliers to the top management and strategy is a game plan.

Machuki (2010) argues that strategy can also be viewed as the configuration of the organisation's thought process, actions, resources and capabilities for charting its long-term direction and success within the context of changing externalenvironment. According to Teece (2007) Strategy is composed of resources and capabilities and activities of a firm to the environment in which it works. The resources include raw materials, labour and workforce and capital. The activities vary from one firm to another and with each level in the organization, they include identifying opportunities in the outside environment, bringing together all resources to capture value, and continuous renewal.

Johnson and Scholes (2002) brought the idea of resources as one of the major catalysts into strategy of the organization. Without resources there is little an organization can achieve. Resources give a firm the potential to take advantage of the available benefits available in the environment and gain superior performance. They also pick the concept of the environment as being dynamic and that organizations have to learn to keep pace with so as to ensure superior performance.

Michael Porter (1998) defines strategy as that which gives the organization competitive advantage over the other players in the industry. To attain competitive advantage Porter argues that an organization has to outperform its competitors in carrying out its objectives so as to make gains to itself while the rest share the losses and may deem it not viable to be in business. The postulation is based on the premise that organizations operate in an open environment set-up and that they have a lot of characteristics in common and they continuously compete for the same resources and share the customers as well**.**

Johnson and Scholes (2002) posit that a well-crafted strategy must be explicit about business domain which is the scope of activities, long-term direction of organization, strategic fit and competitive advantage. Without a strategy, an organization is like a ship without a rudder, going around in circles. It's like a tramp; it has no place to go Fred (2011). According to Ohmae (1988) that beating the competition is not really what strategy is about, this is because when strategy is focused on beating the competition then strategy is defined primarily in terms of competition, However, this is vital but should not come before customers.

2.4 Change in the external environment

Pearce and Robinson (2003) observed that external environment changes have an effect on the firm. According to them external environment are all the factors that impact on a firm and the firm has no control over them. The environmental changes are progressive and are the social, political, economic, legal, political according to Kotler and Armstrong,(1990).

Environmental scanning models such as SWOT (strength, weaknesses, opportunity and threats) analysis and PESTEL (political, economic, social, technological, environmental and legal) analysis should be used as a tool for monitoring the business environment which is in constant change. Coulter (2005) asserts that situational analysis entails scanning and evaluating the firms' context, the macro environment and the organizational environment. Scanning of the environment is helpful in determining new opportunities that can be used to increase a company's portfolio; it's also useful in providing information of threats posed by the environment which can lead to sustainable competitive advantage being achieved if the strategy is successful. Therefore organisations should be proactive in responding to environmental changes that may affect the organization rather than being reactive.

Dess, Lumpkin & Esiner (2008) contend that political processes and legislation both have an influence on the environmental conditions and that a firm or industry must comply with them. Political factors take the country's political situation which can even reach the global political conditions that can have an effect on businesses. The factors that may affect businesses include stability of government, government policies, Social policies, pressure groups, Trade regulations, competition regulation, Tax policies and Entry mode regulations. Investors should be very keen on political stability of a country or region and should shy away from unstable or violence prone regimes. How much of a product to produce can be regulated by the government, the sharing ratio of the resource, the quality of the infrastructure and the local content are political factors that affect the business in the oil and gas industry.

Socio-cultural factors also impacts on the organizations greatly, Burnes (1998) defined organization culture as a pattern of beliefs, values and learning way of coping with experiences that have developed during the course of organisations history and which tend to manifest in its material arrangement and in behavior of members. Socio-cultural factors varies with each organization and locality, each country has a distinctive mindset which defines the attitudes, behaviors and culture that may have an impact on the business and management decisions. Among them are demographic factors such as age and age distribution, social lifestyle, culture and beliefs and wealth distribution which may make resource such as oil a blessing or a curse for the business.

The economic factors in the environment involves all the determinants of the economy, and includes factors such as growth in income, interest rates, inflation rate, employment rate, monetary and fiscal policies, credit accessibility and foreign exchange rates Ennew and Waite,(2007). The factors dictate the direction of the economy hence businesses must analyze the factors so as to set up strategies in line with the changes.

Technology is the scientific advancement that influences competitive position of a firm Pearce and Robinson (2005).the level of technological advancement greatly influences businesses, companies must stay connected to the sources of technological information and integrate when needed to help them stay up to date with the changes. The advancement of technology in organizations sometimes reduces cost of operations, revolutionizes operations and creates roadblock to entry. Technological communication with faster email and faster network system for phone calls can lead to efficiency in the operations.

Natural environmental factors influences business and mainly involve the protection of the ecosystem. Environmental awareness is being created globally and this has impacted on organizations that have to allocate resources to protect the environment and maintain the natural habitat. Global warming due to climate change has become a major concern in the world at large. They include managing of waste and garbage disposal, sewerage and drainage and protection of the wildlife. The need to protect the ecosystem is having an implication on oil companies and the demand patterns is affected by the organizations move towards environmental friendly processes and products Pearce and Robinson (2005).

Legal factors are those factors that are related to government laws and regulations Change in legislation happen a lot and can have an effect to business environment. For a business to operate successfully it must consider the legal factors in that situation and look out for the future changes in the law that will affect the changes such as environmental legislation, regulation of product, regulation of competition, safety and health in the areas of product regulations,. According to Daniels, Radebaugh and Sullivan (2007), organizations must be proactive in dealing with legal challenges or else they risk many law suits by the parties affected. Increased regulations and new energy policies in the oil sector is one of major legal factors to be observed.

2.5 Strategic responses

When changes occur in the external environment, the firm has to come up with strategies to respond to these changes. According to Ansoff and McDonell (1991), the responsiveness of a firm’s capability often depends on the level of turbulence, if the change is usually slower than the firms responsiveness then environmental turbulence is slow but when the environmental turbulence is fast and unpredictable change of strategy should also be fast.

Response strategies can be categorized into corporate, business and functional strategies. Corporate strategy are the complex strategies covering whole organization as a single business portfolio, they focus on effectiveness of performance, coordination of optimal performance and strategies to acquire resources and assets through strategic alliances, mergers, acquisition, diversification, divestment and liquidation. at corporate level the decision and the actions deal with objectives of the organization. It focuses on investing in different assets and is also concerned with addition of value, effectiveness and placing the entity strategically to the external environment. Grant (2008) argues that organization need to diversify their strategies inorder to survive and those diversification strategies are guided by growth, risk reduction and profitability.

Business strategies on the other hand are the strategic choices in that determine how the organization seeks to compete at the individual business level, the choices involve strategies based on cost leadership which can be achieved through economies of scale, it also involves differentiation which entails being unique from ones competitors and lastly focus. Business strategy puts involves deciding how to win against competitors. Therefore it’s important to address the question of how business units should compete. Functional strategies are tactical decisions that relate to single final operations and deal with restrictive plan that provide objectives for a particular function. According to Pearce and Robinson (2013) functional strategies entail acquiring and nurturing unique competencies that gives the business a competitive advantage by maximizing resource productivity.

Innovation and technology. Dess, Lumpkins and Esiner (2008) posit that technological development leads in new product and services and improvement of production process and delivery to customers. Organizations have to come up with new ways of conducting business to keep up with global advancement and to ensure they remain relevant. Oil industry has to innovate and reinvent itself by coming up with better methods and advanced equipment to reduce product life cycle.

A firm can opt to use defensive strategies such as joint ventures, retrenchment, divestiture and liquidation. A joint venture occurs when two or more companies come together on equal ownership or partnership for the purpose of gaining on some existing opportunities. Most of strategic alliances lead to increase in profit margins, create synergy effect through economies of scale and help organization gang up against their major competitors.

retrenchment is done by reducing of assets and costs to make a comeback on sales and the profit ,it's also known as turnaround or reorganization strategy.it may involve selling off assets, shutting down obsolete operations, automation of process, downsizing of the workforce and coming up with expense control system. Divestiture on the other hand is the managing of assets of a company by closing some operations, selling a division or part of an organization, this is used to raise capital for investment, to be more liquid or manage debt burden. Liquidation is bringing the business to an end and it's normally when the company cannot sustain itself or cannot handle the threats and challenges in the environment.

2.6 Empirical studies and research gap

Khalif (2015) undertook a study on strategic responses to the environmental changes in the pharmaceutical industry in Nairobi .the study was conducted through a cross-sectional survey of 31 pharmaceutical companies. Data was collected through self-administered questionnaire; it was found that majority of the respondent use product differentiation and cost leadership. The study recommended regulatory authority enforcement requirement for Doctors prescribing general names. Ndolloh (2016) carried out a study response strategies of Cooperate Insurance Company (CIC) group ltd to changes in external environment. The research design was a case study of CIC and interview guide was used to gather data. The findings were that environmental changes were mainly sociocultural, political and legal and the response was through cost leadership, focus market, diversification, collaboration, product development and market development strategy. The study recommended further research to be done on strategies for better competitive position

The study carried strategic responses by Migwi (2012) on strategic responses by Mt.Kenya bottlers to external environmental changes, case study was used as the research design and data collected using interview guide and analysed through content analysis. The findings were that the major challenge to the company was rivalry from competitors such as coca cola and Water Company. The response strategies included product development, marketing, cultural changes, restructuring, product franchising and diversification. Kimani (2010) carried out a study on response strategies of National Media Group (NMG) in Kenya to environmental changes. The research design was a case study of NMG and data was collected through a face to face interview. The findings were that environmental challenges included digital growth because viewers and readers shifted to internet sources which in turn affected survival and profitability. They responded to the challenges by investing, incorporation of heavy technology and forming strategic alliances

Mugondo (2012) studied strategic responses to changes in the external environment by matatu subsector within Nairobi. The study used descriptive survey design of 57 matatu saccos and data was collected using questionnaires which were administered to the Sacco managers through a face to face interview. 45 Saccos responded and their response strategies were unique customer services, lowest possible price provision, diversification by carrying out other business related to transport business among others. Abdirahman (2014) studied response strategies adopted by small oil marketing companies in Kenya to environmental changes. The study adopted a cross sectional survey and the primary data was collected using a sample of 36 oil companies. The data was collected using drop and pick questionnaires to the managing directors of the companies. It was concluded that the response strategies are focus market, strategic alliances and corporate social responsibility.

In spite of having many studies on response strategies of various organizations, none of the studies has drawn any emphasis on response strategies adopted by Tullow Oil Company in Kenya to changes in external environment. the result obtained cannot be applied to any other company due to contextual differences hence this has created a knowledge amongst upstream oil companies in Kenya on strategic responses in changing external environment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Fellow &Liu (2003) defined research methodology as the principles and procedures of the logical thought process which applies to specific investigation. This chapter presents a plan for the research which is the research design, data collection and data analysis. It discusses the way the study will be planned and the procedures and techniques that will be used to address the research problem and research question.

3.2 Research Design

The research design was a case study of Tullow Oil Company located within the capital city of Kenya. Donald (2006) defined a case study as a method that describes a unit in detail with the aim of organizing data and looking at the study object as a whole. A case study is also a powerful form of qualitative analysis that involves careful and complete observations of social unit. A qualitative makes a general statement on how categories or themes of data are related Mugenda & Mugenda (2013). According to Yin (2004) a case study is an empirical enquiry which investigates a contemporary phenomenon within the real life context.

A case study was relevant as it sort for an in depth investigation of the strategic management practices, challenges and underlying factors that affects Tullow Kenya Business Venture, this could give suggestion that can be used by Tullow Kenya as well as other organizations in the industry when faced with environmental changes and also important strategic management practices they can employ to address the issues. Case studies are powerful forms of qualitative analysis that involve careful and complete observations of social units.

3.3 Data Collection

The study relied on primary data and also secondary data. Primary data wascollected by use of an interview method while secondary data will be obtained from previous documents such as books, journals, conferences, archive report newspapers, magazines, articles and internet and other relevant sources. Kvale & Svend (2009) argues that interviews describe the life events and experiences of the respondents with respect to analysis of the significance of the portrayed phenomena.

A face to face interview was conducted with 5 respondents from Tullows top and middle level management, these will be production managers, information and technology managers, operations managers, human resource managers and finance managers. The face to face interview ensured that the required information was obtained as per the research objective. Appendix of the interview guide contains three sections A,B and C. the first section contains the interviewees' profile, the second section contains the changes in the environment that affects Tullow Oil Business and the last section contains the response strategies. Interview guide has open ended questions that will enable the researcher collect qualitative data.

3.4 Data Analysis

The data collected was checked for completeness and consistency before it was analyzed. For data collected to be meaningful, it was analyzed and meaning understood Saunders, Lewis & Thornhill (2007).The analysis of the data collected was by content analysis because the data collected was qualitative in nature. Content analysis was appropriate because it provided a record of the interview as per the responses given during the interview and did not restrict interviewees to the answers they could provide. It also had the benefit of generating more information which would otherwise not have been obtained when using other methods.

Nachmias and Nachmias (1996) defined content analysis as a method of making inferences through a systematic and objective identification of specified characteristics of messages and using the same to relate trends. Mito(2008) explained that content analysis is important in ensuring objectivity, a clear order of examination of communication in order to break down, see and analyze relations of word, characters, concepts, sentences and common theme.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, results and discussions of the research. It presents findings on challenges in the external environment faced by Tullow in Kenya and the strategies Tullow adopted to respond to the challenges**.** All the five heads of department in production, operations, information and technology, human resource and finance were interviewed through face to face interview in appendix one and the interviewees were required to provide information on their background with the company, the environmental challenges the company is facing and the strategies adopted to cope with the challenges. Majority of the interviewees served in the company for a period exceeding 5years which implied they had a deeper understanding of Tullow Oil Company. Gaps in the data collected were filled using secondary data sourced from the company website and publications. Based on the study objectives, the data collected from the interviews was consequently analyzed and the study findings presented.

4.2 Changes in external environment

This research study sought to find out environmental changes and their impact on the performance of Tullow oil in Kenya. The challenges from the external environment ranged from social-cultural, economic, political, legal, technological and environmental

4.2.1Changes in the political environment

The respondents were asked the major changes in the political environment that have affected Tullow oil in Kenya. The respondents unanimously agreed that political instability caused by uncertainty of high government turnover during and after general elections and insecurity put a threat to the operations of Tullow. This insecurity causes political and social tensions and sometimes poses a threat to workers. They further explained that constant changes of governments both at the county and national level is a major source of political instability and this is not conducive for the firms progress since a new government means change in policies and laws that leads to inconsistency with the policies of the company. Cyclical elections or political uncertainty scare away potential investors in the sector, for instance investment fell during 2017 election period and this indicates that politics running up to elections affect the returns of a business.

The respondents added that instability caused by the recurring clashes between the Pokot community and the Turkana community since the year 2010 has had adverse effects on the operations of Tullow oil in Turkana County. The high levels of insecurity in Turkana County due to cattle rustling between the Turkana residents and their neighbors who are the Pokot cause much sabotage to the operations of the Tullow Oil in Turkana.

The respondents argued that lack of clear demarcation of roles between the regulatory authority, policy role players and government on matters concerning petroleum and mining has led to the conflicts between Tullow and stakeholders. The respondents also stated that lack of clear framework for spending petroleum revenue and conflicts of revenue sharing among national government, county government, local community and Tullow has also derailing their efforts to produce and provide reliable information to other stakeholders, they noted that the government of Kenya wanted to keep the sharing ratio a secret leading to lack of transparency and disclosure on the part of Tullow about contracts, revenue, expenditure and licenses to general public who have high expectations about the new finds.

The interviewees pointed out that government intervention and the regulatory actions taken by government in order to interfere with the decisions or operations of a Tullow has brought about conflicting agendas and priorities between the two parties. The interviewees explained that while Tullow bears the cost and risk of exploration, the government through the national oil companies can elect to participate at a level of working interest of up to a maximum of 51% upon the discovery of oil and gas making Tullow to lack autonomy and independence in its operations.

The interviewees argued that Tullow is also facing challenges posed by Kenyan civil society groups such as Oxfam, The Early Oil Pilot Scheme (EOPS)that was supposed to kick off in mid-2017 failed to take place because Kenya civil society for oil and gas in October 2016 argued that the government wouldn't generate any significant economic benefit as the scheme would be featured by small export volumes and high transport costs because transporting the waxy Turkana oil would be more expensive to transport by road and rail and would be facing security challenges and banditry.

It's on the respondent's opinion that intervention of regional governments is one of the political factors affecting the Tullow oil in Kenya. This has led to necessary re-negotiation of licenses and agreement terms, delays in grants of licenses, or approval of agreements, and other state action. The LAPSSET project for instance was proposed in the year 2012 and was aimed at ensuring that there was low cost transportation of oil from Lamu to Ethiopia and finally to Uganda by Tullow. However in the year 2015, the president of Uganda pulled out of this project and decided that they would build their transportation pipes through Tanzania rather than Kenya as per the initial agreement. In addition Ethiopia also pulled out of the agreement where they decided to build their own Addis-Djibouti pipeline leaving Kenyan government together with Tullow to build their own pipelines from Lamu to Turkana.

All the interviewees unanimously agreed that discriminatory tax policy affects the firm tremendously. They argued that international oil firms like them are taxed very highly at the rate of 37.5 percent and this makes Tullow to spend a great deal of its income in paying taxes to the Kenyan government. Tullow also pay a huge amount of fees on transportation tariff, import duty ,excise duty when it imports machinery and equipment that are otherwise not available in Kenya, moreover these goods are taxed differently making compliance with the tax requirements very difficult disposing the company to a lot of law suits and fines in relation to tax avoidance.

The respondents agreed that International policies on trade such strict adherence to cartels demand such as Organization of Petroleum Exporting Countries (OPEC). OPEC comes up with oil policies which form part of national policies and oil company policies. OPEC coordinates and unifies the policies and tries to regulate international oil prices by cutting the production of the black gold or rationing the supplies of oil by its member countries. It’s often hard to predict whether OPEC will increase or reduce production quotas that will determine the rate of production of its members.

4.2.2 Changes in economic environment

When asked about the economic changes in the external environment, the respondents commented that change in the exchange rate affects Tullow business in Kenya, they said that oil sales are denominated in U.S dollar and changes in the value of the dollar against other world currencies and Kenya shilling affects Tullow margins and its decision on how much to produce. They added that the influence of dollar exchange rate fluctuation also contributes to plunge oil prices while appreciation of dollar leads to a drop in oil prices.

From the respondents view plunged oil prices in the international market just when the firm was gearing up to go into production have introduced a new twist into the already complicated oil marketing environment. Low oil prices in the economy are a major challenge facing Tullow oil operations in Kenya since it affects the profits levels of the company, with the plunge in the oil prices that was experiences since June 2014, The loss of key staff and a lack of internal succession planning for key roles within the group causes short and medium-term business disruption, it has led to the company’s inability to pay dividends and debt in time leading to difficulty in securing credit for a number of years and higher interest rates.it has also led to conflicts and law suits being filed against the company by workers who have been laid off unexpectedly leading to company incurring more cost in legal battles.

Furthermore, it has led to loss of investors’ confidence which has seen decrease in the level of investment and falling of the firms share prices, banks and other lending institutions have also been reluctant to provide necessary finances therefore making the company vulnerable to hostile takeovers forcing the firm to sell its assets to remain liquid of finance its projects.

The respondents also argued that the complexity and costs involved to keep a site operational can be very challenging, uncertainty around energy prices is the biggest risk and challenge faced by Tullow making it difficult to calculate whether investment are economical over a projects lifecycle. most oil facilities take more than a year to build plus another year to design and test before its handed over. The investment of time and money require certainty that in the end there will be strong returns or revenue, this hasn't been the case since mid-2014 and when the international oil prices As per the respondents, the major change in the economic environment was caused by the

The interviewees also indicated that infrastructure system in Turkana County is poorly developed and this had greatly affected its activities in the exploration of oil in Turkana County. Transportation of oil products from Turkana County has been negatively affected by the poor road systems in the county.

The interviewees expressed that uncertainty about the resource content can lead to the company making losses for example Etiir-1 well dug by Tullow turned up dry breaking the pattern of successful finds till 2015. Etiir-1 well did not encounter oil but offered the company a deeper understanding of the area. Etiir-1 exploration well which targeted a large shallow structure closure immediately to the west of Great Etom structure, spudded in late June 2016 and was unsuccessful.

4.2.3 Changes in socio-cultural environment

The respondents were asked on the various changes in the socio-cultural environment and how it has impacted on Tullow oil in Kenya. Managing local expectation was pointed out to be one of the greatest challenges faced by Tullow, local communities still have higher hopes in seeing a share of oil wealth, while Tullow sees this as the idea of local content being overemphasized by civil societies and the benefit not trickling down to grassroots level being pushed too far. The high hopes and expectations about the new resource find was brought about by Issues pertaining to land access since land is very important to Pastoral communities in Turkana and there is no demarcation of land, its communally owned and no titles is given to specific person hence acquisition of land rights by Tullow has spurred conflict with the local community. The locals also feel that their grazing land has been interfered with and this has led to the demonstrations and threats to sabotage Tullows operations if they did not see the benefits of giving up their land to Tullows operations.

Most of the respondents pointed out that illiteracy level of the local population in the region of exploration affect Tullows operation in Kenya. Turkana County is one of the poorest counties in Kenya with most of the population made of illiterate people who are uneducated. This has an adverse effect on their employability of the residents in the county. From the interviewees' responses the activities of Tullow oil were highly affected by demonstrations in Turkana County from the residents against implementation of the exploring activities by the Tullow oil company. It was highly attributed to a feeling that the residents did not have adequate employment opportunities offered by the company to the residents.

The respondents argued that inequalities between households, and the community at large due to unequal distribution of resources and access to resources, corruption and political influence has had negative effects on performance of Tullow oil due to effects on socio-cultural groups as a whole and not just individuals. There is lack of statutory guidelines on how to cater for the social, economic and environmental interests of the local communities concerned.

4.2.4 Changes in the legal environment

The interviewees agreed that the institutional framework is imbalanced affects the firm in that too many powers are vested in the Minister for Energy who is merely a political appointee. The Energy Regulatory Commission has no role in regulation of exploration of petroleum in Kenya and the National Oil Corporation plays a mere supportive role and has since shifted to upstream petroleum projects

The interviewees argued there is no clarity in policies governing exploration and production of petroleum in Kenya. Policy framework on petroleum in Kenya is patchwork of documents which although addresses the petroleum sector does not specifically deal with petroleum exploration and production at length. The petroleum policy needs to be reviewed to give emphasis on attracting oil exploration and production investors to undertake petroleum exploration and production. Further, the policy should focus on the promotion of an efficient and competitive petroleum exploration and production industry and maximizing the contribution of the petroleum industry.

The respondents explained that relevant policy on oil exploration and production in Kenya does not lay emphasis or focus on oil exploration and production while the relevant institutional framework dwells on energy generally, denying exploration and production of oil adequate and specific attention. The policy framework also does not specifically address how the interests of government, the investor and the local communities in so far as exploration and production is concerned are to be reconciled. Therefore there is still legal uncertainty as to the impact of the provisions of the constitution that run counter to the rights and interests of Tullow.

The regulatory framework for oil exploration and production in Kenya is therefore deficient in that it is not focused on reaping maximum benefits from petroleum resources for the benefit of the Tullow Oil or the government. Overall, the resultant government participation in petroleum sector is more than minimalist and goes beyond the traditional role of regulating and licensing private sector interests. Tullow cannot produce beyond 2000 barrels per day making the company not to produce the maximum output that it intended to.

However, there is uncertainty as to whether the provisions of the new rules achieve the intention of taxing offshore share disposals. It is also not clear in the KITA what tax rate would apply for the disposal of shares in offshore entities. Tax disputes where tax compliance disputes and lawsuits are filed against Tullow despite Tullow paying a lot of taxes to the KRA. Kenya revenue authority, ministry of petroleum and energy, oil and gas E and Pregulator don't have the correct information from the tax man.

The Kenya Income Tax Act contains a specific schedule (the Ninth) which deals with the taxation of upstream activities and includes a special regime for subcontractors. At the time of writing, we understand that these rules are under review but it is not clear what changes may be made or when they might be introduced. The rules are clearly drafted and deal with most routine situations likely to be encountered during the exploration phase. They have not been tested through development and production, of course. Another key issue is capital gains tax and its impact on investment. One of the ways for international oil companies to finance developments is by bringing in industrial partners to share the financial risk. Yet capital gains tax will deter those partners. The possible introduction of a new capital gains tax in Kenya could have an impact on the speed of the development and size of the oil and gas industry

There is also lack of clarity in labour laws and categories. In the absence of regulation, Tullow is forced to come up with its own policies for establishing labor categories and prescription for Cialis choosing how to fill those positions which are usually dominated by dominated by highly skilled expatriate who are expensive to maintainthere is little incentives for Tullow to invest in its own training when other labor sources are available in other regions of the country

4.2.5 Changes in the Natural Environment

The respondents were asked on the changes in the natural environment and how they have affected the operations of Tullow Oil Company. the respondents argued that the common problems posed by environment included carbon emissions that resulted in climate change, flaring management of waste and biodiversity, they went further and explained that United Nations climate change conference in Paris at the end of 2015 drew attention on the urgent need for the world to reduce greenhouse gas emissions and has affected coal, oil and gas players such as Tullow. This has bestowed Tullow with the task and responsibility to play a constructive role in meeting the target to limit global warming to below c2 degrees Celsius. Looking for new ways to reduce carbon emission has become so challenging for Tullow and its forced to up its game by applying notional carbon pricing to test viability before development.

The interviewees stated that topographical challenges affects the firms business since Tullow operates in a very arid region and it has to understand the water sources needed in operations or drilling and the local communities the amount of water needed for development and production will increase substantially from the exploration phase and typically approximately 3-4 barrels of water is used for every barrel of oil produced. They also argue that Tullow operates in one of the world's most environmentally and culturally sensitive regions including the Sibiloi, the South Island and the Central Island National Parks. These are home to sites of global archaeological and paleontological importance. From the outset, there is need for Tullow to protect these areas of cultural and historical significance and partnered with the National Museums of Kenya (NMK) and Turkana Basin Institute (TBI) to help manage the operations in the areas. Tullow's acreage comprises geography with a wide variety of topography including very rough volcanic terrains in the South and East of the region, to vast savannahs and far-reaching deserts in the North-West. There is High uncertainty of geological properties and limited knowledge of the subsurface geology which might lead to sustainable exploration failure and delay of startup of rigs.

The respondents said that uncertainty and depletion of reserves has led to the abandonment of some of the already started projects. They clarified that many of the easy-to-get oil and gas is already tapped out, or in the process of being tapped out. Exploration has moved on to areas that involve drilling in less friendly environment. Geological risk refers to both the difficulty of extraction and the possibility that the accessible reserves in any deposit will be smaller than estimated. Oil and gas geologists work hard to minimize geological risk by testing frequently, so it is rare that estimates are way off. In fact, they use the terms "proven," "probable" and "possible" before reserve estimates, to express their level of confidence in the findings

More environmental regulations have become increasingly stringent, the strict climate change policy has led to stranded assets since majority of oil and gas deposits remain underground as alternative energy sources grow.it has also led to alternative source of transport like electric cars becoming more prevalent in advanced countries hence reducing the reliability and demand for oil by certain countries. Respondents agreed that Tullow has to come up with ways to operating in an environment of low carbon world and the pressure to decarbonize into their new environment.

The interviewees argued that initiatives by NGO community to ensure seizing of exploration and production of oil has created uncertainty to Tullow Oil Company. The adoption by Greenpeace of the "no more oil exploration" slogan in is an expression of the present fundamental questioning of fossil fuel-based energy futures. Radical factions of the environmental NGO community mobilize in order to question and block further exploration of petroleum resources. Even if not representative of the overall environmental movement, the perceived need to plan today for a rapid transfer from fossil fuels to renewable alternatives is gaining hold in broad segments of international political opinion.

The respondents mentioned that Tullows operations is sometimes disrupted by severe weather events associated with wind, storm surge magnitude, extreme rainfall and very high temperatures can cause natural disasters such as drought that disrupts the operations done in the open field as in the case of drilling of a well, moreover it’s not a conducive working environment for the staff leading to their demotivates and reluctance to resume work they have finished their shift.

4.2.6 Changes in the technological environment

The respondents agreed that new technological advances and innovations are vital to the operations of Tullow oil. Two respondents cited cases of poor network in Turkana which hindered effective communication and thus negatively impacting on the efficiency of exploration of oil by Tullow Company in Kenya. Equipment could take days on the road as a result of poor infrastructure. In some instances, the employees had to travel for long distances get network access whenever they needed to make calls to the head office in Nairobi.

The interviewees expressed that technological disruption from alternative sources of energy like wind and solar poses a great challenge to Tullow because of shifting to clean and renewable sources of energy globally and most of the oil companies are changing the face of the industry through technological advancement. competition from this alternative sources has led to low demand of oil globally and overproduction of the oil and gas resources leading to the price volatility or plunge in international oil prices Tullow also has to keep up with the changing technology such as the artificial intelligence of station and U.S shale production which uses more efficient method hydraulic fracking process to extract the black gold from underground

High number of the respondents agreed to the fact that despite the good infrastructure system made in the urban areas in Kenya, the transportation network in Turkana County for instance Turkana Ngami two had completely been neglected. According to the respondents, it was found that the employees of Tullow Company faced challenges in trying to access Turkana Ngami two and other exploration sites. Effective communication is highly affected by poor network in Turkana which hindered effective communication and thus negatively impacting on the efficiency of exploration of oil and gas by Tullow Company in Kenya. In some instances, the employees had to travel for long distances get network access whenever they needed to make calls to the head office in Nairobi and London.

4.3 Response strategies adopted by Tullow oil

Response strategies are decisions made by an organization in order to align the firm to the environmental changes. They are strategies adopted by the firm to cope with environmental changes. Choice of strategies depends on firms' internal capability and its dynamic resources hence, strategic responses are influenced by external environmental changes and the firms' internal capability. A mismatch between the environment and the organization occurs when the organization fails to respond to changes in the environment, the failure brings strategic misfit. Strategy is the connection between organizations and therefore no organization can be successful without aligning its strategy to the environment.

A good strategy takes into account a firm capability as represented by organizational strength and weaknesses against environmental challenges as presented by opportunities and threats Aosa (1992).The respondents were asked on the strategies that they adopted to respond to the current environmental changes. The interviewees agreed that the following strategies have been adopted by Tullow Oil Company to respond to changes in the environment.

4.3.1 Joint Venture, partnerships and collaborations

The firm has adopted strategies to ensure that there is increased revenue for the organization and ensure that the operations of the firm are maximized. By so doing they have facilitated ability to meet customer needs at all times. Tullow oil works closely with bodies like NEMA to ensure that the operations of Tullow oil are as per the regulations of the constitution. Partnerships lead to combination of capital and risk bearing capacity, capabilities, complementary physical asset and legitimacy to access.

The interviewees indicated that Tullow oil works hand in hand with its suppliers to understand the limits of technology implemented in the operations and the operators' production technology teams along with independent chemical labs to offer the best solutions. Tullow oil has adopted this strategy where it indents to collaborate with the government and the other stakeholders in water, trade, energy industries, the environmental organization, petroleum agencies among others. Tullow collaborated with ministry of Energy and Petroleum in acquisition of equipment for exploration. Collaborations to lower cost, combining equipment, software, engineering and other services.

The interviewees explained that Tullow partnered with Maersk Oil and Africa Oil to explore oil in the north of Kenya with Tullow 50 percent interest, Africa Oil 25 percent and Maersk 25 percent interest of block 12A, 13T, 10A and 10BB in Ngamia-1 in the Lokichar basin. Together with the government they have also made plans to build a pipeline that will move crude oil from Turkana county to Lamu port. This joint partnership enables the partners to diversify the risks and achieve synergy through economies of scale and sharing of their assets.

The interviewees agreed that there is cooperation between government and private companies as well as working closely with the neighboring countries like Uganda, are one of the strategies that is to be laid upon towards curbing the changes in the environment and the long term prosperity of Tullow oil, this will help in increasing the revenue the base of the firm and creation of a good working environment for the firm. Tullow also signed a memorandum of understanding with the ministry of energy. the memorandum of Understanding clearly lays out the plan for the national government, county government, local community and the government to work together inclusively over the long term and ensure operations continue without disruption or interference in the future. This establishment of strong business development network has enabled Tullow to operate in different and challenging environment.

4.3.2 Corporate social responsibility

The interviewees indicated that Tullow has adopted the aspect of engaging the local communities in the areas where they carry out their exploration activities in their operations. By so doing the firm has been able to arrange for meetings with the residents on few occasions to discuss about their needs, expectations, challenges faced due to exploration activities, explanations on any environmental impact of the exploration activities among others. This has improved the level of cooperation with the local communities on various activities and hence provided a good working environment for the company based on the fact there were initial resistance to the company operations.

The respondents revealed that Tullow relations officers have worked closely with the local community to promote local content and to understand and address their concerns, particularly in relation to land access and water. Tullow is working to obtain their informed consent in advance of the development of the project. This ensures that they de-risk operations enhance the long-term returns to their shareholders. Majority of the Kenyans have gained vast experience in drilling of oil, exploration, operating equipment and machines this has opened more opportunities for an exchange programmes where a group of Kenyan engineers and environmental conservationists are currently undergoing a rigorous training and development programme to enhance their competence on matters of drilling and exploration.

This is a strategy that has been adopted by the firm in ensuring that the earlier protests that were experienced by Tullow oil from the residents in Turkana County against the activities of Tullow oil exploration on aspects to do with unequal employment opportunities to the communities in Turkana. Tullow oil built schools and hospitals in Turkana County and offered employment opportunities which have been beneficial to the residents in Turkana County. Corporate social responsibility whims to aid the Indigenous Local Communities is unsustainable. The oil producing companies are after the bottom line hence would not be expected to devote a colossal sum of their income to benefit the local communities. ‘Corporate social responsibility is about managing perceptions and making people outside and inside the feel good about themselves.

4.3.3 Cost leadership strategies

The interviewees unanimously agreed that reducing drilling costs is one of the main strategies that are in place to meet their long term goal of increased profits in their operations. This has been implemented through innovation and technology by ensuring that surface flow assurance and facilities designs and is well placed to optimize well pads in order to cut on drilling costs. It is also through carrying out of batch drilling whereby the drilling contractor can move quickly from well to well without directing the drilling derrick key to reducing costs this is opposed to the traditional method whereby the operators would be forced to dissemble a rig. The company has innovated designs that are used in well testing which minimizes the amount of equipment needed at the well pads. The firm has implemented in Artic equipment and heat exchangers which is now being used in the Turkana rigs to prevent wax formation. This facilitates reduction of high power costs. The strategy will facilitate reduction of total costs of operation in the firm and hence long term profitability.

Tullow oil has proposed construction of oil pipelines nearly 800km in both Kenya With this the company intends to introduce technologies such as electrical heat trace, hot water or flushing systems to heat up the waxy oil extracted from

Turkana with implementation of this In Kenya, it will facilitate offshore operations in Kenya and facilitate long term goals of increased efficiencies due to low cost operations.

The interviewees argued that Tullows maximizes efficiency on its capital intensive projects incorporating high degree of project management expertise. The project management experts put in place measures such as good negotiation with joint ventures, partners, governments, suppliers and customers, optimize reservoir performance, developed markets for project outputs, whether through long-term contracts or the development of effective spot markets, managed changes in operating conditions and costs, including costs of third party equipment or services such as drilling rigs and shipping, prevented to the extent possible, and respond effectively to unforeseen technical difficulties that could delay project startup or cause unscheduled project downtime.

4.3.4 Retrenchment strategy

The interviewees indicated that has put in place planned capital expenditure(CAPEX)by either reducing or cancelling some long term projects therefore reducing business scale, it has also divesting some of its noncore assets, swapped most of its impaired assets, sold its aging equipment, cut of their supply base, contractors and workforce size by laying off workers who have underperformed consistently or reducing their remuneration rates and ensuring responsible operations by maintaining highest standards on health, safety and security of employees, contractors and communities. The interviewees further expounded that the firm implements cost cutting strategy when there is a budget cut from the its headquarters in London, they do this by reduced air travel expenditure for the expatriate workers, reduced training cost, postponing of projects that are not urgent to the next financial year and other short term cost cutting strategies.

The respondents pointed out that Tullow relies on Outsourcing of non-core services. The outsourcing Strategy is based on leveraging external service providers economies of scale, expertise and scalability of resources enabling the buyers enterprise to accomplish core business. Shrewd managers turn to outsourcing as most effective time tested strategy for achieving their objective of higher return on investment Gattorna, (1998**).**The respondents further explained that Tullow being a large stream operator, its involved with a number of specialist firms to whom different work processes are outsourced. Firms like Baker Hughes, Halliburton, and Schlumberger among others were the major service provides for Tullow, and the provided heavy equipment, geologists, geophysicists, engineers from different fields and contract labour because staffs are in short term projects and absorb business fluctuations which can be seasonal or unexpected.

The respondents argued that Tullow is using hedging strategy against oil price volatility. Tullow has proactively hedged production and prices of oil over the last 10years to protect its revenue. Tullow locked in rates ahead of time by signing a contract to buy some commodities at a set price and to supply its oil at a set price to the midstream and downstream companies.

Competitive tender system for service contractors where participation in the tendering is limited to those companies with integrated offerings or consolidated contracts with products and services bundled into a single package. It's a system of various complex service offerings such as valves, piping, controls, pumping, measures and monitors that are combined into one integrated system, Tullow advocated for this because it values using venders simplicity as well as assets whose pieces were designed together.

The interviewees also revealed that Tullow has adopted a zero-based cost management which has helped to replace the cycle of up and down cost spikes with long term strategic approach to minimise cost, in their approach fundamental re-examination of activities and their associated cost is conducted in departments, group of projects and across the organization units, Tullow then checks its internal capabilities and prioritizes the activities according to their efficiency level.

The interviewees also indicated that Tullow Oil was discussing redundancies with employees as it seeks to cut costs amid the low oil prices. Cutting investment expenditure in order to conserve resources, for instance, might ensure short-term survival but may also adversely affect firms' ability to compete when the upswing comes Smallbone et al. (1999).They observed that Tullow Oil Kenya had begun a period of consultation with its employees as part of a group-wide programme to increase efficiency and reduce costs in light of current industry conditions whereby about half of Tullow workforce is operating in Africa.

4.3.5 Innovation and adoption of new technologies

The interviewees indicated that Tullow oil has adopted modern technologies in its exploration activities. The advancement of technology in organizations sometimes reduces cost of operations, revolutionizes operations and creates roadblock to entry of a new firm. Technological communication with faster email and faster network system for phone calls has increased efficiency in Tullows operations and has led to better coordination of activities in the firm. By use of these technologies, drilling data is streamed from the source in real time from the drill string and surface equipment through the drilling of a well Meanwhile the workers are data enabled allowing them to read information in an instant to make informed decisions. By so doing this has reduces the time taken to carry out drilling activities and the total costs involved in the drilling activities.

The respondents also asserted that Tullow oil co. makes use of modern technological platforms such as video conferencing and teleconferencing between the team based in Nairobi and the team on the drilling sights to gain understanding of geographical and local setting of the areas where oil drilling activities take place, this has also enabled information sharing with the management about the drilling and has ensured smooth coordination of the activities that are taking place at the drilling point in Kenya .and also ensured timeliness in communication among employees in the company

The interviewees indicated that Tullow oil is adopting Norwegian model as strategy in its efforts to curb any challenges experienced in the natural environment, this will ensure that oil and gas products do not negatively affect other industries like fishing, grazing among others. This model facilitates a co-existence between the hydrocarbons projects and fisheries. Tullow has ensured placement of a robust system where wells are plugged tightly to avoid spillage or carbon emission.

The interviewees pointed out that Tullow has rented out advanced equipment to ensure smooth coordination in all its exploration sites. The Early Product Facility (EPF) a temporary equipment and ordered on rental basis that enable Tullow connect all the 40wells it has enabling it to extract 2000barrel every day when EOPS begin. Tullow has also incorporated digital technology that has helped it to reduce cost, increased workforce productivity and led to faster better decisions. This includes cloud-enabled mobility, big data-powered analytics and internet of things on areas of tangible business value. Marriage of big data and new energy technology has changed the sector.

The respondents asserted that Tullow replaced its outdated technology such as full tensor gravity FTG programmes with 2D 3D and 4D seismic in block 12A and 12B in northern Kenya to improve the character of the sediment, Tullow has increased the expenditure on seismic survey by almost 60 percent. 3D and 4D seismic stand out as the most relied upon in exploration, horizontal well in developing activities and field recovery in production.

Tullow also used water flood pilot test in Ngamia oilfield to ascertain the level for full scale production. Water-flooding is the use of water injection to increase the production from oil reservoirs. Its main aim is to determine how efficiently water is pushing oil to the production well in order to increase output rate and ultimately oil recovery. Results from the Ngamia water-flood pilot assesses the sustainability of production level to inform the whole resource and full field development plan and has to come up with ways of keeping the oil heated until it reaches destination.

The respondents argued that the key components of Tullows management of technological strategy are extensive monitoring, research and development on conducting hydrogeological and hydrological studies, innovation fronts, organization efficiency and operational performance .management of technology strategies addresses the innovation challenges to tap the next big reserve. These strategies will provide differentiation on capabilities of better identity, develop and deploy technology.

The respondents revealed that Innovative ways to reduce carbon emission had been incorporated by Tullow through the use of a technique called carbon capture. It was aimed at steering a greater proportion of carbon influx away from the atmosphere and towards sequential in terrestrial stock. The respondents indicated Tullow oil to adopt high performance water based muds called k-silicate that facilitated improvement in the inhibition and stability in the wellbore. Despite this in order to reduce the environmental impact of Tullow oil on the environment the firm adopted synthetic K-surface spud mud which enhanced stability and ensured that there was hole cleaning ability by using it facilitated higher reorder points and improved tripping times.

4.3.6 Focus

Finding reserves is a key priority of Tullow since reserves is used to value the companies and reserves are a basis of future revenue and earnings. The company replaces depleted quantity of reserves and can sustain their growth Tullow has a number of leads and prospects yet to drill which will target upside in the South Lokichar Basin as well as new multiple oil prospects, adding attractive exploration acreage to build on their prospect portfolio, Tullow has drilled over 20 exploration prospects in Kenya, 11 accumulated discovered and 21 appraisal well drilled for testing.

The interviewees agreed to a great extent that Tullow oil has adopted the integrated management system which includes a comprehensive Environmental, Health and Safety Management System (EHSMS). Through this system, Tullow ensures that it is committed to ensuring that it maintains the right standards of performance in terms of environmental maintenance and adheres to the rules and regulations as per the health, safety and environmental laws. Besides this system facilitates training for the workers employed in Tullow oil. This system facilitates adherence to regulations together with requirements of operation in Kenya and at the same time ensures that the employees are well equipped with knowledge on the health and environmental effects.

Tullow is focused on retaining core talent such as exploration specialists in certain geology, the company is focused in developing specialist that make finds commercially viable and the company is known to be an expert at extracting more oil therefore extending life of assets and reserves.

4.3.7 Diversification

The interviewees asserted that Tullow has flexible portfolio that can deliver value in existing market conditions, it has multiple oil prospects that that has enabled them to have attractive exploration acreage to build on their prospect portfolio. Kotler(2000) posits that diversification makes sense when good opportunities are fond outside the business. Diversification seeks to increase revenue through great sales volume and new market therefore, finding new reserves in Kenya is key priority to Tullow since reserves are used to value upstream oil companies and constitute a basis for future profit or revenue. Tullow has diversified high quality asset base that its e with over 30 licenses in Kenya and a variety of leads and prospects that it’s about to drill in in its new ventures in Kerio Valley and Lokichar basin and Kisumu thus expanding access in market and resourcet.it has 750 million barrels of discovered resources in Kenya targeting 80-120k bopd gross production. This ensures it has good portfolio positioning for future growth and growing production outlook.

Tullow oil has had plans to increase the levels and numbers of distribution channels for their oil products to ensure timeliness in the distribution of their products. This is through solving logistics issues which pose a major challenge to Tullow oil project based of the fact that LAPSSET project was stopped due to disagreements between Southern Sudan and Northern Sudan and due to Ethiopia deciding to build its own pipeline.

Since the onset of oil exploration and drilling in Ngamia in Turkana, Tullow Company has succeeded in expanding its export and import owing to established ties and relationship with the government and other countries. Tullow has a balanced portfolio of high quality producing fields, areas of future development and exciting exploration acreage and this was mainly done through acquisition of many licences in core areas in Kenya and a number of options in pipeline together with the government of Kenya. Apart from drilling and operational activities to support financial investment decision for the Kenya Full field development(FID), engineering studies and contracting are underway.

4.3.8 Risk management strategies

Tullow oil as per the interviewees has put in place plans to construct an integrated waste management facility which will be used for waste material management to cut on costs incurred in managing wastes by use of various methods for different types of wastes.

The interviewees agreed to a great extent that Tullow oil has adopted the integrated management system which includes a comprehensive Environmental, Health and Safety Management System (EHSMS). Through this system, Tullow ensures that it is committed to ensuring that it maintains the right standards of performance in terms of environmental maintenance and adheres to the rules and regulations as per the health, safety and environmental laws. Besides this system facilitates training for the workers employed in Tullow oil. This system facilitates adherence to regulations together with requirements of operation in Kenya and at the same time ensures that the employees are well equipped with knowledge on the health and environmental effects.

The respondents revealed that the firm has adopted a hydrological study which is evaluating the various sources of water available for production at Tullow oil. The firm has come up with strategies to ensure that there are no losses incurred on the production process due to instances of inadequate water sources. This study has facilitated identification of both the lower table and the surface water table water resources which has facilitated having a knowhow of the available water sources. By so doing the firm has been able to ensure a balanced water supply to the firms operations throughout and evade all the instances of insufficiency in water supply at Tullow oil. The interviewees to a great extent indicated to great extent Tullow oil has implemented pollution prevention as a strategy in its operations by its purchase and use of a mobile Thermal Desorption Unit (TDU) that provides a treatment process which will provide an environmentally friendly treatment process for oil contaminated drill cuttings and soil contaminated with hydrocarbons, Besides by use of this machine, it facilitates extraction of various liquids found in the wastes for use again. These liquids are oil, water among other types. In addition gases like carbon dioxide are recycled back to the TDU machine and by so doing it facilitates reduction in the air emissions.

4.4 Discussion

Discussions of the findings in this study are presented in comparison with the theoretical foundations and other studies done on strategic response to the external business environment.

4.4.1 Comparison with theory

Open systems theory describes organisations as open systems that operate within a dynamic external environment. Organisations do not operate in isolation or in a vacuum since it's greatly influenced by the environment. The operations of any organization are affected by influences emanating from both internal and external environment this study has sought to bring out the interdependent relationship that the organizations and the external business environment have. According to Ansoff and McDonnell (2000) organizations are environment dependent and environment serving. They receive inputs from the environment, transform or add value to them, and return the outputs in form of goods and services back to the environment. Bertanlanffy (1951) asserts that open system organizations interact with various environmental elements Tullow gets its inputs which are in form of resources such as skilled workers, capital or finance and oil reserves from the environment which including socio-cultural, legal, political, technological, ecological and economic environment and these go through a process to obtain final output. The environment gives a feedback to the organization and therefore appropriate response to the external environment should be put in place through devising different strategies such cost leadership, focus marketing, differentiation, collaboration, and diversification strategies in the case of Tullow Oil.

According to contingency theory organizations exist in a framework of a very dynamic environment However, the external environment in which organizations operate is characterized by constant change ranging from local, national and international factors. Different environmental influences require different strategic responses whereby the choice of one strategy over another is dependent on the extent of change that has occurred in its external environment and the organizational capability. Daft (2010) opines that contingency theory revolves around the best fit between an organization structure and the conditions in the external environment. The theory rides on the belief that there is no one best way to respond to changes in the external environment. The various strategies adopted by Tullow Oil are made possible by its internal capabilities such as its strong brand name, availability of advanced technology that enables the firm to maximise its refinery margins, strong financial position and its high quality workforce. The various strategies that Tullow applied such diversification, retrenchment, innovation and technology, formation of strategic alliances depended on the complexity of the external environmental challenges and the capabilities of the firm therefore the findings of the study confirm the basic tenets of contingency theory which saw organizations as bundles of resource

4.4.2comparison with other peoples work

Several studies have been done to establish how organisations respond to changes in the external environment. The environmental factors affecting Tullow share a degree of similarity to other industries**.** Tullow Oil Kenya technological changes can be compared to study done by Hoskisson and Hitt (2009) who observed that given the rapid pace of technological change, it is vital for firms to thoroughly study the technological segment. The importance of these efforts is suggested by the findings that early adopters of the new technology often achieve higher market shares and earn higher returns. Mwenda (2010) Some of the challenges experienced by CBA as a result of external environment changes included. Increased competitive environment, , reduction in profit generating avenues as a result of economic recession, Narver and Slater (1990) noted that economic growth, interest rates, exchange rates and inflation rate have major impact on the general operations of the organization and the decision making process

Roseenid (2015) on strategies adopted by Sarova Group of Hotels in response to changes in the external business environment. This study found out that the hotels adopted the following strategies in order to respond to the changes in the external business environment, Technology, Diversification, Strategic Alliance. These findings are therefore in agreement with Tullows coping strategies

Owaya(2013)The study found out that the middle level colleges in Nairobi central business district have responded to the changes in the operating environment through strategic alliance, restructuring, cost leadership, diversification, programme refinement, accreditation for higher qualification, targeting new segments of the market and subsidized charges. The findings are consistent with this study's research observation that states that organisations can achieve their objectives by responding to environmental challenges through adoption of various strategies

Similarly, the findings concur with those reported Ndolloh (2016) whose findings were that Corporative Insurance Company (CIC) has responded to the external environment through cost leadership, focus marketing, differentiation, collaboration, and diversification strategies. The firm has also embraced new technologies and a positive culture change**.** Muthui (2013) studies coping strategies of Saccos in Nairobi to changes in environment in his findings, the response strategies included strategies market development strategy, adoption of the modern technology and computer software, continuous training of staff and networking with firms that offer computer backup programmes that may be too expensive for the Sacco to acquire.

The strategic responses adopted by Tullow also seems to be in line with the Pearce and Robinson's (1991) grand strategies namely concentration, developing innovation, integration, joint venture, diversification, turnaround, divestiture and liquidation. In addition the company had adopted other recent strategies like outsourcing and shared services centers. Kubai (2010), who studied strategic responses by Kenya airways to changing external environment. His findings that the environment in which the airline operated was very dynamic, volatile and with distinct changing technological and legal environment are congruent with the findings of this study. The same has been found true for Tullow Oil Company and its external environment. By Kimani (2010) who after studying strategic responses by national media group (NMG) to changes in the external environment reported that NMG responded by restructuring, expansion, diversification and use of technology to gain competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter of the study focuses on the summary of the research findings, recommendations, limitations of the study, suggestions for further research and conclusions. The results were presented in respect to the main objectives which were to determine changes in the external environment that affect Tullow Oil Company in Kenya and to determine the strategic responses by Tullow Oil Company in Kenya to the environmental changes.

5.2 Summary of Findings

This part presents the summary of findings of the study according to the objectives of the study which were to determine the external environmental changes experienced by Tullow Oil Company and to determine the responsive strategies adopted by Tullow Oil in Kenya to the external business environment.

5.2.1 External environmental changes of Tullow Oil

The first objective of the study was to determine the changes in external environment of Tullow Oil in Kenya. The findings of from the study identified the following environmental changes a having an effect on the operations of Tullow oil in Kenya. These changes were mainly from natural environmental, legal, political, economic, sociocultural and technological. It was evidenced that in terms of socio-cultural changes in the external environments, the findings established that managing of local expectations was very challenging since the residents in areas where Tullow operates wanted to see the benefits of the found resource trickling down to them through employment, award of tenders and sharing of the revenue or the oil with them hence resistances from the locals on the activities of Tullow oil in Turkana were the major challenges faced. There was also the issue of illiteracy and language barrier since most of the residents were uneducated and they only spoke and understood Turkanise local language, this created language barrier between them and the international workers in

Tullow hence affecting their ability to be employed in the Tullow based on the fact that most Tullow operations.

Politically, internal politics created high levels of insecurity caused by every now and then community clashes between Turkana community and their neighboring Pokot community over cattle. The study also indicated that the periodic cycles of elections had a negative impact on operations of Tullow oil .The cancellation of the LAPSET project in 2012 by pulling out of Ethiopia, and the disagreement between Southern Sudan and Sudan led to challenges in the operations of Tullow oil in Kenya. Poor relations with Uganda caused the cancellation of the construction of the pipelines to be used in the transportation of oil products. The legal environment has had an impact on the operations of the company through the regulations of the constitution, the environmental regulations act and petroleum act. These regulations have effect on the various operations of Tullow oil in that they provide the guidelines on how the operations.

Economically, fluctuations in the international global oil prices affecting the service companies contracted by Tullow and causing loss of revenue and reduction in investors' confidence, fluctuations in exchange currency since oil currency are denominated in U.S dollars and a change in the dollar per shilling either increases or reduces the prices of oil. There is also Poor infrastructure in Turkana is also a factor that affects the operations of the company based on the fact that it uses the various infrastructures in transportation of oil products and equipment to the drilling sites.

The changes in the natural environment included need for Tullow to reduce greenhouse gas emission from its operations and the responsibility of meeting the target of global warming as required by environmental regulators. there was also delay in operations as a result of delay in review of policy regarding environmental impact assessment, changes in weather conditions and natural calamities occurrence and lastly development of alternative energy sources that are renewable and clean.

Technologically, poor infrastructure has hindered communication between the Tullow oil operators and their customers or fellow workers at the headquarters. The employees had to travel long distances to access network. Besides high levels of illiteracy experienced by the Turkana residents has negatively affected the operations. Based on the second objective of the response strategies adopted by Tullow oil in Kenya to the changes in the environment.by Tullow oil, the findings indicated that collaborations between the company and suppliers, stakeholders is key in coping with the changes in the environment. Besides the community involvement is key activities in the company through offering employment, through involvement in assessment meetings is another strategy applied by Tullow oil.

5.2.2 Strategic responses of Tullow to changes in the environment

The second objective of the study was to determine the response strategies to the changes in external environment. The response strategies are drawn from the external environment occurrences and depended on the complexity of the external environmental challenges experienced by the firm.

The Company has adopted modern technology in its drilling activities which has facilitated reduction of its total costs. Joint ventures and partnerships has facilitated improved level of efficiency and effectiveness it Tullow oil activities. Reduced costs of offshore activities has also improved the profitability levels of Tullow oil due to increased levels of resources .Another strategy adopted by the firm was private and public partnerships. Through this partnerships of Tullow oil and other agencies both in the private and public sector has affected the operations of Tullow oil in a positive manner through increased levels of operations and long term profitability. In to curb the high number of resistances by the communities in the areas where Tullow oil operates due to unequal employment opportunities, Tullow oil adopted a strategy of building schools and health centers to curb all this.

5.3 Conclusions

The study concluded that there are a number of changes in environment have an effect on the operations of Tullow oil Kenya. There was consensus from the respondents that there are a number of changes in the environment that have affected the operations of Tullow oil in Kenya. These changes are language barriers, high levels in illiteracy of the Turkana communities, resistance from the communities, political instability, poor infrastructure, delays and cancellation of projects by government, interference by pressure groups such as oxfarm, high levels of insecurity in the surrounding community, new regulations and rules in the legal environment, volatility in oil prices, fluctuations in exchange U.S dollar exchange rate, drastic change in technology in the industry which Tullow has to keep up with, change in environmental laws and policies aiming to reduce carbon emission by Oil and Gas industry, all these have had an impact on the operations of Tullow oil in Kenya.

Based on the second objective of the study, the respondents agreed to the fact that Tullow oil Kenya has adopted a number of response strategies in order to curb the changes faced in the external environment, these strategies include innovation and adoption of modern technologies which has increased the efficiency in the exploration of oil and gas in for the company in Kenya. Besides the firm has created partnerships and joint collaborations with the government and other upstream oil and gas companies such as Africa Oil, Maersk and Total to bring about sharing of assets and costs in operations. diversification of the their assets by doing appraisal campaigns in different parts of the Kenya and increasing its reserves in Turkana, Kerio valley and Nyanza basin, Tullow has also focused in sustainability by managing risk and mitigating impact of operations through higher standard of governance, robust risk management and maintaining health and safety of workers retrenchment and cost reduction strategies have also been employed by the firm since oil prices dropped, the company cut on labour costs by laying off a lot of workers and choosing of service contractors who provide cheap but quality services leading to efficiency of the firm, not to forget, Tullow has also incorporated corporate social responsibility through adopting community involvement coupled with building of schools and healthcare facilities for the community to curb the challenges of resistance from the local communities.

In a nut shell all organisations organisations operate in dynamic and turbulent business environment, organisations survival is therefore highly dependent on the strategies adopted in response to the external environmental. Organizations need to monitor the environment on a continuous and regular basis to get a better understanding of the factors that affect the organization and develop response strategies that are aligned with the firms capability and the environment.

Organizations must have the capability and capacity to manage and respond to the continually changing environment. They must put in place systems, structures and processes that enable them to identify and mitigate risks in the external business environment

A broad generalization cannot be made from the study because every organization is unique and faces different environmental challenges, every firm also has unique capabilities and strengths that will make it respond to environmental challenges differently.

5.4 Recommendations

Although Tullow Oil Kenya has been able to successfully respond to changes in its external environment, more should to be done inorder to reduce the operation cost to enable the company to remain stable and survive in lower for long periods of oil prices.

This study recommends stakeholder engagement through working closely with national government, county leaders, local leaders, members of parliament, and chiefs among others in all their activities to enhance good working environment for Tullow oil. More government support in terms of ensuring that the Turkana-Pokot borders are well secured to boost the security levels of the area in order to facilitate adequate a good working environment for oil exploration by Tullow oil in Kenya, Tullow should work together with the government to facilitate development of infrastructure to be used in transportation of oil products by Tullow oil this is because supply and distribution of oil has been constrained by lack of adequate rail transport wagon and import handling and loading facilities.

The study recommends organization to design adaptive business model that integrates different types of business units, value chain operational model, partnerships and technological disciplines. Especially integrating human resource, information, technology and work processes to realize synergy, empower employees and promote better decision making.

active monitoring organisations environment and evaluation of strategies in preparation for the worst since the environment is uncertain and unpredictable, organisations should be prepared at all times even if things are good by ensuring sustainability through lean management practices, staying true to successful business model and maintaining discipline keeping a strong balance sheet and not having too much debt or gambling on exploration prospects like the previous unsuccessful exploration of oil by other companies in Kenya whose finds were not economic viable.

5.5 Limitations of the study

Due to time constraints it was It took too long to secure appointments with the respondents**,** moreover the respondents had little time to give deeper and more elaborate explanations to the interview questions. They complained that they were busy attending to other pressing office matters. As a result, they preferred giving brief responses to the issues raised.

It was such a difficult task for the researcher to convince the respondents to participate in the study. Most Oil and gas Multinational Companies are known to work under very strict confidentiality, most of the respondents agreed to participate on condition that the information will not be divulged to any other party other than for academic purposes only.

The study was also limited to an in depth case study of Plc Tullow Company hence the findings are unique to this organization and cannot therefore be generalized to be a representation of similar organizations in the industry.

5.6 Suggestions for further research

Further study should be carried out on other international companies carrying out exploration activities in Kenya in terms of size, and areas of intervention. Findings can then be compared to assess if there are any commonalities or unique factors in terms of changes in the environment and the response strategies. A cross sectional study should be done on oil and gas industry in Kenya and the results compared.

Further studies should be undertaken to establish and assess the effectiveness of strategies adopted by other international upstream oil companies in response to challenges brought about by changes in their external environment.

Further studies can be conducted using a cross sectional research design involving many international companies to find out whether there any differences in terms of findings or unique response strategies. Finally, this study is limited to the extent that its focus is on a specific country and industry/sector, Kenya and the oil industry respectively. It is recommended that for a start, a similar study be undertaken within a region wide context and findings compared to the Kenyan context.

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APPENDIX
INTERVIEW GUIDE

SECTION A: TOP AND MIDDLE LEVEL MANAGEMENT PROFILE

1. What is your position in the company management?
2. What is your span of control?
3. How long have you worked in Tullow Oil company?
4. What are the general responsibilities of your current position?

SECTION B: ENVIRONMENTAL CHALLENGES FACING TULLOW OIL

5. What are the major changes in the political environment that have affected Tullow oil in Kenya?
6. What are the changes in the economic environment that have impacted on Tullow Oil in Kenya?
7. What are the changes in the socio-cultural environment that have affected Tullow Oil in Kenya?
8. To what extent have changes in technology impacted on Tullow oil in Kenya?
9. What are in the legal environment that have affected Tullow Oil in Kenya?
10. To what extent has the changes in the natural environment impacted on Tullow Oil Kenya.?
11. Are there specific areas adversely affected by the changes?
12. To what extent have the changes impacted on Tullow oil?

SECTION C: STRATEGIC RESPONSES

13. Which strategies did they adopt to respond to the current environmental changes?
14. What are the future prospects of the oil industry?
15. Were there adequate resources for implementationof the response strategies?