STRATEGY IMPLEMENTATION BY MAJOR PETROLEUM COMPANIES IN KENYA

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DECLARATION

This research project is my original work and has not been submitted for a degree in any other University

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

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DEDICATION

This research work is dedicated to my wife Agnes Adhiambo who has supported me all through the programme.

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ABSTRACT

Strategy implementation is the way in which a company creates the organizational arrangements that allow it to pursue its strategy most effectively. Problems with implementation have resulted in failed strategies. Even first class strategic plans can fail if implementation is not handled with care. Strategy implementation is complex and is accompanied with a lot of challenges that organizations need to manage to ensure smooth execution of their strategic plans.

This study focuses on strategy implementation by major petroleum companies in Kenya and further seeks to clearly bring out the challenges faced by these organizations as they set to implement their documented strategic plans. The source of data for this study was Managing Directors and senior managers in all the six major petroleum companies operating in Kenya today. These are the people charged with the corporate responsibility of strategy development and implementation.

The main findings of this study are that the major petroleum companies in Kenya have successfully used various methods in implementing their strategic plans. These range from use of performance targets, training of staff, management of culture change, providing adequate financial resources and upgrading of management skills. However, implementation was not smooth as several challenges were also experienced in trying to execute the strategic plans. Some of the challenges experienced include fluctuations in crude oil prices, inadequate communication of the strategy to staff, wrong organizational structure and inadequate information and communications systems.

The study is not an end in its own, but should be evaluated in view of the limitations that were experienced. It should not only be useful to all the major petroleum companies in Kenya, but also the smaller players within the industry who intend to grow their market share. Those intending to conduct research in strategy implementation will also find the findings of this study useful.

CHAPTER ONE: INTRODUCTION

1.1 Background

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives (Fred, 1996). Strategy implementation is therefore only a part of the strategic management process, but plays an integral role in the process. Implementation of a chosen strategy is one of the most vital phases in the decision-making process. It is better a first class implementation procedure for a second-class strategy than the vice versa. Practitioners are emphatic in saying that it is a whole lot easier to develop a sound strategic plan than it is to make it happen.

1.1.1 Strategy Implementation and its Challenges

Putting a strategy into place and getting individuals and organizational units to go all out in executing their part of the strategic plan successfully is essentially an administrative task. Howe (1996) in his book "Corporate Strategy" indicates that strategy implementation involves identification of the key tasks to be performed, allocation of these tasks to individuals, providing for co-ordination of separated tasks, the design and installation of an appropriate management information systems, drawing up a specific programme of action including a time schedule down to the level of operating budgets or standards, setting up a system for comparing actual performance with those standards and the design of a system of incentives, controls and penalties appropriate to the individuals concerned and the tasks to be performed.

Why is strategy implementation so important that it forms an integral part of the strategic management process? Understanding the strategic position of an organization and considering the strategic choices open to it are of little value unless the strategies managers wish to follow can be turned into organizational action (Johnson and Scholes, 2004). This requires that the strategy be transformed into day-to-day processes and relationships within the organization, which needs to be managed properly if the intended strategy is to succeed. Strategy implementation provides the platform for transforming the strategy into action and therefore the implementation process should be such that it supports the strategy.

Past literature details several factors responsible for successful strategy implementation and also the challenges expected or encountered while implementing strategic plans. Successful strategy implementation depends upon the skills of working through others (delegation), Organizing, Motivating, Culture, building and creating strong fits between strategy and how the organization does things. Strategy implementation is successfully initiated in three inter-related stages (Pearce and Robinson, 2003).

- Identification of measurable, mutually determined annual objectives. Annual objectives convert long-term objectives into specific, short-term ends.
- Development of specific functional strategies. Functional strategies translate grand strategy at the business level into current action plans for sub units of the company.
- Development and communication of concise policies to guide decisions. Policies provide guidelines for operating managers and their subordinates in executing strategies.

Strategy is implemented in a changing environment. Thus execution must be controlled and evaluated if the strategy is to be successfully implemented and adjusted to changing conditions. However, during implementation, various challenges are encountered and need to be addressed if the strategy is to be realised. Implementation can be defeated if the attitudes and habits of managers and employees are hostile or at crossroads with the needs of the strategy and if their customary ways of doing things block strategy implementation instead of facilitating it.

Other challenges will come in the form of finding the fits between strategy and internal organization structure, strategy and allocation of budgets and staff size, strategy and organizational systems of reward and incentives, strategy and internal policies, practices and procedures, strategy and internal organization atmosphere i.e. values and beliefs shared by managers and employees, the philosophies and decision making style of senior managers (Thompson and Strickland, 2003). The list is not exhaustive as several other factors also come into play during implementation.

1.1.2 The Petroleum Industry in Kenya

Kenya's petroleum industry has undergone considerable changes since the liberalization process began with a number of licences having been granted to intended new entrants to the market (Abeka, 1996, Institute of Economic affairs, 2001). The petroleum industry plays a significant role in the economy of the country since petroleum fuel is a major source of energy. The transport sector is the largest consumer of petroleum products. Other main consumers include Manufacturing, Commercial establishments, household use (LPG, Kerosene) and Agriculture.

Kenya is not a producer of petroleum. It imports crude oil mainly from the Gulf, which is then refined in the country's only refinery, Kenya Petroleum Refineries Limited located in Mombasa. It is then distributed inland by pipeline, road and rails to the various depots of the Kenya Pipeline Company.

By 1987, there were six major multinational oil companies in Kenya. These were Shell, BP, Caltex, Esso, Agip and Total. There were also two major local companies in Kenol and Kobil (Mutitu, 2005). However, a lot of activity has taken place since the liberalization in 1994. There have been mergers and acquisitions where BP and Agip were acquired by shell, Esso is now Exxon Mobil and Caltex has since changed ownership and changed from Caltex to Chevron.

1.2 The Research Problem

With the ever-changing environment in which the organizations operate, the players within the industry have been faced with numerous problems or challenges, which they have to deal with. After the liberalization of the petroleum industry in Kenya in 1994, there has been proliferation of many companies thus leading to increased competition in the industry. In the same light, the consumers therefore have multiple choices of who to buy the petroleum products from. Threat of new entrants, government regulation, fluctuation in crude oil prices and threat of substitute or alternative sources of energy e.g. solar are other problems the company must deal with. This requires that the players in the industry must be competitive enough to survive in the industry.

These calls for sound strategic management processes and therefore how successful the strategic plans are implemented will determine the survival of the firms within the industry. Fluctuation in crude oil prices, threat of government control, threat of new entrants thus increased competition in the industry are some of the problems experienced and how the firms respond to these issues determines their competitiveness.

Although a lot of work has been done on the area of strategy implementation by past students (Michael, 2005, Koske, 2003, Muthuiya, 2004, Machuki, 2006), no one has focussed on what happens with regard to strategy implementation in the petroleum sector despite the fact that the country's economy almost entirely relies on this sector. Previous studies focussed on NGOs, Public sector and Education. Only Machuki (2006) focussed on the commercial sector, but even then, did a case study of only one such organization, therefore warranting further research in this area.

Previous research in the area of strategy implementation have concluded that the major challenges experienced during implementation included leadership of the Executive Director, set organization procedures, management skills, employee training, and financial resources (Michael, 2004). In addition to the above, Muthuiya (2004) relates other major challenges as inadequate resources, departure of advocates and supporters of strategic decisions leaving during the implementation which undermined staff commitment and enthusiasm, uncontrollable environmental factors etc. Koske, (2003) also included poor management and poor leadership style. Ochanda (2006) summarised that, lack of tight fit between strategy and various other organizational factors were the major challenges. She adds that the absence of one or all of these fits will lead to the failure of strategy at implementation stage.

Past studies in the petroleum industry have focussed on other components of the strategic management process and no attention has been given to the strategy implementation process in this sector, hence significant gaps exist in knowledge. Isaboke (2001) looked at the strategic responses by the major oil companies in Kenya to threat of new entrants and tells us how the major oil companies used a combination of generic strategies including cost leadership, differentiation, market focus, segmentation, penetration and development of new markets. He does not go further to tell us what obstacles or challenges that they faced while implementing these strategies. Chepkwony (2001) did a similar research, but focussed on Increased Competition in the industry. Is the petroleum industry in Kenya faced by similar challenges as faced by the NGOs, public corporations etc?

1.3 The Research Objectives

This research project seeks to:

i) Determine how the major petroleum companies in Kenya have implemented their strategic plans.

ii) Establish the challenges experienced in the petroleum sector during the implementation of the strategic plans.

1.4 Importance of the Study

To the scholars, the findings of this study will go towards filling existing knowledge gap on strategy implementation and its challenges in petroleum industry in Kenya. It will provide information to the researchers who might need to do further research on strategy implementation in the petroleum industry in Kenya.

To the industry, the study will provide vital information to the petroleum companies to design appropriate methods towards achieving improved strategy implementation, or change their strategy implementation styles. The study will also provide information to stakeholders and other parties interested in the petroleum industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Strategic management is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. (Pearce and Robinson, 1991). It involves the planning, directing, organizing and controlling of a company's strategy related decisions and actions. Strategy implementation is the way in which a company creates the organizational arrangements that allow it to pursue its strategy most effectively (Hill and Jones, 2001).

2.2 Concept of Strategy Implementation

Most discussions of strategic planning focus on how to formulate strategy and little attention has been given to how to implement those strategies. However, people have recognized that problems with implementation in many companies have resulted in failed strategies.

Strategy realisation elements include such factors as motivational leadership which concentrates on achieving performance through personal growth, values-based leadership and planning that recognizes human dynamics, turning strategy into action which entails a phased approach, linking identified performance factors with strategic initiatives and projects designed to develop and optimize departmental and individual activities, and performance management involving the construction of organizational processes and capabilities necessary to achieve performance through people delivering results (Businessballs.com)

Thomson and Strickland (1992) argue that there are five ways in which companies implement strategies and that in each of them, the Chief Executive Officer (CEO) plays a different role and uses distinctive methods for developing and implementing strategies.

i) The Commander Approach

This is where the CEO develops the strategy on his own or supervises a team of planners in formulating the strategy. Little or no attention is given to how the strategy will be implemented. This approach can be implemented successfully in a situation where the CEO wields immense power to command implementation. Accurate information must be available to the strategist since good strategy depends on high quality information. The strategist must also be insulated from personal biases and political influence. Managers are likely to propose strategies favourable to their own divisions but not necessarily to the company as a whole. The problem is that this approach splits the firm into "thinkers" and "doers" and those charged with the doing may feel they are not part of the game.

ii) The Organizational Change Approach

Once a strategic plan has been developed, the executive put it into action by changing the organizations systems like structure, incentives or staff hiring. The change approach does not deal with problems of obtaining accurate information nor does it buffer the planner from political pressures. Imposing the strategy from the top still causes motivational problems among the "doer" at lower levels. Problems may arise when the CEO manipulates the systems and structures of the organization in support of a particular strategy.

iii) The Collaborative Approach

The CEO enlists the support of senior managers during the planning process to ensure the key players back the final plan. The collaborative approach overcomes two key limitations of the previous methods. It provides better information than the CEO alone would have. It also helps overcome any resistance from top managers, which improves the possibility of successful implementation.

iv) Cultural Approach

This is an extension of the collaborative approach whereby other than just involving the senior managers, middle and sometimes lower levels of the organization are also involved. It seeks to implement strategy through the development of a corporate culture throughout the organization. The cultural approach begins to break barriers between the "thinkers" and "doers". Once an organization culture is established that supports the firm's goals, the CEO's implementation task is 90% done. Limitations of the cultural approach include the fact that it works only with informed and intelligent people, consumes enormous amounts of time to implement, it can foster such a strong sense of organizational identity among employees such as to make it difficult for executives to accept the infusion of alien blood from outsiders at top level and that the strong culture can be an impediment for change.

v) The Crescive Approach

Here, the CEO addresses both the planning and implementation at the same time. He tries through his statements and actions to guide his managers into coming forward as champions of sound strategies

2.3 Factors Responsible for Successful Strategy Implementation

Translating a strategic vision into effective action is not an easy task. Strategy formulation does not automatically lead to strategy implementation (Mockler, 1993,). People often resist new thinking in organizations and do not always react rationally to change.

2.3.1 People

Perhaps the most important resource in an organization is its people (Johnson and Scholes (2004). The roles people play, how they interact through formal and informal processes and relationships that they build are crucial to the success of strategy. The first step in strategy execution is to put the right people in the right places to ensure that the strategy has the best chance of success.

One should try to match the requirements of the strategy and the characteristics of the individual managers e.g. if your business is to generate cash with no consideration for growth, you do not have to put a high-powered marketing man in charge. A major concern of top management in implementing strategy is that the right managers be in the right positions for the new strategy. The most important characteristics to consider include ability and education, previous track record and experience, and personality and temperament

2.3.2 Motivating People to execute the strategy

Solidifying organizational commitment to putting the strategic plan in place can be achieved through motivation, incentives and the rewarding of good performance (Thomson and Strickland, 1989). This involves creatively using the standard reward/punishment mechanisms (salary raises, bonuses, fringe benefits, promotions, praise, recognition, constructive criticism etc). This aims to inspire employees and to be winners giving them in the process a sense of ownership in the strategy and a commitment to make it work.

To accomplish strategy, the reward structure must be linked tightly to actual strategic performance. Decisions on salary increments, who gets which key assignments and on the ways and means of awarding praise and recognition are the strategy implementer's foremost attention-getting, commitment – generating devices (Thomson and Strickland, 1989). Motivation is a key to obtaining the necessary commitment from those carrying out the strategies and related enabling plans (Mockler, 1993).

2.3.3 Structure

In addition to choosing the right people to implement strategy, implementation involves the business in adopting the right organization structure for the strategy. Structure is the ideological glue that holds the organization together, enhancing their ability to pursue strategy on one hand, but sometimes impeding strategy on the other (Mintzberg, 1991,). Strategy and structure exist interdependently each influencing the other. A new strategy in any organization will without exception call for structural changes. Creating that structure and the attendant behavioural changes is a formidable challenge (McCarthy 1996,).

Organization structure and control shape the way people behave and determine how they will act in the organizational setting (Hill and Jones, 2001). The organizational structure and control systems co-ordinates and motivates employee behaviour. The value creation activities of organization members are meaningless unless some type of structure is used to assign people to tasks and connect the activities of different people and functions. For example, to pursue a cost leadership strategy, a company must design a structure that facilitates close co-ordination between the activities of manufacturing and Research and Development to ensure that innovative products are produced both reliably and cost effectively.

Managing the strategy- culture relationship requires sensitivity to the interaction between the changes necessary to implement the new strategy and the compatibility or "fit" between those changes and the firm's culture (Pearce and Robinson, 1991). Creating an organization culture, which is fully harmonised with the strategic plan, offers a strong challenge to the strategy implementer's administrative leadership abilities (Thomson and Strickland, 1989).

2.3.4 Behavioural Change

The behaviour of individuals ultimately determines the success or failure of organizational endeavours, and top management concerned with strategy and its implementation must realize this. Every aspect of change will require that the behaviour of the individuals within the organization must also change to align to the new strategy and managing this change is key to the success of the strategic plan.

2.3.5 Political Aspects of Change

Use of power and the organizational political systems are driving forces in the strategy implementation process on a day-to-day basis. In changing or redesigning organizations, the political and power realities may well be used constructively in the strategy implementation process.

2.3.6 Leadership

Leadership is an essential element of effective strategy implementation. Recognition must be given to the role of leadership in organizations. Leadership is the "quality of the behaviour of the individuals whereby they guide people or their activities in organized effort" (Barnard). It encompasses the qualities required in the entire strategic management process. Barnard defines four areas of leadership behaviour as the determination of objectives, the manipulation of means, the control of the instrumentality of action and the stimulation of coordinated action.

Leadership involves the role of the CEO and key or senior managers in the organization. The CEO is accountable for a strategy's success. He is a symbol of the new strategy. The CEO's actions and the perceived seriousness of his or her commitments to the chosen strategy, particularly if that strategy represents a major change, significantly influence the intensity of subordinate manager's commitment to implementation (Pearce and Robinson, 1991,). Managers can affect the success of strategy implementation in several key areas. Different leadership styles can be appropriate for different strategy implementation situations (Mockler, 1993). Determining which leadership style or combination of styles might be most effective in a situation will depend on situation factors e.g. nature of company, industry or competitive market.

Thomson and Strickland (1989), summarises that the role of a strategic leader includes fostering a strategy supportive climate and culture, keeping the internal organization responsive and innovative, empowering champions, dealing with company politics and leading the process of making corrective adjustments.

2.3.7 Building a Strategy- Supportive Corporate Culture

Corporate culture refers to the shared values, beliefs, expectations and norms within an organization. It provides a framework for action, and so can be an important factor in furthering the strategic thinking needed for effective implementation (Mockler, 1993). Every organization is a unique culture. It has its own special history of how the organization has been managed, its own set ways of approaching problems and conducting activities, its own mix of managerial personalities and styles, its own established patterns of "how we do things around here", its own experiences of how changes have been instituted (Thomson and Strickland, 1989).

Anything so fundamental as implementing and executing the chosen strategic plan involves moving the whole organization culture into alignment with strategy (Thomson and Strickland, 1989). The basis of corporate culture is the philosophy, the attitudes, and the beliefs and shared values upon and around which the organization operates. An organization's culture is an important contributor or obstacle to successful strategy execution. Building a strategy-supporting culture hinges directly on the abilities and actions of the strategy manager through instilling values through actions and deeds.

2.3.8 Implementing Strategy-Supportive Policies and Procedures.

Changes in strategy generally call for some changes in how internal activities are conducted and administered. Asking people to alter actions and practices always upsets the internal order of things somewhat and pockets of resistance will emerge. Policies define and clarify enterprise-wide strategies. The revised policies will promulgate standard operating procedures that will facilitate strategy implementation and counteract any tendencies for parts of the organization to resist or reject the chosen strategy (Thomson and Strickland, 1989).

2.3.9 Communication

While all types of communication are useful in implementing strategies, oral communication is especially important to implementing enterprise-wide strategies and carrying out the planning effort. Oral communication, used in conjunction with other forms of communication, affects strategy implementation directly through its impact on the individuals involved in implementation. It encourages participation in strategy formation, refinement and implementation as well as enables direct communication of corporate strategies once formulated. By indicating upper management's involvement and belief in the strategic vision, it can create enthusiasm and motivate personnel (Mockler, 1993).

Sometimes strategy implementation may require that the CEO be replaced because his leadership skills may not match the skills required by a new strategy. The strategic beliefs of the CEO can affect the kind of strategy implemented and this may require that a new

CEO who shares the vision of the company's future to be hired. Wholesale changes in personnel are not always possible or desirable. Management development and training is an alternative in situations where more than just leadership and motivation skills are needed to make the necessary transitions. In addition to finding and training staff, other resources will be needed to successfully implement strategies and related enabling plans. Acquiring resources can often be a major problem for new ventures.

2.4 Challenges to Strategy Implementation

Many companies have great strategies and great people but still achieve only lackluster performance. (Robb, Todd and Turnbull, 2003). Although it isn't hard to find superficial reasons, the root causes are often hidden and interlinked. Many executives are finding it difficult to improve the performance of their companies in today's competitive environment, and realizing that the problems they face are structural, not just cyclical (Bryan and Hulme, 2003). Contributing to this argument, Hsieh and Yik (2005), assert that many companies find themselves stuck at the point of strategy implementation or execution. Having identified the opportunities within their reach, they watch as the results fall short of their aspirations. There are many organizational characteristics that act as challenges to strategy implementation. They include structure, culture, leadership, policies, reward, ownership of the strategy among others (Burnes, 2000).

2.4.1 Poor Leadership

Even the best strategy can fail if a corporation does not have a cadre of leaders with the right capabilities at the right levels of the organization (Tsun-yan and Yik, 2005). Fewer companies recognize the leadership capacity that new strategies require, let alone treat leadership as the starting point of strategy. This oversight condemns many such endeavours to disappointment (Tsun-yan and Yik, 2005). Major change efforts have to be vision driven and led from the top. Thompson and Strickland summarise some the roles of a leader in strategy implementation as culture building, resource acquisition and allocation, capabilities building, coaching, crisis solving, motivating, negotiating etc. Leadership, which does not portray some of these characteristics, is bound to affect the way the strategy will be executed.

Leadership inevitably requires using power to influence the thoughts and actions of other people and develop fresh approaches and open new actions (Rowe, 1994). Poor leadership abuses the use of power and hence fails to influence the desired characteristics for implementing change.

2.4.2 Lack of Financial and Other Resources

The conflict between strategic plans and budgets is the most commonly perceived area of dissonance (Judson, 1996). In many firms, strategic planning is so divorced from budgeting such that budget preparation precedes strategy formulation. This leads to failure to allocate adequate financial resources for strategy implementation. Thompson and Strickland (2003) add that organizational units need sufficient budgets and resources to carry out their parts of the strategic plan effectively and efficiently. Koske (2003) argues that there are mainly four types of resources that can be used to achieve desired objectives.

Other than financial resources, physical resources, human resources and technological resources are also important. He adds that resource allocation is a management activity that allows for strategy execution. Muthuiya (2004) contributes that for successful implementation, resources should be made available and that the employees should be able to easily access the needed resources to facilitate the implementation process.

2.4.3 Insufficient Human Resource Skills

There must be a proper "fit" between the nature of the strategy and the individual with the responsibility for its implementation (Boseman, 1989). A manager who has been successful in managing a high growth "star" may not possess the right skills to manage it when it turns into a "cash cow". It is important to have a mix of backgrounds, experiences, know-how, values, beliefs, management styles and personalities to reinforce and contribute to successful strategy execution (Thompson and Strickland, 1998). A new strategy may introduce roles that require specialized skills, which may not be readily available both internally and externally. It may take a length of time to fill in the void created by such skill gaps.

2.4.4 Wrong Organizational Structure

An organization structure conveys how work is divided and assigned to people, and how the activities of the people performing their duties are co-ordinated in the enterprise (Boseman, 1989). The structures define the levels and roles in an organization and can facilitate or constrain how processes and relations work. The roles, responsibilities and lines of reporting in organizations are an important influence on the success or failure of strategy. Failure to address issues of structure can at minimum, constrain strategy implementation and performance (Johnson and Scholes, 2004).

Organization structures vary from simple hierarchies to complex divisional arrangements (Rowe, 1994). Johnson and Scholes (2004), reviews some of these structures from simple to functional to multidivisional etc and outline the advantages and disadvantages that accompany the structure. This implies that a change in strategy requires that management review its structure to suit the strategy being adopted.

Other than matching the structure to the strategy, managers are also faced with the challenge of matching people to the jobs. The new strategy may result in a structure that may bring about new jobs that require specialized skills. These skills may not be available within the organization and there could be a tendency to put people in the wrong jobs where they lack the skills to perform the jobs.

2.4.5 Unsupportive Corporate Cultures

The corporate culture is the sum total of how people in an organization think and act as members of the organization (Boseman, 1989). The corporate culture of a firm can be a major strength if it is consistent with the organization strategy. However, managers will experience difficulty implementing a strategy at odd with the corporate culture (Boseman, 1989). Thompson and Strickland add that conflict between culture and strategy sends mixed signals to organization members and forces an undesirable choice where organization members either choose to be loyal to the culture or to follow the new strategy.

2.4.6 Poor Management of the Change Process

Implementing strategy involves change, which in turn involves uncertainty and risk (Thompson, 1993). This will require that managers be motivated to make changes. There will be resistance to the proposed changes and if this resistance is not managed properly, it can lead to the collapse of the documented strategy. What underlies the breakdown of many long-term initiatives is the tendency of managers to defend the performance of their own silos instead of debating and helping to shape action across the whole organization (Dobbs, Leslie and Mendonca, 2005).

Most of the strategic and operational initiatives fall short of expectations because change resistant employees will drag their feet in executing their part of the strategy, middle level managers are unable to drive the changes and the senior managers fail to provide support for the initiatives. Strategy realisation will not happen without the people being an enthusiastic part of the effort. Every single person must know what he or she are doing, why they are doing it, and above all, must be fully committed to doing what they are doing.

2.4.7 Incompatible Management Systems.

Management systems such as compensation schemes, management development, communication systems etc, which operate within the structural framework, may not be ideal for the changes, which are taking place in an organization and may be difficult to modify continually (Thompson, 1993).

2.4.8 Uncontrollable Environmental Factors

For a company's strategy to succeed, executives must understand such external factors as the competitive situation in their industry, the regulatory environment and the strengths and weaknesses of rivals (Aspesi and Vardham, 1999). Turbulent economic conditions have concentrated the collective minds of many executives on pure survival (Dobbs, Leslie and Mendonca, 2005). Government regulations, for example price controls can have a dramatic impact on corporate profits. Structural transformations brought about by liberalization that have created other sources and markets for alternative energy (Beardsley, Bugrov and Enriquez, 2005), can also impact on corporate profits.

Other challenges likely to be experienced during strategy implementation include failure to predict the time and problems which implementation will involve, other activities and commitments that may distract attention and possibly cause resources to be diverted or the bases upon which strategy was formulated has changed or were focussed poorly, and insufficient flexibility having been built in. Others are lack of proper support systems such as inadequate information systems, performance tracking and controls. Judson (1996) lists other implementation problems as poor preparation of line managers, faulty definition of the business, excessive focus on numbers (financial, headcount etc) relevant to business performance, imbalance between external and internal considerations and insufficient effective participation across functions. Turning theory into practice, making things happen, translating strategic plans into real business results are some of the management challenges greatest faced by organizations of all sizes.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

Since the number of companies involved in the study is small, the study used a cross-sectional census survey of the descriptive type, aimed at looking at strategy implementation in all the major petroleum companies in Kenya. According to Cooper and Schindler (2003), a descriptive study is one which tries to discover answers to the questions who, what, when, where and sometimes how. In this study, we sought to find out how the petroleum firms have implemented their strategies and what challenges they faced during implementation. The descriptive approach has been used successfully in similar studies previously for example Michael (2004).

3.2 Target Population

The population of interest in this study consisted of all the six major oil companies operating in Kenya today (see appendix 1). The research was conducted in Nairobi where all the companies have their headquarters and where all the information required was readily available.

3.3. Data Collection Method

The study used primary data collected through a structured questionnaire containing both close-ended and open-ended questions (see appendix 3). The close-ended questions were put in a likert scale and required the respondents to rate the items being investigated. The open-ended questions were used to explain some of the close-ended questions.

The questionnaire consisted of six parts. Part A had general information about the respondent and the organization he/she represents, Part B and C were used to gather information about the strategic management practices in the organization under investigation. Part D required information regarding the strategy implementation practices in the organization. Part E and F generated information about the challenges experienced during strategy implementation.

The questionnaire targeted the Managing Directors, Chief Executives and senior managers within the organizations since the responsibility of strategy development and implementation is vested at the corporate level. It was sent by e-mail to the respondents and in some cases, the "drop and pick" mode of mail questionnaire was used. This method was chosen because it is simple and cost effective.

3.4 Data Analysis

Data analysis was by comparison with the theoretical approach discussed in the literature review. The nature of the information from the respondents was descriptive and therefore descriptive statistics was used. Percentages were used to summarise responses from general information regarding strategic management practices in the industry while mean scores were used to determine the extent to which various factors affected strategy implementation.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This study was a census survey to establish how the major petroleum companies in Kenya have implemented their strategic plans and the challenges that they faced during implementation. The response rate was 100% since data was obtained from all the six major petroleum companies in Kenya. The questionnaires were edited for completeness and consistency and the open- ended questions were assigned appropriate codes. The respondents were Managing Directors and Senior Managers within the organizations who are charged with the responsibility of strategy development and implementation. Presentation of the findings was done as below.

4.2 Strategic Management Practices

The data here was to provide evidence of strategic management practice within the organizations. The data was collected using multiple-choice questions and was analysed using percentages. The higher the percentage, the more effective was the strategic management practice in the organization. The results were as discussed below.

The respondents were requested to state whether their organizations had a Vision and Mission statements and whether they had strategic plans. All of the respondents, 100%, stated that their organizations have a Vision and Mission statements and that, they have strategic plans in place. This therefore provided a good platform to establish the strategic management practices within these organizations. The respondents were then asked to state the number of years that their strategic plans covered and the response was as tabulated below:

Table 1: Period Covered by Strategic Plans

No. of Years	Frequency	Percentage
3	1	16.665
5	4	66.67
10	1	16.665
Over 10 Years	0	0
Total	6	**100**

Source: Research Data

From the results, 66.67% of the respondents stated that their strategic plans cover up to 5 years. Only 16.665% indicated that their plans cover 3 years and the same number also indicated that their strategic plans cover 10 years. This indicates that the majority of the major petroleum companies have their strategic plans covering up to 5 years. Interesting to note is that none has its strategic plans covering above 10 years. The respondents were also asked to state how often they review their strategic plans and table 2 below represents the frequency at which the organizations review their strategic plans.

Table 2: Period of Review of the Strategic Plans

No. of Years	Frequency	Percentage
Quarterly	2	33.33
Annually	2	33.33
Every 2 Years	1	16.67
Over 3 Years	1	16.67
Total	6	**100**

Source: Research Data

The results show that 33.33 % of the petroleum companies in Kenya review their strategies quarterly while another 33.33% review them annually. The rest of the companies either review their strategic plans every 2 years or over 3 years. On being asked who the strategy formulators were in their organizations, the following results were obtained:

Table 3: Strategy Formulators

Strategy Formulator	Frequency	Percentage
Chief Executive Officer	0	0
Top Management	4	66.67
All Employees	2	33.33
Consultants	0	0
Total	6	**100**

Source: Research Data

From the results, 66.67% of the major petroleum companies use top management to formulate their strategies. Only 33.33% involve all their staff in strategy formulation. Interesting to note is that none of the companies uses the Chief Executive Officer or consultants to formulate strategies.

The respondents were asked whether their organizations have annual objectives. From the response obtained, all the major petroleum companies, 100%, have annual objectives. When the respondents were asked to state how these annual objectives are being set, the response was as tabulated in the table 4 below:

Table 4: Objective Setting

Objective setters	Frequency	Percentage
Board of Directors	1	16.67
Top Management	0	0
Heads of department	0	0
All Employees	4	66.67
Board of Directors and Top Management	1	16.67
Total	6	**100**

Source: Research Data

From the results, you realise that most of the major petroleum companies in Kenya, 66.67%, involve all employees in setting their annual objectives. Only 16.67% use the board of directors to set the annual objectives. It is interesting to note that there is another 16.67% who use both the board of directors and top management to set the annual objectives. Heads of departments and board of directors do not formulate or set the objectives on their own.

The respondents were also asked to state whether each department in their organization had functional strategies. All the companies in this study, 100%, indicated that each department indeed had functional objectives. On being asked where these functional strategies were derived from, and when these strategies were last reviewed, the following results were obtained:

Table 5: Source of Functional Strategies and Last Dates of Review

Source	Frequency	Percentage	Last Review	Frequency	Percentage
Company Strategic Plans	4	66.67	0-5 Yrs	5	83.33
Customer Feedback	0	0	Over 5 yrs	0	0
Management Meetings	0	0	Never been reviewed	0	0
Company Strategic Plans/Management meetings	1	16.67	Quarterly `to 1 year	1	16.67
Company Strategic Plans/Customer feedback	1	16.67			
Total	**6**	**100**		**6**	**100**

Source: Research Data

From these findings, all (100%) the major petroleum companies in Kenya derive their functional strategic plans from the overall company strategic plans. However, some of the companies besides deriving these strategies from the corporate plans also use customer feedback, 16.67% and management meetings, 16.67%. 83.33% of these firms review these strategic plans at between 0 to 5 years, while the rest review theirs quarterly to one year.

83.33% of the major firms in this industry change their organizational policies every time new strategies are formulated. The respondents were also asked to state whether their organizations refer to the documented strategic plans when planning to execute activities within their organizations. The following table summarises the response:

Table 6: Reference to Strategic Plans during Execution of Other Plans

Level of Reference	Frequency	Percentage
Always	3	50
Very often	3	50
Occasionally	0	0
Rarely	0	0
Not at all	0	0
Total	**6**	**100**

Source: Research Data

From the above, it is important to note that all the major petroleum companies in the industry at least refer to their strategic plans when executing other business plans. However, 50% of only do so very often meaning that at times they do not make reference to the strategic plans.

Asked whether they felt the current company policies adequately supported the company's strategic plans, 50% responded that the policies adequately supported the strategic plans while another 50% felt that the policies only slightly supported the company's strategic plans.

4.3 Strategy Implementation

The first objective of this study was to determine how the major petroleum companies in Kenya have implemented their strategic plans. Part D of the questionnaire sought to gather information regarding strategy implementation in the organizations. These questions were administered on a Likert rating scale and analysed using means and standard deviations.

The higher the mean score, the more effective that process had been used in the implementation of strategic plans in the organizations. The respondents were asked to rate on a scale of 1 to 5 the extent to which various factors had influenced or affected strategy implementation in their organizations. The following results obtained are represented in table 7 below.

Table 7: Strategy Implementation Practices

Factor	**Mean Score**	**Standard Deviation**
Direct Supervision	3.00	0.894
Planning and Control Systems	4.17	0.983
Performance Targets	4.50	0.837
Reward Systems	3.50	1.517
Self Control and Personal Motivation	3.67	0.816
Grand Mean	**3.77**	

Source: Research Data

From the results, in general, all the factors have been effectively used in the strategy implementation process. However, performance targets and planning and control systems, with mean scores of 4.50 and 4.17 respectively, were the most effective as compared to the other factors with the least effective being direct supervision with a mean score of 3.00.

Table 8: Organizational Factors and Strategy Implementation

Factor	Mean Score	Standard Deviation
Change of Structure	3.67	0.516
Changing of Culture	4.00	1.265
Leadership of CEO	4.17	0.753
Organizational Procedures	4.00	0.894
Management Skills	4.50	0.837
Employee Training	4.00	0.894
Financial Resources	4.17	0.983
Reward Policy	3.33	1.506
Grand Mean	**3.98**	

Source: Research Data

From the results, we note that all the factors have generally contributed to successful strategy implementation within the major petroleum companies in Kenya with a grand mean of 3.98. Topping the list is management skills with a mean score of 4.50 with the least contributor being reward policy with a mean score of 3.33.

The respondents were asked to rate on a five-point scale how the following cultural practices influenced the execution of strategy in their organizations. A score of 5 meant that the cultural practice had a very great effect or influence on the strategy implementation process and a score of 1 meant that the practice had no effect at all. The results are summarised in the table below:

Table 9: Cultural Practices and Strategy Execution

Factor	Mean Score	Standard Deviation
Politicised Internal Environment	2.83	1.722
Hostility to Change	2.50	1.378
Promotion of Traditional Managers	2.60	1.140
Aversion to Superior Practices	2.67	1.033
Grand Mean	**2.65**	

Source: Research Data

From the results, the cultural factors are seen to have a moderately negative influence on strategy implementation with the grand mean at 2.65. However, politicised internal environment topped the list with the least being hostility to change being seen as having the least negative influence on strategy implementation with a mean score of 2.50.

The respondents were also asked to state the extent to which some specific tasks had built a spirit of high performance within their organization culture. These were rated on a scale of 1 to 5 with 5 being very great extent and 1 being not at all. The following results were obtained:

Table10: Building Spirit of High Performance into Culture

Factor	Mean Score	Standard Deviation
Treating Employees with Dignity and Respect	3.83	0.753
Training each Employee	4.17	0.983
Encouraging Employees to use own Initiative and Creativity	4.00	0.894
Setting Reasonable Performance Targets	4.00	0.894
Empowering Employees to Stand out and Excel	4.17	0.753
Grand Mean	**4.03**	

Source: Research Data

From the results from the above table, it is clear that the major petroleum companies in Kenya have undertaken tasks to build a spirit of high performance into their organizational culture. Training of employees and empowering the employees to stand out and excel are the most successfully used tasks with joint mean scores at 4.17. The least used task being seen as treating employees with dignity and care standing at a mean score of 3.83.

4.4 Strategy Implementation Challenges

The second objective of this study was to establish the challenges experienced in the major petroleum companies in Kenya during the implementation of their strategic plans. Parts E and F of the questionnaire sought to gather these data and information. In part E, the respondents were asked to state how some external factors had influenced or impacted on the strategy implementation process. They were asked to rate their response on a scale of 1 to 5 with a rating of 5 representing very great impact and a scale of 1 representing no impact at all. Table 11 below outlines the results obtained:

Table 11: External Factors and Strategy Implementation

Factor	Mean Score	Standard Deviation
Economic Factors	3.33	1.211
Political Factors	3.83	1.329
Social-cultural Factors	2.67	0.816
Technological factors	3.83	1.169
Competition in Industry	4.67	0.516
Threat of Substitute Products	1.33	0.516
Creditors	3.17	1.472
Customers/Clients	3.67	0.516
Labour Market	2.33	0.816
Suppliers	3.33	1.211
Grand Mean	**3.13**	

Source: Research Data

The results indicate that the external environmental factors only posed moderate challenge to strategy implementation within the major petroleum companies in Kenya with a grand mean score of 3.13. It is however important to note that while some of these environmental factors were not seen to pose any meaningful challenge, there were those that cannot be ignored. Leading this pack being competition in the industry with a high mean score of 4.67. Threat of substitute with a mean score of 1.33 did not pose any challenge to the implementation of strategy.

In part F of the questionnaire, the respondents were asked to state the magnitude or effect of some stated problems or challenges in the implementation of the documented strategic plans. They were again asked to rate this on a scale of 1 to 5 with 5 representing very great effect and 1 representing no effect at all. Table 12 below summarises the results obtained.

Table 12: Challenges in Strategy Implementation

Factor	Mean Score	Standard Deviation
Poor leadership style	2.67	1.862
Wrong organizational structure	3.50	1.761
Unsupportive organizational culture	3.00	1.414
Lack of financial resources	2.67	1.862
Insufficient human resources skills	3.00	1.549
Inadequate physical resources	2.83	1.472
Inadequate technical know-how	2.67	1.211
Wrong strategy choice	2.83	1.472
Limited information technology capacity	2.83	1.472
Poor management of resources	3.17	1.722
Government interference and regulation	3.50	1.517
Fluctuations in crude oil prices	3.83	1.835
Lack of clear responsibility being fixed for Implementation	3.00	1.549
Inactive role played by key formulators of the strategic decision	3.17	1.472
Key implementation tasks and activities not sufficiently defined	2.83	1.329
Overall goals not sufficiently understood by Employees	3.17	1.722
Uncontrollable factors in the external Environment	3.17	0.408
Sprouting of major problems which had not been identified earlier	2.83	0.983
Advocates and supporters of the strategic decision leaving the organization during implementation	3.17	1.602
Failure to predict implementation time and problems likely to be encountered	3.17	1.472
Resistance from middle and lower levels	2.50	1.049
Lack of stakeholder commitment	2.83	1.472
Lack of feedback on progress	3.17	1.472
Lack of senior management support	3.17	2.041
Inadequate information and communication Systems	3.33	1.633

Lack of link between reward system and strategic performance	3.17	1.722
Unexpected commitment and activities that are distractive and result to diversion of the resources already planned for	3.17	1.169
Insufficient flexibility of strategy	2.67	1.033
Implementation took more time than was originally allocated	2.67	0.816
There was inadequate communication of the strategy to staff	3.60	1.140
There was lack of focus and ability on the new Strategy	3.00	1.265
Leadership and direction provided by managers were not adequate	2.83	1.722
Grand Mean	**3.14**	

Source: Research Data

From the results, the biggest challenges to strategy implementation include fluctuation in crude oil prices at mean score of 3.83, inadequate communication of strategy to staff, 3.60, Government interference and regulation, 3.50 and inadequate information and communication systems, 3.33. Others seen to be moderate challenges were poor management of resources, inactive role played key formulators of the strategic decision, Overall goals not sufficiently understood by employees, uncontrollable factors in the external environment, advocates and supporters of the strategic decision leaving the organization during implementation, failure to predict implementation time and problems likely to be encountered, lack of feedback on progress, lack of senior management support, lack of link between reward system and strategic performance and unexpected commitment and activities that are distractive and result to diversion of the resources already planned for, all with mean score of 3.17. Resistance from middle and lower levels was not seen to pose any meaningful challenge to strategy implementation with a mean score of 2.50.

The respondents were then asked to state whether in their opinion, the challenges were unique to their organizations or applied to other players in the industry. 83.33% indicated that the challenges were generic in the industry, while 16.67% indicated that although the external factors were generic in the industry, the internal factors were unique to their organizations.

The respondents were finally asked to rate on a scale of 1 to 5 in their opinion the level of their organization's determination in implementing the documented strategic plans. They were asked to rate their response on a scale of 1 to 5, with 5 being highly determined and 1 being not determined at all. The results were as indicated in table 13 below:

Table 13: Organization Commitment to Strategy Implementation

	Mean Score	Standard Deviation
Organizational determination in Strategy Implementation	3.67	1.211

Source: Research Data

From the results, we can conclude that generally, the major organizations within the petroleum industry show a relatively high level of determination in implementing the documented strategic plans. Some however felt that their organization's only showed moderate determination in implementing the strategic plans, hence the mean score of 3.67.

CHAPTER FIVE: CONCLUSION

5.1 Summary, Discussions and Conclusions

Strategy implementation is concerned with how a company creates organizational arrangements that allow it to pursue its strategy most effectively. It is about implementation of plans designed to achieve a company's objective. The objectives of this study was to determine how the major petroleum companies in Kenya have implemented their strategic plans and to establish the challenges, if any, experienced during the implementation process. Factors that contribute to effective strategy implementation and those that hinder the same were studied. The findings around these objectives are summarised, discussed and conclusions drawn in this chapter.

The study sought to find out how the major petroleum companies have implemented their documented strategic plans. In order to achieve the objectives of this study, the survey first sought to find out whether all the major petroleum companies had strategic plans in place. The findings indicated that all the companies had strategic plans. The research then studied the processes used by these major petroleum companies in Kenya to implement their strategic plans.

The study reveals that Performance Targets and Planning and Control Systems are the most commonly used systems for successful strategy implementation within the major petroleum companies in Kenya. Other systems are reward systems and self-control and personal motivation. Direct supervision, although is also a system used by some of the firms, did not come out strongly as a good system for strategy implementation. Performance was a strong factor because strategic plans come with stretching targets that organizations are supposed to achieve. Therefore setting performance targets makes it clear for the organizations' staff to understand where the organization is headed and therefore provides direction for focusing energy. Planning and control systems allow the organization to monitor how the organization is performing and provides a platform for corrective action where deviations from the strategic plans are noted. Petroleum industry in Kenya operates in a very competitive environment that requires that strict controls and targets must be in place to ensure continued existence of such organizations.

The study also reveals that in general, all the organizational factors studied played key roles for the successful strategy implementation. However, management skills, Leadership of the chief executive officer, financial resources, culture change, organizational procedures and employee training were the most successfully used factors in strategy implementation. The findings of this study are aligned to the factors outlined as responsible for successful strategy implementation in the literature review and also to some of the previous findings of similar studies in strategy implementation in other sectors of the Kenyan economy (Muthuiya, 2004, Michael, 2004).

Cultural factors, often thought of to negatively influence the process of strategy implementation, did not come out strongly to negatively influence strategy implementation within the major petroleum companies. The effect of cultural practices was generally moderate. However, within the cultural practices studied, politicised internal environment came out as the strongest cultural factor to influence strategy implementation in this sector. As mentioned in the literature review, political aspects of change are one of the major factors that if handled properly, can influence successful implementation of strategy. The fact that it is seen to have a negative impact is something that the major organizations in this study should strive to address. Interesting to note is that hostility to change, which is often seen to greatly affect the implementation of strategic plans, is almost a non-issue within the major petroleum companies. This can be attributed to the focussed change management practices employed by especially the multinational companies within the industry. For instance, the study revealed that training of employees is one of the key success factors in strategy implementation in these companies.

This study also reveals that generally, the major petroleum companies build a spirit of high performance into their culture to effectively facilitate successful strategy implementation. The way they do this is by training each employee, empowering employees to stand out and excel, setting reasonable performance targets and encouraging employees to use own initiatives and creativity. Although treating employees with dignity and respect also came out as a strong factor, it was nevertheless the weakest among the checklist.

This study also sought to establish the challenges experienced by the major petroleum companies in Kenya during the implementation of their strategic plans. The findings of this study reveal that the main external challenge experienced by these companies is competition within the industry. Other moderate external challenges included political factors, technological factors, customers/clients, economic factors, labour market, and creditors. Threat of substitute products was found not to provide any challenge to the companies studied with regard to strategy implementation.

The findings of this study reveal that the major challenges faced by the major petroleum companies in implementing their strategic plans include:

i) Fluctuations in crude oil prices
ii) Inadequate communication of the strategy to staff
iii) Wrong organization structure
iv) Government interference and regulation
v) Inadequate information and communication systems

The study also reveals some moderate challenges that also impact on strategy implementation by these companies. These include:

i) Poor management of resources
ii) Inactive role played by key formulators of the strategic decision
iii) Lack of understanding of overall company goals by employees
iv) Uncontrollable factors in the external environment
v) Departure of advocates and supporters of the strategic decision during implementation
vi) Failure to predict implementation time and problems likely to be encountered
vii) Lack of feedback on progress

viii) Lack of senior management support

ix) Lack of link between reward system and strategic performance

x) Unexpected commitment of activities that are distractive and result to diversion of the resources already planned for.

xi) Unsupportive organizational culture

xii) Insufficient human resource skills

xiii) Lack of focus and ability on the new strategy

In all, the biggest challenge faced by the major petroleum companies in Kenya while implementing their strategic plans is fluctuation of crude oil prices, followed by poor communication of the strategy to employees and wrong organization structure. The findings of this study are aligned to the factors mentioned in the literature review such as poor communication, incompatible management systems and uncontrollable environmental factors. The challenges faced by these petroleum companies are however unique because they differ with findings of the previous studies in the area of strategy implementation (Muthuiya, 2004, Koske, 2003, and Michael, 2004). What these previous studies revealed as major challenges turned out to be moderate challenges to the major petroleum companies.

It can therefore be concluded that the major petroleum companies in Kenya have adopted key strategy implementation factors responsible for successful strategy implementation. There are however some that either do not seem to work well or have been used poorly or improperly and hence would require to be improved. We also conclude that despite the successful adoption of these factors, these organizations are still faced with challenges during implementation of their strategic plans, which needs to be addressed.

5.2 Limitations of the Study

This study had some limitations, which must be taken into consideration when evaluating its findings. First, limited time did not allow for in-depth collection of data and information through interviews. Only questionnaires were used and there is a likelihood personal interview with the Managing Directors or other senior managers within the organizations would have revealed more information.

This study only focussed on the major petroleum companies in Kenya. Although some of the findings may be considered as general to the other companies in the industry, this may not be entirely correct and a study of the other companies in the industry may reveal a different result.

This study did not cover other aspects of strategic management within the major petroleum companies, but instead was restricted to only the strategy implementation process. The area of strategic management is wide and covers areas such as strategy development, strategic analysis and choice etc. The conclusions drawn therefore do not cover the other aspects of strategic management.

5.3 Recommendations for Further Research

The findings of this research study cannot be said to be comprehensive and therefore, there is a lot of room for future researchers to do related studies in this area. The researcher therefore offers the following suggestions for future researchers to provide further insight in this field.

1) Different industries employ different styles in strategy implementation. Different industries are also faced with different challenges during implementation of their documented strategic plans. It will therefore be prudent for future researchers to repeat this study in a different sector of the Kenyan economy.
2) This study was restricted to strategy implementation in the major petroleum companies in Kenya. Future researchers can undertake the same study, but focus on what happens with regards to strategy implementation in the other companies within the industry.
3) The study looked at the challenges experienced by the major petroleum companies in Kenya. Future researchers can try to find out how these

organizations have managed these challenges to enhance successful execution of their strategic plans.

5.4 Recommendation for Policy and Practice

The environment, which the major petroleum companies operate in Kenya, is very dynamic and competitive. This requires that these organizations manage their strategy implementation processes in such a way as to ensure success of their strategic plans. This demands that they leverage on their strengths and address the challenges that they face during implementation to be sure of success and subsequent survival in this industry.

The researcher therefore wishes to recommend to the management of the major organizations in the petroleum industry to appropriately align their structures to their documented strategies by appropriately changing structure to suit changes in their strategic plans. The organizations also need to improve on their communication systems to ensure that everyone in the organization understand the strategies of the organization and hence be clear on the roles they need to play for successful implementation of the strategic plans.

The researcher further recommends that the companies streamline their study of the external environment to ensure that they react appropriately and timely to changes that occur in the external environment. This way threats from government regulations and fluctuations in crude oil prices could be managed.

The study reveals that the major companies in the petroleum industry have used some of their organizational strengths positively to support strategy implementation within their organizations. The researcher therefore recommends that these companies allocate more resources to training, improving management skills and improve their planning and control systems. The organizations also need to improve their reward systems and manage the politics within their organizations that may create negative impact towards the efforts to realise effective strategy implementation.

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APPENDICES

APPENDIX 1: List of all Major Oil Companies to be used in the Study

Mobil

Chevron

Total

Shell

Kenol

Kobil

Source: Petroleum Insight. The Magazine of the Petroleum Institute of East Africa (PIEA), October – December 2005 Edition and the Ministry of Energy, Dec 2005

APPENDIX 2: Letter of Introduction

P. O. BOX 64381,

00620, MOBIL PLAZA,

NAIROBI.

Dear Sir / Madam,

RE: A SURVEY OF THE STRATEGY IMPLEMENTATION BY MAJOR PETROLEUM COMPANIES IN KENYA.

I am a student at the University of Nairobi pursuing my postgraduate degree in business administration (MBA). I am undertaking the subject project as part of the academic requirements towards completion of the course. You are kindly requested to spare sometime and complete the attached questionnaire.

All the information you volunteer will be treated in strict confidence and at no time will your name or that of the firm be mentioned in the report, whatsoever. However, the findings of the research can be availed to you upon completion. Your co-operation will be highly appreciated.

Yours faithfully,

Basil O. Odhiambo

MBA STUDENT

Cell: 0722-850180

Email: Basil.Otieno@eabl.com

APPENDIX 3: QUESTIONNAIRE

You are requested to answer each of the questions according to the instructions given.

PART A: Respondents Personal Information

Name of Organization:____________________________

Department:____________________________

Position Held:____________________________

PART B: Strategic Management Practice

Please tick the appropriate answer.

1. Does your organization have a vision statement? Yes [ ] No [ ]
2. Does your organization have a mission statement? Yes [ ] No [ ]
3. Does your organization have a strategic plan? Yes [ ] No [ ]

   If yes, how many years does it cover?

   a) 3 years ☐

   b) 5 years ☐

   c) 10 years ☐

   d) Over 10 years ☐

   e) Other, _____years. (Please indicate)

4. How often does your organization review the plans?

   a) Quarterly ☐

   b) Annually ☐

   c) Every 2 years ☐

d) Over 3 years ☐

e) Other, ________________. (Please indicate)

5. Who formulates strategies in your organization?

a) The Chief Executive Officer ☐

b) Top Management ☐

c) All Employees Participate ☐

d) Consultants ☐

PART C: Strategy Implementation

Please answer the following questions by ticking the appropriate box

1. Does your organization have annual objectives? Yes [ ] No [ ]

If yes, how are they set?

a) By board of directors ☐

b) By top management ☐

c) By heads of department ☐

d) Through participation by all employees ☐

2. Does each department in your organization have functional strategies?

Yes [ ] No [ ]

If yes, where are they derived from?

a) Company's strategic plans ☐

b) Customer feedback ☐

c) Management meetings ☐

d) Other, please specify.....................................

3. When were the above functional strategies last reviewed?

a) 0 – 5 years ☐

b) Over 5 years ago ☐

c) Have never been reviewed ☐

d) Other, please specify.....................................

4. Do you change organizational policies when new strategies are formulated? Yes [ ] No [ ]

5. Does the organization refer to the strategic plans when planning to execute its activities?

a) Always ☐

b) Very often ☐

c) Occasionally ☐

d) Rarely ☐

e) Not at all ☐

6. Do the current policies adequately support the company's strategic plan?

a) Very adequate ☐

b) Slightly adequate ☐

c) Less adequate ☐

d) Not at all ☐

e) Do not know ☐

PART D

1. Use a 5-point scale to rate the extent to which each of the following processes has been effectively used in strategy implementation within your organization. 1= No effect at all, 5= Very effective. Circle as appropriate

a) Direct supervision 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

b) Planning and control systems 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

c) Performance targets 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

d) Reward systems 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

e) Self control and personal motivation 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

2. Please answer the following questions by circling the number that best describes the extent to which each of the stated organizational factors has contributed to successful strategy implementation. 5= Very successful, 1= Not at all

a) Change of structure 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

b) Changing of culture 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

c) Leadership of CEO 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

d) Organizational procedures 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

e) Management skills 1 2 3 4 5

□ □ □ □ □

f) Employee training 1 2 3 4 5

□ □ □ □ □

h) Financial resources 1 2 3 4 5

□ □ □ □ □

i) Reward policy 1 2 3 4 5

□ □ □ □ □

3. Use a 5-point scale to rate the extent to which each of the cultural practices below has influenced the execution of strategy in your organization. 1= No effect at all, 5= Very great effect

a) Politicised internal environment 1 2 3 4 5

□ □ □ □ □

b) Hostility to change 1 2 3 4 5

□ □ □ □ □

c) Promotion of traditional managers 1 2 3 4 5

□ □ □ □ □

d) Aversion to superior practices 1 2 3 4 5

□ □ □ □ □

4. To what extent has your organization undertaken each of the following tasks to build a spirit of high performance into organization culture? 1= Not at all, 5 = Very great extent

a) Treating employees with dignity and respect 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

b) Training each employee 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

c) Encouraging employees to use own initiative and creativity 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

d) Setting reasonable performance targets 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

e) Empowering employees to stand out and excel 1 2 3 4 5

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PART E: Challenges to Strategy Implementation

Use the 5-point scale to rate how you find each of the environmental factors impacting on strategy implementation in your organization. 5= Very great impact, 1= No impact at all

a) Economic factors 1 2 3 4 5

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b) Political factors 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

c) Socio-cultural factors 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

d) Technological factors 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

e) Competition in industry 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

f) Threat of substitute products 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

g) Creditors 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

h) Customers/clients 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

i) Labour market 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

j) Suppliers 1 2 3 4 5

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PART F

1. In your view, how do you rate the seriousness or magnitude of each of the following problems in the implementation of the documented strategies in your organization? Use the 5 point scale where 5= Very serious, 1= No effect at all.

i) Poor leadership style 1 2 3 4 5

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ii) Wrong organizational structure 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

iii) Unsupportive organizational culture 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

iv) Lack of financial resources 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

v)	Insufficient human resources skills	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
vi)	Inadequate physical resources	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
vii)	Inadequate technical know-how	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
viii)	Wrong strategy choice	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
ix)	Limited information technology capacity	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
x)	Poor management of resources	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xi)	Government interference and regulation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xii)	Fluctuations in crude oil prices	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xiii)	Lack of clear responsibility being fixed for Implementation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xiv)	Inactive role played by key formulators of the strategic decision	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xv)	Key implementation tasks and activities not sufficiently defined	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

xvi) Overall goals not sufficiently understood by Employees	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xvii) Uncontrollable factors in the external Environment	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xviii) Sprouting of major problems which had not been identified earlier	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xix) Advocates and supporters of the strategic decision leaving the organization during implementation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xx) Failure to predict implementation time and problems likely to be encountered	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xxi) Resistance from middle and lower levels	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xxii) Lack of stakeholder commitment	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xxiii) Lack of feedback on progress	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xxiv) Lack of senior management support	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xxv) Inadequate information and communication Systems	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
xxvi) Lack of link between reward system and strategic performance	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

xxvii) Unexpected commitment and activities that are distractive and result to diversion of the resources already planned for 1 2 3 4 5

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xxviii) Insufficient flexibility of strategy 1 2 3 4 5

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xxix) Implementation took more time than was originally allocated 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

xxx) There was inadequate communication of the strategy to staff 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

xxxi) There was lack of focus and ability on the new Strategy 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

xxxii) Leadership and direction provided by managers were not adequate 1 2 3 4 5

☐ ☐ ☐ ☐ ☐

2. Are most of these challenges unique to your organization or apply to other players in the industry as well? Please tick appropriately
   a) Unique to my organization ☐
   b) Apply to other organizations in the industry ☐
   c) Other, specify……………………………………..
3. In your opinion, how do you rate the level of the organization's determination in implementing the documented strategies? Use the 5 point scale where 5= highly determined and 1= not determined at all.

   1 2 3 4 5

   ☐ ☐ ☐ ☐ ☐

Explain your choice

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4. Please give any other comment you may have regarding strategy implementation in your organization.

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THANK YOU FOR YOUR TIME