

**APPLICATION OF STRATEGIC ISSUE MANAGEMENT BY INDEPENDENT OIL
COMPANIES IN KENYA**

BY

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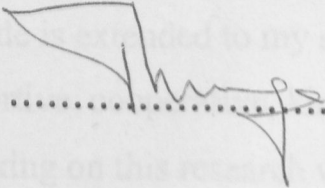
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DECLARATION

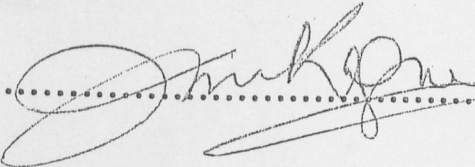
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Thank to you all.

DEDICATION

DECLARATION..... i

This work is dedicated to my late grand mother – **Jecinta Muthoni Mungai** who played a great role and made many sacrifices to ensure I receive good education. iii

LIST OF TABLES..... vi

LIST OF FIGURES..... vii

ABSTRACT..... viii

CHAPTER ONE: INTRODUCTION..... 1

1.1 Background..... 1

1.1.1 Strategic Issue Management..... 1

1.1.2 Oil Industry in Kenya..... 2

1.1.3 Independent Oil Companies..... 3

1.2 Problem Statement..... 3

1.3 Objectives of the Study..... 5

1.4 Importance of the Study..... 5

CHAPTER TWO: LITERATURE REVIEW..... 6

2.1 Strategic Issue Management..... 6

2.2 Concept of Issue Management..... 7

2.3 Issue Management Process..... 8

2.4 Forms of Strategic Issue Management Systems..... 10

2.5 Issue Management Techniques..... 12

2.6 Strategic Issue Management and the Environment..... 13

CHAPTER THREE: RESEARCH METHODOLOGY..... 15

3.1 Research Design..... 15

3.2 Population..... 16

3.3 Data Collection..... 15

3.4 Data Analysis..... 16

TABLE OF CONTENTS ANALYSIS, PRESENTATION AND INTERPRETATION 16

DECLARATION..... i

ACKNOWLEDGEMENT..... ii

DEDICATION..... iii

LIST OF TABLES..... vi

LIST OF FIGURES vii

ABSTRACT viii

CHAPTER ONE: INTRODUCTION..... 1

1.1 Background..... 1

1.1.1 Strategic Issue Management 1

1.1.2 Oil Industry in Kenya..... 2

1.1.3 Independent Oil Companies..... 3

1.2 Problem Statement..... 3

1.3 Objectives of the Study 5

1.4 Importance of the Study 5

CHAPTER TWO: LITERATURE REVIEW 6

2.1 Strategic Issue Management 6

2.2 Concept of Issue Management 7

2.3 Issue Management Process 8

2.4 Forms of Strategic Issue Management Systems 10

2.5 Issue Management Techniques 12

2.6 Strategic Issue Management and the Environment..... 13

CHAPTER THREE: RESEARCH METHODOLOGY 15

3.1 Research Design 15

3.2 Population..... 15

3.3 Data Collection..... 15

3.4 Data Analysis 15

CHAPTER FOUR: DATA ANALYSIS, PRESENTATON AND INTERPRETATION 16

4.1 Introduction 16

4.2 Company Data 16

4.3 Practices of Strategic Issue Management..... 17

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS 40

5.1 Introduction 40

5.2 Discussions..... 40

5.2 Conclusions 42

5.3 Recommendations 42

REFERENCES 43

APPENDICES 1

Appendix 1: Questionnaire 1

Table 4.11: Presence of Recorded Strategic Issue Objectives 29

Table 4.12: Action taken when Objectives Benchmark are not met 31

Table 4.13: Method Used to Analyze Strategic Issue 33

Table 4.14: Distinguishing & Prioritizing the Following Issues 34

Table 4.15: Management Authority 36

Table 4.16: Statements That Apply To the Organizations 37

Table 4.17: Extent That Strategic Issue Management Is Considered As A Project Worth Investigating in 39

LIST OF TABLES

Table 4.1: Management & Ownership of the Company	16
Table 4.2: Level of Strategic Issue Management Practices.....	17
Table 4.3 : Importance of the Strategic Issue Management to the Future.....	18
Table 4.4 : Important Performance Measure Ranking	20
Table 4.5: Top Management Response to Strategic Issues Rating.....	21
Table 4.6 : Factors Rating Before Engaging In Strategic Management	23
Table 4.7 : Preoccupation throughout the Year checking Urgent & Critical Issues.....	24
Table 4.8 : Employee Empowerment to Handle Strategic Issues	25
Table 4.9 : Presence of a Documented Process to Handle Strategic Issues	26
Table 4.10 : Authority Championing the Identification & Implementation of Strategic Issues	28
Table 4.11 : Presence of Recorded Strategic Issue Objectives	29
Table 4.12 : Action taken when Objectives Benchmark are not met	31
Table 4.13: Method Used to Analyze Strategic Issues	33
Table 4.14 : Distinguishing & Prioritizing the Following Issues.....	34
Table 4.15: Management Authority.....	36
Table 4.16: Statements That Apply To the Organizations	37
Table 4.17: Extent That Strategic Issue Management Is Considered As A Project Worth Investigating In	39

LIST OF FIGURES

Figure 1: Issue Management Process.....	9
Figure 2: Management And Ownership.....	17
Figure 3: Level Of Strategic Issue Management.....	18
Figure 4: Importance Of Sim.....	19
Figure 5: Important Performance Measure Ranking	21
Figure 6: Top Management Response To Strategic Issue.....	22
Figure 7: Factor Rating Before Engaging In Strategic Management	24
Figure 8: Pre Occupation Throughout The Year.....	25
Figure 9: Employee Empowerment To Handle Strategic Issues.....	26
Figure 10: Presence Of Documented Process.....	27
Figure 11: Authority Championing Identification And Implementation Of Strategic Issues.....	29
Figure 12: Presences Of Recorded Strategic Issue Objectives	30
Figure 13: Whether Those Objectives Have Been Changed For The Last 5 Years	31
Figure 14: Action Tale When Objective Benchmarks Are Not Met	32
Figure 15: Method Used To Analyses Strategic Issues	34
Figure 16: Action Taken On Urgent Issues Requiring Immediate Action.....	35

1.1 Background

Strategic issue management is a managerial function that helps corporations identify, analyze, and respond to social and political concerns that can significantly affect them (Greening and Gray, 1994). Due to the potential of issue management activities to influence organizational outcome variables, the function has received generous attention from strategic management scholars. However, prior scholars have not identified how this process is carried out in independent oil companies in Kenya.

The objective of the study was to establish the application of strategic issue management at the independent oil companies in Kenya.

The design of this study was descriptive survey. The population of this study was all the independent oil companies in Kenya. In total, there are 20 independent oil companies. All the 20 companies were selected for the study. This being a census, no sampling procedure was required.

Data was collected using semi-structured questionnaires and was analyzed using population parameters. The data was coded and entered into a spreadsheet and analyzed using SPSS (Statistical Package for Social Sciences) and excel packages and presented using frequencies, percentages and mean scores and frequency tables, bar graphs and pie charts.

The study found that in the independent oil companies partially practiced strategic issue management although it was found to be very important to the future success of the companies. It was there recommended that strategic issue management should be embraced by these companies as a process in order to achieve their goals and objectives.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Strategic Issue Management

The environment in which a firm operates is becoming increasingly turbulent and complex. Public opinion and individual norms and values have changed and society's expectations and the demands it makes to companies are now higher than before (Oomens and Bosch, 1999). Strategic issue management has continued to evolve. In less than three decades, issue management has become established as a distinct discipline to add value to organizations (Issue Management Council 2005). Dutton and Jackson (1987) state that the assumption underlying most organizational theory, research and practice is that the short term effectiveness and long-term survival of organizations are determined by the actions they take in response to their external environment. According to Pearce and Robinson (1997) small businesses face issues of strategic importance to their future survival and growth. Bigelow, Fahey and Mahon (1993) point out that the strategic management of issues is prominent in discussions of organizations response to environment turbulence.

The concept of issues management is gaining increasing attention of both researchers and practitioners in the field of strategic management (Lozier and Chittipeddi, 1996). Strategic issues are not phenomena found only in large firm's domain (Robinson and Pearce, 1994). Wartick and Mahon (1994) describe issues management as a process by which a business can identify, evaluate and respond to social and political issues which may impact significantly upon it. The working definition used by King (1982) is that a strategic issues is a condition or pressure on the business that involves: possible outcomes that is important to, or of possible high impact on, the business's overall performance; controversy, in that it is likely that reasonable people may take different positions concerning the impact of the issue; and strategic consequences in that various possible outcomes implied by the issue would prescribe that different strategies should be implemented

In general, issues are according to Bigelow, Fahey and Mahon (1993) defined as development that will have an impact on the business performance and ability to meet its objectives. Further,

Dutton and Ottensmeyer (1987) mentioned the fact that issues are classified as strategic because they can alter the business's performance if left unnoticed or undressed.

1.1.2 Oil Industry in Kenya

The main source of energy in Kenya is actually wood fuel, which accounts for about 70% of all energy consumed. Petroleum and electricity currently account for only 21% and 9%, respectively. The Government's sector-development priorities include measures to shift the pattern of energy consumption towards modern forms of energy (i.e. electricity and petroleum), in order to protect the environment and to provide energy forms necessary for economic growth (PWC, 2008).

There is therefore great potential for growth in these other forms of energy. The main players in the petroleum sector are: various petroleum companies involved in the distribution of petroleum products. There are about 7 main companies and a growing number of independent oil distribution companies also referred to as new entrants that have sprung up since the liberalisation of the sector; the Kenya Petroleum Refinery Limited (KPRL), which operates the only oil refinery in the country, and the Kenya Pipeline Company Limited, which operates the pipeline that runs from Mombasa to Nairobi, Kisumu and Eldoret. There are plans to extend the pipeline to Uganda (PWC, 2008).

The petroleum sector was deregulated in late 1994 with the deregulation of retail prices of petroleum products and of the importation of crude oil and refined products. However, the sub-sector could not be fully deregulated mainly because of the market's dependence on KPRL for liquefied petroleum gas (LPG), and the absence of a viable infrastructure for its importation. Therefore, the Government requires oil companies to import and process crude oil through the refinery to satisfy the requirements for LPG. Recently, the Government has introduced an open tender system for the importation of crude to the refinery. Under this system a tender for importation of crude is awarded to an individual oil company, which then imports crude for the whole industry and supplies to the other oil companies (PWC, 2008).

In the recent past, questions have been raised about KPRL's commercial viability and the plant's inability to produce environmentally friendly products — unleaded petrol and low sulphur diesel. Stakeholders are divided on whether to shut down the plant in favour of processed imports or

invest in a more modern and efficient new plant. A consultative process has been launched to determine the exact value of investment required to upgrade the refinery and prevent closure. The Government has already given its commitment to phase out unleaded gasoline in Kenya by December 2005.

1.1.3 Independent Oil Companies

In the Kenya petroleum industry, Oil companies can be categorized in two main categories; the Majors oil companies and the Independent Oil Companies. The majors are the companies with more than 3% of the Market Share each while the Independent oil companies are the rest with exceptional of National Oil Corporation which is a parastatal established many years ago. They includes; Shell, Total Kenya, Kobil Petroleum, Chevron Kenya, Libya Oil and Kenol. The major oils companies constitute more than 84% Of the total market share while the rest share the 16%.The Independent Oil companies or the New Entrants are the new companies established after the liberalization in 1994. They includes; Gapco, Bakri International, Galana oil, Engen Kenya, Hass Petroleum, Petrol Oil, Oilcom, Dalbit Petroleum, Triton Petroleum, MGS International, Intoil, Gulf Energy, Muloil, Addax Kenya, Hashi Empex, Riva Oil, Fossil, Pentoil, Jade Petroleum, and Metro Petroleum (PIEA,2008)

1.2 Problem Statement

Strategic issues management is a managerial function that helps corporations identify, analyze, and respond to social and political concerns that can significantly affect them (Greening and Gray, 1994). Due to the potential of issues management activities to influence organizational outcome variables, the function has received generous attention from strategic management scholars. However, prior scholars have not identified how this process is carried out in independent oil companies in Kenya.

Prior to liberalization in October 1994, a significant feature of Kenya's oil industry was a relatively high level of government's direct participation, and a correspondingly low level of private sector involvement. Seven marketing and distribution companies were responsible for procuring and importing their own oil. The National Oil Corporation of Kenya was mandated to supply 30% of the crude oil requirement into the country. Since liberalization, many new companies have been licensed by the government to engage in petroleum trading, especially

import and export, wholesale and retail of petroleum products. However, despite this initiative, only about twenty new entrants are actively trading with a market presence of less than 16% of the market share due to tariff and non-tariff barriers to entry. The independent oil companies were the oil companies established after liberalization and currently commanding a market share of 16%. These have been struggling to compete with the major oil companies in a bid to establish their competitive strength and as well position themselves strategically in the market. The kind of competition they face requires that they manage strategic issues emanating from their environment. This is the motivation behind this study.

It seems that a lot of researchers have been interested in studying the oil industry in Kenya as there are numerous scholars that have studied the industry in different disciplines. For instance, Amolo (2002) studied the process of benchmarking order delivery for continuous improvement. Kapacha (2002) did an investigation into the factors that make the edible oil industry competitive. Muthaura (2002) surveyed the operations of service stations in the oil industry using Terry Hills' framework models. Munuve (2003) focused on the customer perceptions of the differentiating features of fuel cards offered by firms in the oil industry in Kenya. Odhiambo (2006) explored the relationship between equity structure and corporate performance of firms in the oil industry in Kenya. Karuri (2007) also did a study on the oil industry and focused on the competitive priorities and trade offs in physical distribution. Tuitoek (2007) did a study on benchmarking health, safety and environmental performance measurement practices in the industry. Other studies that have been done in the industry include Wairachu (2001) Mwindi (2003), Hassan (2004), Kasima (2004), Owuor (2004), Ndungu (2005), Mumo (2006), Mungai (2006), Kalama (2007), Muriuki (2007), Mwangi (2007), and Isaboke (2001). The study by Isaboke (2001) came closest to the current study but was focused on investigating how major oil companies respond to the threat of new entrants. The only studies done on strategic issue management have been done on other sectors of the economy other than the oil industry. For instance, Mkamunduli (2005) did a study on strategic issue management in the insurance companies in Kenya. Muya (2006) conducted a research on strategic issue management practices by classified Hotels in Kenya. Ochako (2007) focused his study on the mobile telephony companies while Wamae (2007) focused on the adoption of strategic issue management by private hospitals in Nairobi.

As can be observed, no study has been done on strategic issue management in the oil industry or for the independent oil companies in Kenya. This constitutes a gap in literature that the current study seeks to bridge. New entrants oil companies in Kenya are operating in a rapid changing environment with different issues impacting on their viability. According to Dutton and Jackson (1997), attempts to understand the process through which business decision makers learn about the external environment and implement their responses has been through strategic issues management. For the purpose of the study the problem manifests itself in the following question: how is strategic issue management applied in independent oil companies in Kenya?

1.3 Objectives of the Study

The objective of the study was to establish the application of strategic issue management at the independent oil companies in Kenya.

1.4 Importance of the Study

The study should benefit the following groups:

- a) To the management of oil companies to enable them identify gaps that may require re-evaluation.
- b) The government through ministry of energy is a major player in this sector. This study may help enhance policy formulation to enable the industry record further growth and create synergy with the stakeholders.
- c) To create awareness on the importance of strategic issue management as an essential tool in strategic management in new entrants oil companies.
- d) To the scholars who will be able to do further research in strategic issue management practice

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic Issue Management

Strategic issues management is a managerial function that helps corporations identify, analyze, and respond to social and political concerns that can significantly affect them (Greening and Gray, 1994). Due to the potential of issues management activities to influence organizational outcome variables, the function has received generous attention from strategic management scholars, as evidenced by a steady stream of publications on the topic in the *Strategic Management Journal* (Dutton, Ashford, O'Neill, Hayes, and Wierba, 1997; Sharma and Vredenburg, 1998; Shaffer and Hillman, 2000; Hillman and Keim, 2001). Scholarly advancement in the study of issues management has not always been linear and progressive, however, as academics studying issue evolution and issues management processes have increasingly organized themselves into two more or less disconnected camps.

The first of these camps can perhaps be called the public affairs cluster (Meznar and Nigh, 1995), even though it should be noted that the output of this group is intimately related to the literatures on corporate responsiveness (Epstein, 1987; Frederick, 1978; Sethi, 1975) and strategic planning (Ansoff, 1975, 1980; Marx, 1986). This group has mainly focused on the macro-level side of issues management, most notably on the organization of the public affairs function in large complex organizations. Examples of research questions that have occupied the research agenda of this group over the last three decades are: what scanning tools should companies use to identify new issues early (Aguilar, 1967; Fleming, 1980); what systems should organizations have in place to ensure that issues that were previously identified as salient can be tracked throughout their entire life span (Brown, 1979; Johnson, 1983); what types of symbolic and substantive responses can corporations use to address the most pressing and threatening of these social and political predicaments (Austrom and Lad, 1989; Bauer, 1978).

The second camp may appropriately be labeled the organizational behavior cluster (Elsbach, 1994; Elsbach and Kramer, 1996; Daft and Weick, 1984; Dutton, 1986, 1993; Dutton and Ashford, 1993; Dutton, Ashford, O'Neill, Lawrence, 2001; Gioia and Thomas, 1996; Thomas and McDaniel, 1990; Mintzberg, Raisinghani, and Theoret, 1976; Schwenk, 1984). This group of scholars has primarily worked on the micro level of issues management, exploring the social-

psychological foundations of the issues management process. Its research agenda has been dictated by questions like: how do individual and group-level sense-making processes work in environments characterized by a continuous overload of stimuli (Dutton, Walton, and Abrahamson, 1989; Thomas and McDaniel, 1990); to what specific cues do organizational decision-makers respond when they categorize issues as either threats or opportunities (Dutton and Jackson, 1987; Jackson and Dutton, 1998); under what conditions will middle managers try to “sell” the issues affecting them to individuals higher up in the organizational hierarchy (Ashford, Rothbard, Piderit, Dutton, 1998; Dutton, Ashford, Lawrence, and Miner-Rubino, 2002)?

Although these two separate streams of research have, each in their own right, made valuable contributions to the progress and proliferation of the field, an obvious downside of the present mode of organization is that certain pressing research issues are mostly left unattended. More specifically, relatively little issues management research is conducted which (a) bridges the micro-macro divide, (b) spans across multiple organizational functions, and (c) links issues management to organizational outcome variables. Consequentially, the ultimate question from a strategic management point of view, whether issues management contributes anything worthwhile to corporate performance (Wartick, 1988), remains one of the field’s most pressing legacies.

2.2 Concept of Issue Management

A seminar discussion by Brown (1979) describes an issue on a condition or pressure, either internally or externally to a business that, if it continues, will have a significant effect on the functioning of the business or its future interests. According to Carroll (1993) an issue may be thought of as a matter that is in dispute between two or more partners. The dispute evokes a debate or controversy that needs to be resolved. Further, that at some point the business needs to make a decision on the unresolved matter, and a feature of issues is that they are ongoing and therefore require an ongoing response.

Dutton and Ottensmeyer (1987) refer to strategic issues as development or trends that emerge from a business’ internal or external environment, and are perceived to have the potential to

affect a business performance. Furthermore, two types of strategic issues are identified by Dutton and Ottensmeyer (1987): those originating inside the business such as, decline in employee satisfaction, development of new technology by the research and development. Such issues are strategic because they can alter the business' performance if left unnoticed or unaddressed. Internal issues are often triggered by deviations in the business' performance from targeted performances.

Carrol (1993) refers to issues management as a process by which businesses identify issues in the business environment, analyze and prioritize these issues in terms of their relevance to the business, plan responses to these issues, and then evaluate and monitor results. Bartel and Martin (1991) define issues management as the processes of identifying emerging social issues of relevance to the business, analyzing their potential impact and preparing an effective response. Theron (1994) points out that the definitions of issues management allow issues management to be viewed as: a problem solving process of planning, leading, organizing and control; a means of identifying, classifying and prioritizing the potential impact of issues affecting the survival and growth of the businesses; a plan to formulate, implement and manages effective responses to issues in a proactive manner; external strategic issues emanate from sources outside the business' boundary. These could be competitions actions, political unrest, changes in regulatory rules.

According to Carroll (1993) issues management has been thought of in two ways: narrowly, in which public issues as the primary focus, and broadly, in which strategic issues and the strategic management process are the focus. Liam Fahey in 1986 provided a useful method of sorting the two approaches to issues management (Carrol, 1993).

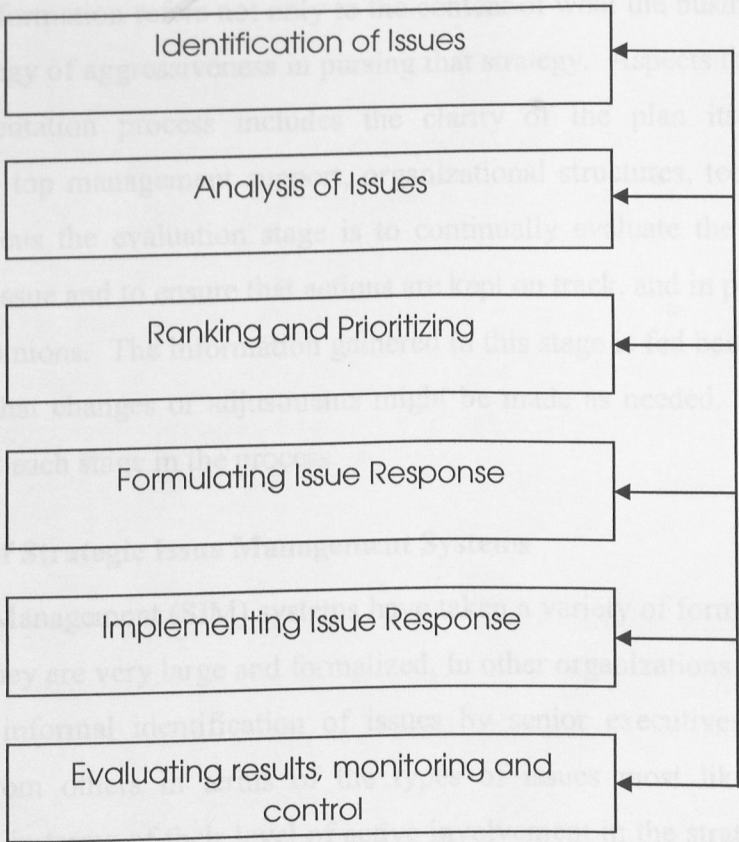
2.3 Issue Management Process

A number of authors define issues management process as a set of organizational procedures, routines, and processes devoted to perceiving, analyzing, and responding to strategic issues (Theron, 1994). The father of issues management, Chase as pointed out in section 3.3.1, and Jones developed, in 1984 on issues management model, based on the assumption that no business can simultaneously manager every issue. Businesses need to develop procedures for identifying, sorting and prioritizing issues of primary concern to their operations. The five steps

in Chase Jones models are as follows: issue identification, issue analysis, issues strategic options, action program, and evaluation of results.

Carrol (1993)'s issues management process as indicated in Figure 1 contains the planning aspects (identification, analysis, ranking, formulating response) and implementation aspects (implementing response, evaluating, monitoring and controlling).

Figure 1: Issue Management Process



Source: Carroll AB, Hoy F. (1984) Integrating corporate social policy into strategic management. Journal of Business Strategy 4(3): 48-57.

Terms such as “social forecasting”, future’s research, “environmental scanning” and “public issues scanning” have used to describe issues identification. Common to all these terms is the need to scan the environment and to identify emerging issues that might later be determined to have some relevance to the business. To analyses means, to carefully study, dissect, break down, group, or engage in any specific process that helps understand the nature or characteristics of the issue better. Analysis requires that you look beyond the obvious manifestation of the issues and strives to learn more of its history, development, current nature, and potential for future relevance to the business. Ranking of issues may range from a simple grouping of issues of urgency to a more elaborate or sophisticated scoring system.

Formulating refers to the response design process. The analysis conducted identifies options that might be pursued in dealing with issues in making decisions on these options and implementing them. Strategy formation refers not only to the content of what the business intends to do but to the overall strategy of aggressiveness in pursuing that strategy. Aspects that need to be addressed in the implementation process includes the clarity of the plan itself, resource need for implementation, top management support, organizational structures, technical competence and timing . The focus the evaluation stage is to continually evaluate the results of the business response to the issue and to ensure that actions are kept on track, and in particular the response of stakeholders’ opinions. The information gathered in this stage is fed back to the earlier stages in the process so that changes or adjustments might be made as needed. Evaluation information may be useful at each stage in the process.

2.4 Forms of Strategic Issue Management Systems

Strategic Issue Management (SIM) systems have taken a variety of forms. For example, in some organizations, they are very large and formalized. In other organizations SIM systems involve no more than the informal identification of issues by senior executives. SIM systems can be distinguished from others in terms of the types of issues most likely to be detected and legitimated, and in terms of their level of active involvement in the strategic adaptation process. Thus, the types of issues a SIM system tracks and the scope of activities involved form the basis for a typology of SIM system.

Organizations face two types of strategic issues originating inside or outside the organization's boundaries. Decline in employee satisfaction or the development of a new technology by an organization's research and development (R&D) group represent internal strategic issues. Such issues are classed as strategic because they can alter the organization's performance if left unnoticed or unaddressed. They are distinctively internal because the locus of their occurrence is within the organisation's boundaries.

Some forms of SIM systems are designed exclusively to monitor and respond to internal issues. Those who see SIM systems as part of the budgeting process come closest to this internal view. In this form of SIM system, internal issues are triggered by deviations in the organization's or some subunit's performance from targeted performance goals. For example, in a study of a large diversified organization, where the SIM system was aligned closely with the organization's budgeting process. The majority of major issues detected were internal (Dutton, 1987). In this case, issues such as declining subunit performance dominated the strategic issue agenda.

In contrast, external strategic issues emanate from sources outside the organization's boundaries. For example, competitor actions, political unrest near an organizational site, or changes in regulatory rules represent potential external strategic issues. A SIM system that tracks external issues is consistent with the views of those who see SIM system as synonymous with environmental scanning or an activity affiliated with the public affairs function (Flemming, 1980). SIM systems when viewed as an activity of public affairs units, identify significant public policy issues and respond to them before they are crystallized into legislative action (Arcelus and Schaeffer, 1982).

SIM systems can also be classified by the type of activities they perform. On the one hand, SIM systems may be passive, making little, if any, direct effort to alter internal processes or external forces. On the other hand, SIM systems may be active, designed to aggressively shape strategic decision outcomes or environmental forces (Ottensmeyer, 1992).

Passive SIM systems collect and transmit information about events and developments that potentially could affect an organization's strategy or performance. In some cases this collection process may be highly formalized. For example, some organizations use elaborate pooling processes to collect information about top decision makers' perceptions of strategic issues, so

that monitoring activities can be better focused (Moore, 1979). In other cases, managers of SIM systems' processes use informal discussions or the 'gut feel' of top managers to identify issues requiring attentional investment.

2.5 Issue Management Techniques

One of the more pressing problems facing researchers trying to assess the contribution of professionally executed issues management practices to corporate performance is that the received literature suggests an overwhelming variety of tools and techniques for managing forthcoming developments. Amongst the suggestions are: (1) direct representation at the federal, state, and local levels of government (Chase, 1984; Cobb and Elder, 1972); (2) coordination with other companies through trade associations (Arrington and Sawaya, 1984; Mahon and McGowan, 1996); (3) building alliances with affected interest groups (Austrom and Lad, 1989; Mezner and Nigh, 1995); (4) using issue committees to coordinate activities and communicate information across organizational units (Bhambri and Sonnenfeld, 1988; Lusterman, 1987); (5) appointing stakeholder directors on corporate boards (Hillman, Keim, and Luce, 2001; Luoma and Goodstein, 1999) (6) formalizing the issues management function by assigning its activities to dedicated departments (Ewing, 1987; Greening and Gray, 1994); (7) relying on advocacy advertising to persuade external audiences that the organizational perspective is appropriate and right (Arrington and Sawaya, 1984; Heath and Nelson, 1985); and (8) integrating issue analysis in overall strategic planning (Carroll and Hoy, 1984; Lenz and Engledow, 1986).

The variety in terms of available tools and techniques significantly complicates the operationalization of the issues management construct in empirical studies, as it is impossible to know a priori which activities matter most, and hence what to measure. A more basic research question must therefore be answered before the potential contribution of issues management activities to cross-organizational performance differentials can be assessed. This question is: Which issues management activities do organizations use most extensively to manage forthcoming developments affecting their ability to meet their objectives? In the present research project, the relative use of the various available alternatives was investigated by means of a grounded longitudinal study of the issues management practices of the Dutch food industry. The

study was aimed at generating a theory of strategic issues management that was relevant, understandable, and fitting the empirical situation at hand (Glaser and Strauss, 1967).

2.6 Strategic issue management and the environment

The environment in which a firm operates is becoming increasingly turbulent and complex public opinion and individual norms and values have changed and society's expectation and the demands it makes to companies are now higher than before (Oomens and Bosch 1999). For a firm, to implement its strategy in an increasingly turbulent environment, Ansoff and MacDonnell (1990) have proposed three conditions that should be met: First, that the aggressiveness of the firm's strategic behavior should match the turbulence of its environment. This means that if the environment is stable, strategic aggressiveness can be based on historical facts or precedents. As one moves along the continuum of turbulence to surprising levels, the strategic aggressiveness of the firm changes to reactive anticipatory, entrepreneurial and to being creative. This means as the level of turbulence increases the creativity and innovativeness of the firm should match.

Secondly that responsiveness of the firm's capability should match the aggressiveness of its strategy. When the environment is repetitive, precedents drive the firm. This works well in a closed system. However, when the environment is very turbulent (unforeseen) the firm should adopt an open system, which entails, embracing a total commitment to creativity. Thirdly, that the components of the firm's capability must be supportive of one another the firm's internal capabilities such as financial base and research and development coupled with the strategic formulation process should adapt to the environmental turbulence or change. If one of the factors shifts to a higher level the rest should follow suit.

According to Ansoff and MacDonnell (1990), strategic issue management (SIM) relies heavily on strategic surveillance through environmental scanning and special alert controls. It employs the technique of object gap analysis to ensure that operational controls are in place. This requires organizational capabilities, which facilitate management response to surprising changes. They propose that for a firm to deal effectively with the surprising changes it requires to invest in a strategic surprise system. According to Oomens and Bosch (1999), scholars have developed a great deal of time and effort drawing up models presenting the issue management process as a sequence of steps to be executed. These are; scanning or monitoring the environmental issue

identification, prioritization, analysis, strategic decision and action programs, implementation and evaluation. For a firm to be able to invest in a strategic surprise system to enable it close the environment and capability gap, it is paramount to design the capabilities (managerial as well as functional), which will enable it to initiate and support the new strategic response (Ansoff and McDonnell, 1990). The planned response and the capability design must be put in practice to avoid organizational resistance (Ansoff and McDonnell, 1990).

In summary this chapter has covered literature review on need for strategic issue management in the ever changing and turbulent organization environment. The need to understand strategic issue affecting the business and how it exert pressure both within and outside the business. I have also defined issue management process and strategic issue management systems. I have concluded with describing issue management techniques and their contribution to the organization.

The next chapter deals with the research methodology and covers the approach of my study which is descriptive survey. The population of my study is also clearly stated. The data collection method is also described and how to analyze that data through population parameters.

The study used primary data. Primary data was collected using questionnaire. The questionnaire was semi-structured with both closed and open ended questions. The questionnaires were administered using the drop and pick later method. The respondents for this study were the general managers of the selected firms.

3.4 Data analysis

The results of the study were analyzed by the use of population parameters. These included Percentages, mean scores and standard deviation. For the questions with the likert scale, mean scores were used to interpret the results. The presentation was done in the form of tables and charts.

3.1 Research design

This research problem can best be studied through the use of a descriptive survey. Descriptive research portrays an accurate profile of persons, events, or situations (Robson, 2002). Surveys allow the collection of large amount of data from a sizable population in a highly economical way. It allows one to collect quantitative data which can be analysed quantitatively using descriptive and inferential statistics (Saunders et al., 2007). Therefore, the descriptive survey was deemed the best strategy to fulfill the objectives of this study.

3.2 Population

The population of this study was all the independent oil companies in Kenya. In total, there are 20 independent oil companies (PIEA, 2008). All the 20 companies were selected for the study. This being a census, no sampling procedure was required.

3.3 Data collection

The study used primary data. Primary data was collected using questionnaire. The questionnaire was semi-structured with both closed and open ended questions. The questionnaires were administered using the drop and pick later method. The respondents for this study were the general managers of the selected firms.

3.4 Data analysis

The results of the study were analyzed by the use of population parameters. These included percentages, mean scores and standard deviation. For the questions with the likert scale, mean scores were used to interpret the results. The presentation was done in the form of tables and charts.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and interpretations of the research. From the study population targets of 20 respondents, 10 General Managers responded and returned the questionnaire, constituting 50% response rate. The data was analyzed using the SPSS and presented in form of tables, bar graphs and pie charts. Other information was interpreted where mean and standard deviation were used.

4.2 Company Data

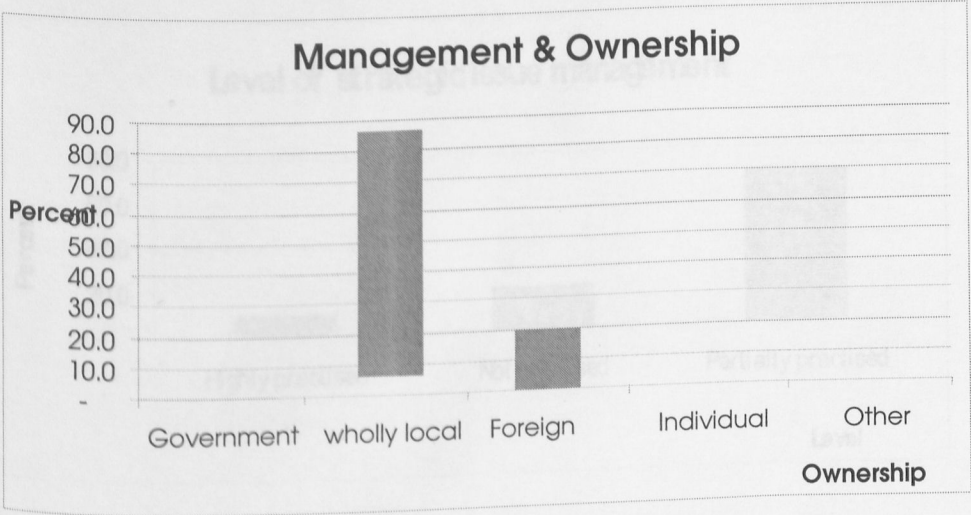
Table 4.1: Management & Ownership of the Company

	Frequency	Percent
Wholly foreign	2	20.0
wholly local	8	80.0
Government	0	-
Individual	0	-
Other	0	-
Total	10	100.0

Source: (Author, 2008)

The research sought to find out the appropriate management and ownership of the company. From the finding of the study as presented in Table 4.1, the majority of the company are wholly locally owned as shown by 80%, while 20% are foreign owned and managed. The same information is shown on the bar graph Figure 2

Figure 2: Management and Ownership



Source: (Author, 2008)

Source: (Author, 2008)

4.3 Practices of Strategic Issue Management

Table 4.2: Level of Strategic Issue Management Practices

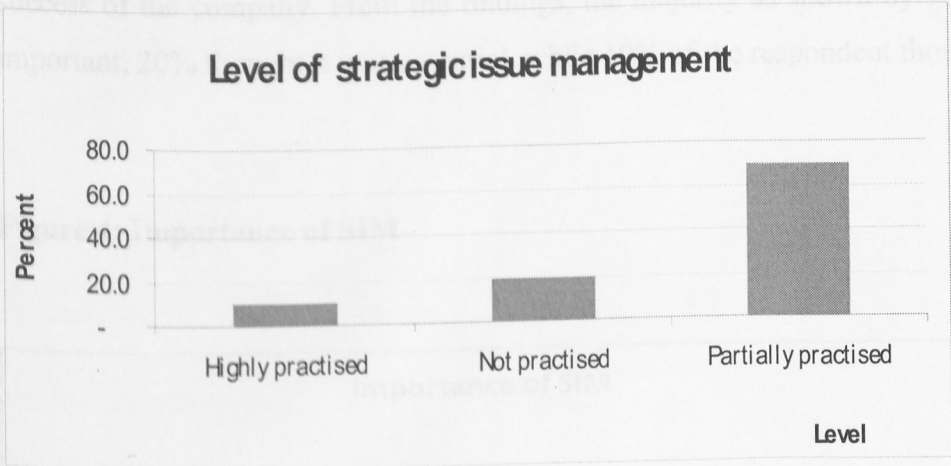
	Frequency	Percent
Highly practiced	1	10.0
Not practiced	2	20.0
Partially practiced	7	70.0
Total	10	100.0

Source: (Author, 2008)

Source: (Author, 2008)

On the question on the rating of the level of strategic issue management practice in the various organization, the researcher found that, the majority were partially practised as shown by 70% of the respondent, 20% not practiced, while 10% were highly practised. This is shown in table 4.3. The same information is reflected in the bar graph, figure 3

Figure 3: Level of Strategic Issue Management



Source: (Author, 2008)

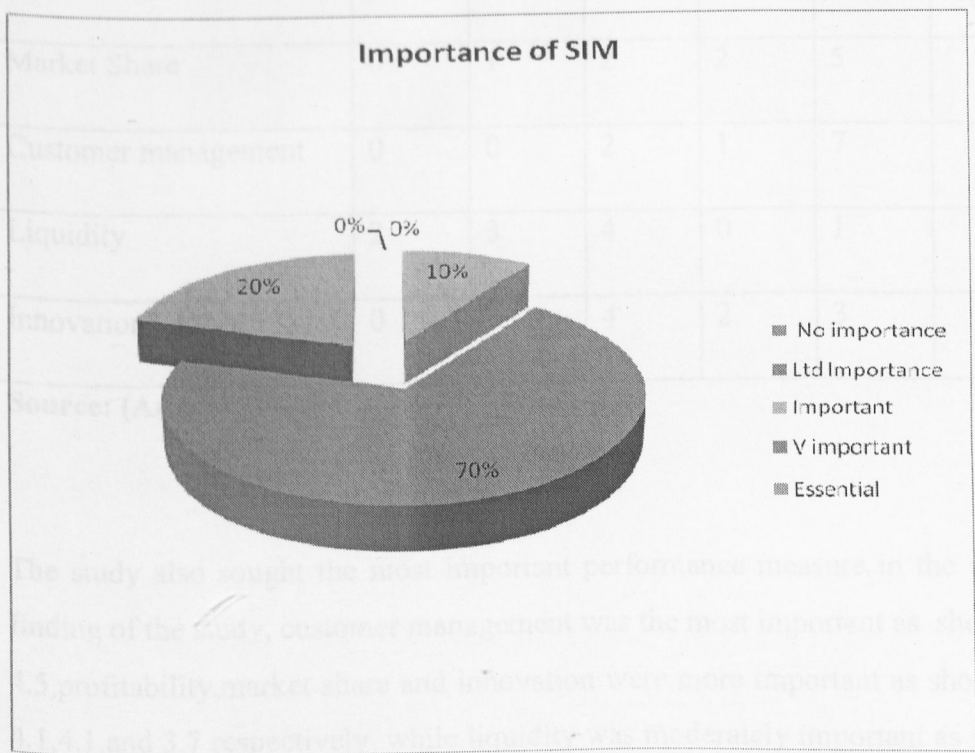
Table 4.3 : Importance of the Strategic Issue Management to the Future

	Frequency	Percent
No importance	0	-
Ltd Importance	0	-
Important	1	10.0
Very important	7	70.0
Essential	2	20.0
Total	10	100.0

Source: (Author, 2008)

The findings in table 4.3 show the importance of strategic issue management to the future success of the company. From the findings, the majority as shown by 70% thought it was very important, 20% thought it was essential, while 10% of the respondent thought it was important

Figure 4: Importance of SIM



Source: (Author, 2008).

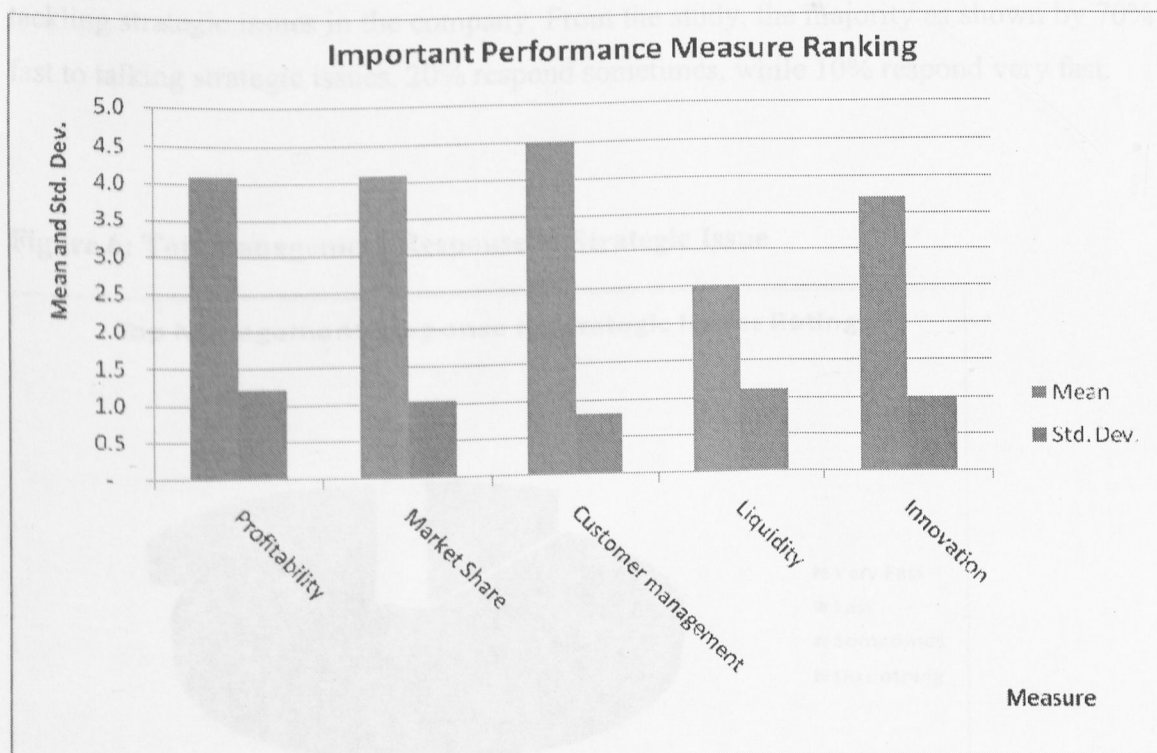
Table 4.4 : Important Performance Measure Ranking

	Least important	Important	Important	More important	Most important	Mean	Std. Dev.
Profitability	0	2	1	1	6	4.1	1.2
Market Share	0	1	2	2	5	4.1	1.0
Customer management	0	0	2	1	7	4.5	0.8
Liquidity	2	3	4	0	1	2.5	1.1
Innovation	0	1	4	2	3	3.7	1.0

Source: (Author, 2008)

The study also sought the most important performance measure in the organization. From the finding of the study, customer management was the most important as shown by a mean score of 4.5, profitability, market share and innovation were more important as shown by a mean score of 4.1, 4.1 and 3.7 respectively, while liquidity was moderately important as shown by a mean score of 2.5, as evident from table 4.4. The same findings is also represented in figure 5.

Figure 5: Important Performance Measure Ranking



Source: (Author, 2008)

Table 4.5: Top Management Response to Strategic Issues Rating

	Frequency	Percent
Very Fast	1	10.0
Fast	7	70.0
Sometimes	2	20.0
Do nothing	0	-
Total	10	100.0

Source: (author, 2008)

The finding in table 4.5 and figure 6 shows the rate at which top management responds to tackling strategic issues in the company. From the study, the majority as shown by 70% respond fast to talking strategic issues, 20% respond sometimes, while 10% respond very fast.

Figure 6: Top Management Response to Strategic Issue

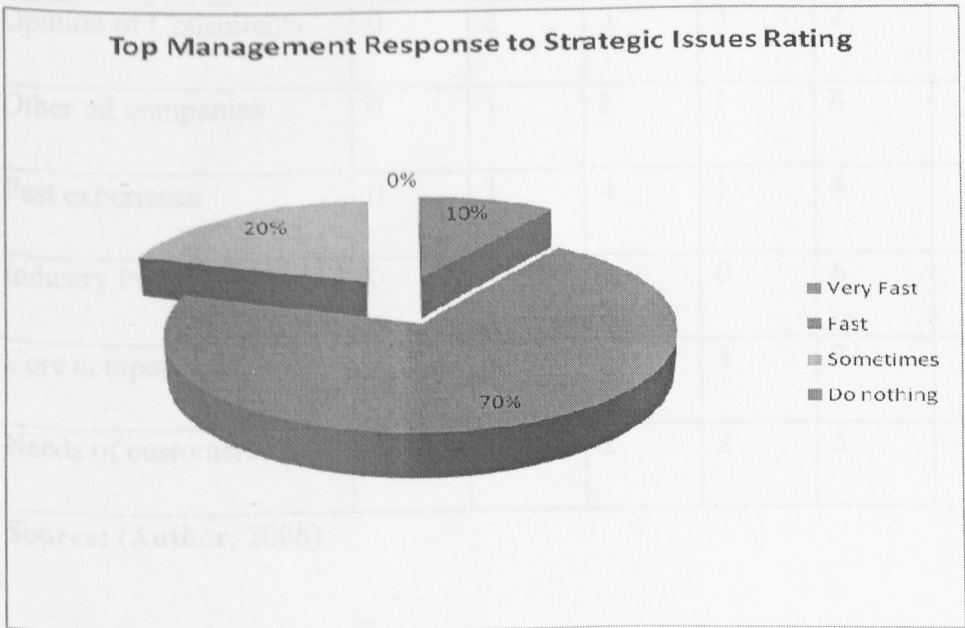


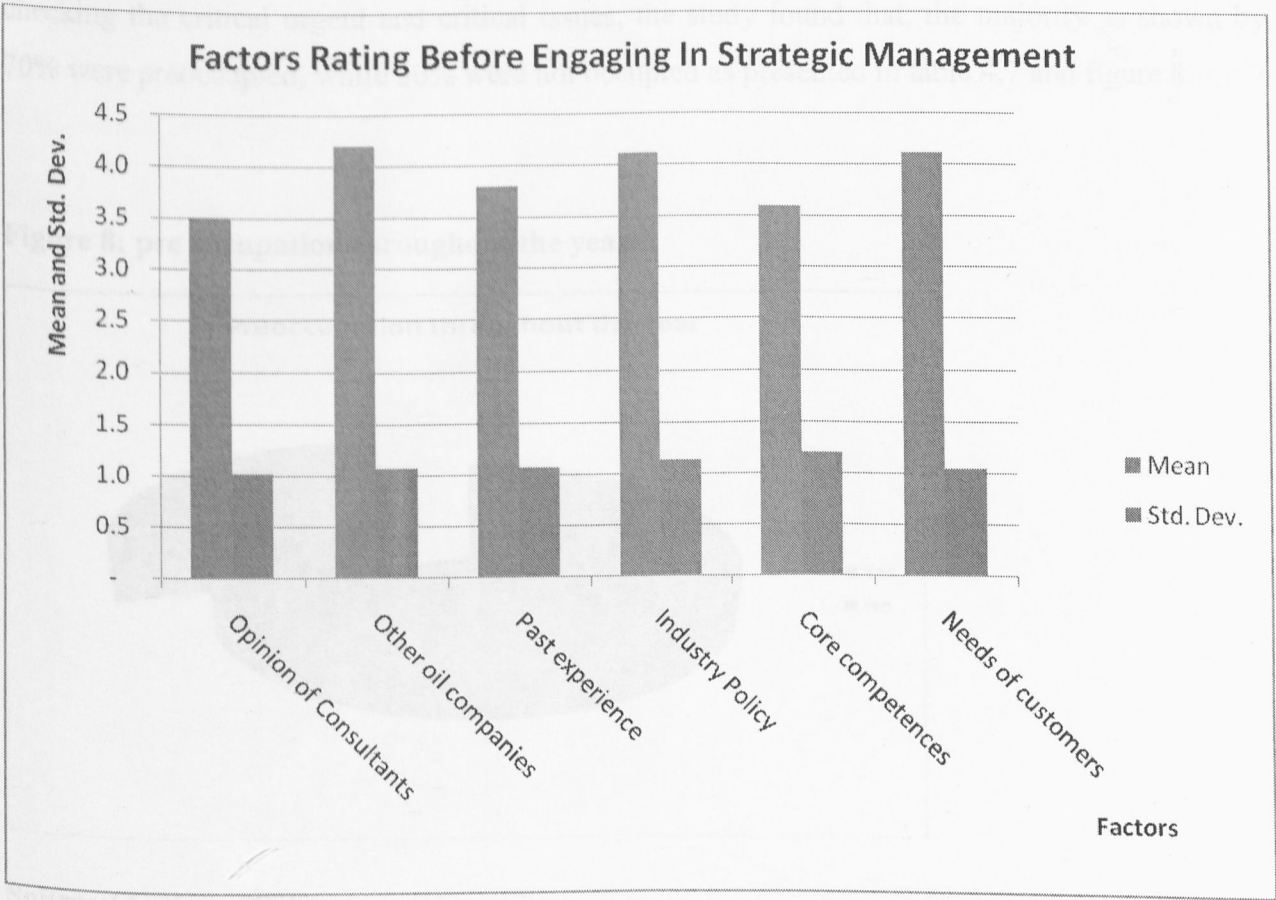
Table 4.6 : Factors Rating Before Engaging In Strategic Management

	Least important	Important	Important	More important	Most important	Mean	Std. Dev.
Opinion of Consultants	0	2	3	3	2	3.5	1.0
Other oil companies	0	1	2	1	6	4.2	1.1
Past experience	0	1	4	1	4	3.8	1.1
Industry Policy	0	1	3	0	6	4.1	1.1
Core competences	0	3	1	3	3	3.6	1.2
Needs of customers	0	1	2	2	5	4.1	1.0

Source: (Author, 2008)

The researcher also sought to find from the respondent, how they would rate the above factors before engaging the company in strategic issue management. From the finding of the study, all the factors were more important to the company as shown by their respective mean score in table 4.6 and figure 7. These factors were; opinion of the consultant, other oil companies, past experience, industry policy, core competence and needs of customers

Figure 7: Factor Rating Before Engaging in Strategic Management



Source:(Author ,2008)

Table 4.7 : Preoccupation throughout the Year checking Urgent & Critical Issues

	Frequency	Percent
Yes	7	70.0
No	3	30.0
Total	10	100.0

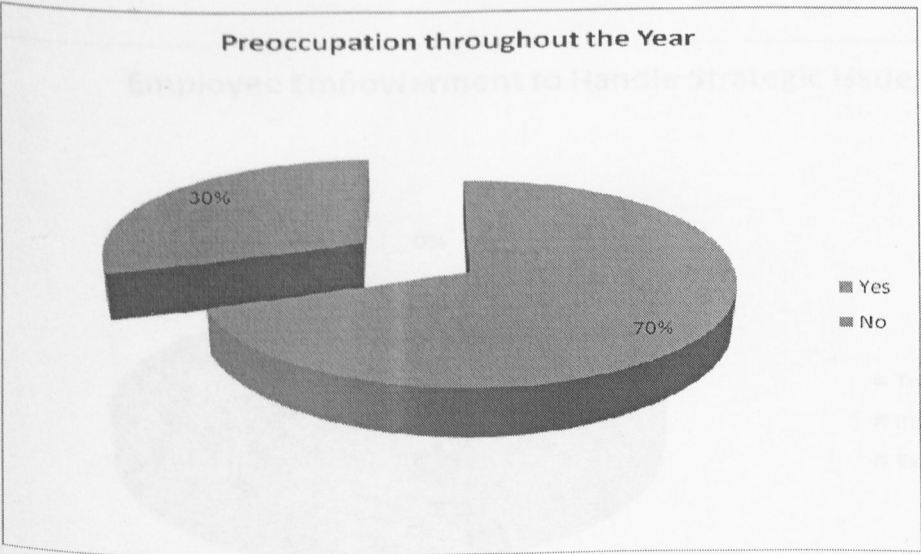
Source:(Author ,2008)

When the respondent were asked whether they were preoccupied throughout the year with checking the critical urgent and critical issues, the study found that, the majority as shown by 70% were preoccupied, while 30% were not occupied as presented in table 4.7 and figure 8.

In table 4.5 and figure 9.

Figure 9: employee empowerment to handle strategic issues

Figure 8: pre occupation throughout the year



Source:(Author ,2008)

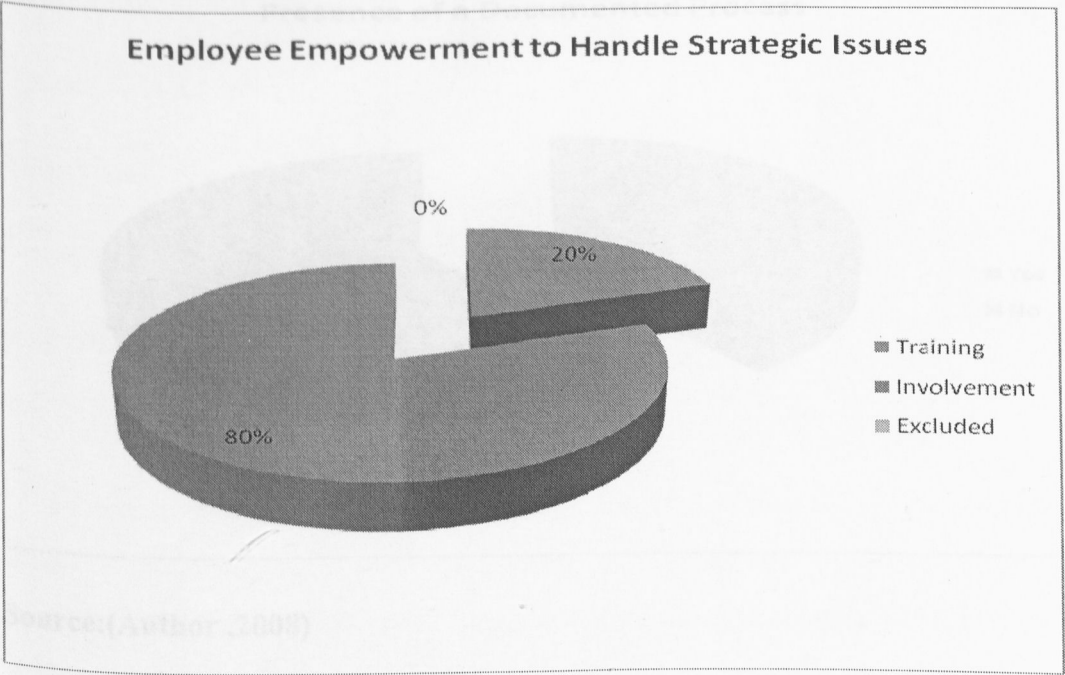
Table 4.8 : Employee Empowerment to Handle Strategic Issues

	Frequency	Percent
Training	2	20.0
Involvement	8	80.0
Excluded	0	-
Total	10	100.0

Source:(Author ,2008)

On the question on how they empowered they employees to handle strategic issues, the researcher found that the majority as shown by 80% empowered their employees through involvement, while 20% empowered their employees through training, as found in table 4.8 and figure 9.

Figure 9: employee empowerment to handle strategic issues



Source:(Author ,2008)

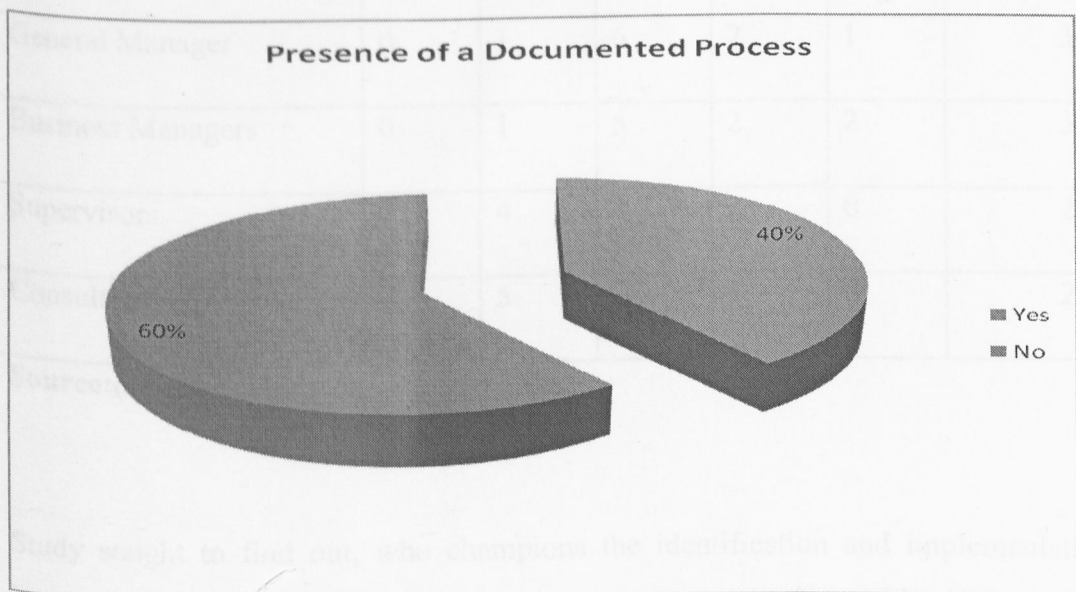
Table 4.9 : Presence of a Documented Process to Handle Strategic Issues

	Frequency	Percent
Yes	4	40.0
No	6	60.0
Total	10	100.0

Source:(Author ,2008)

From the finding in table 4.9 and figure 10, the found that the majority of the company didn't have any documented process to handle strategic issues (60%), while 40% believed there was documented process.

Figure 10: Presence of Documented Process



Source:(Author ,2008)

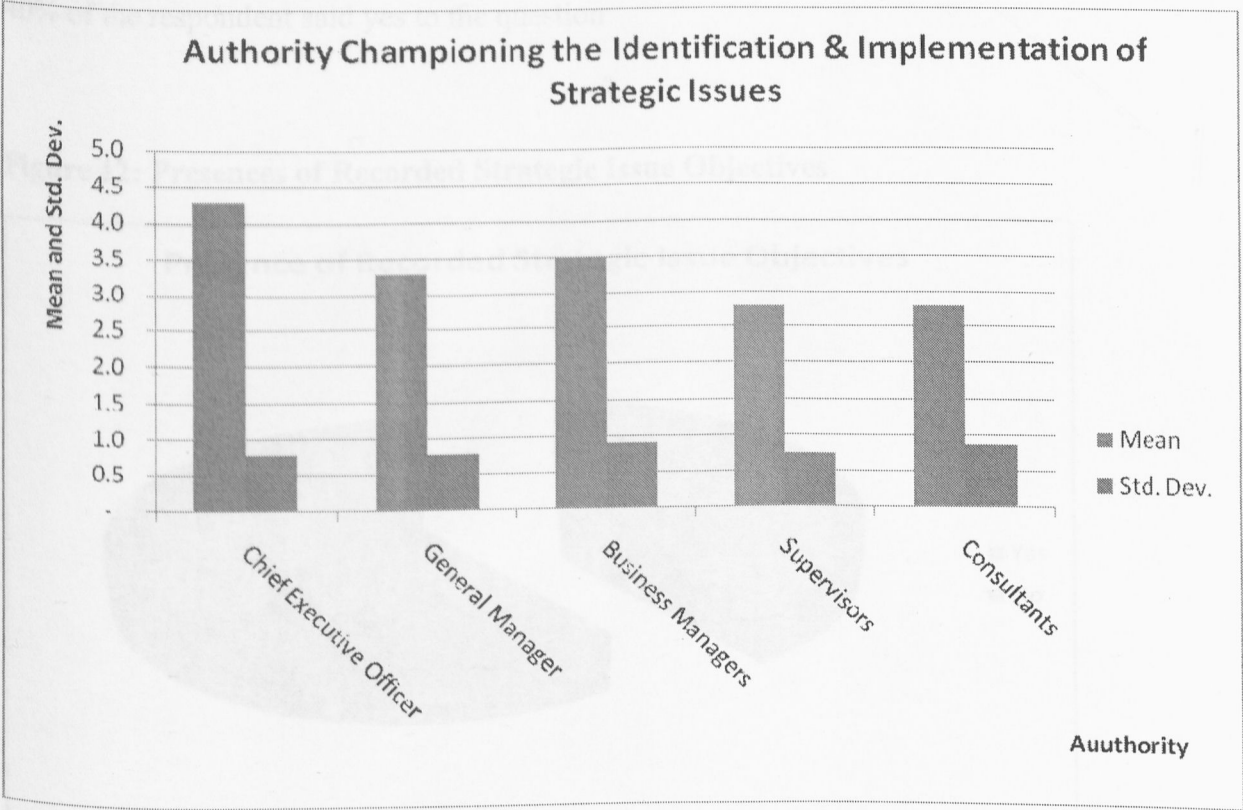
Table 4.10 : Authority Championing the Identification & Implementation of Strategic Issues

	Responsible	Responsible	Responsible	Responsible	Responsible	Mean	Std. Dev.
Chief Executive Officer	0	0	2	3	5	4.3	0.8
General Manager	0	1	6	2	1	3.3	0.8
Business Managers	0	1	5	2	2	3.5	0.9
Supervisors	0	4	4	2	0	2.8	0.7
Consultants	0	5	2	3	0	2.8	0.9

Source:(Author ,2008)

Study sought to find out, who champions the identification and implementation of strategic issues in the company. From the findings as summarized in table 4.10 an figure 11, Chief Executive Officer and business Managers were more responsible as shown by a mean score of 4.3 and 3.5 respectively, while general manager, supervisor and consultant were moderately responsible as shown by a mean score of 3.3,2.8and 2.8 respectively

Figure 11: Authority Championing Identification and Implementation of Strategic Issues



Source:(Author ,2008)

Table 4.11 : Presence of Recorded Strategic Issue Objectives

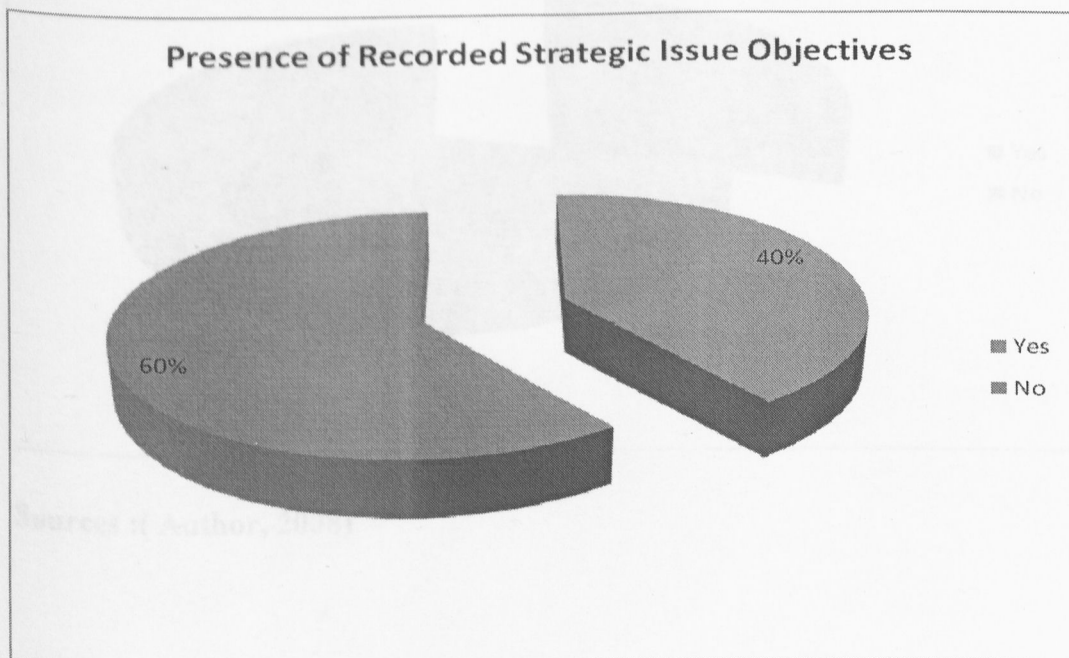
	Frequency	Percent
Yes	4	40.0
No	6	60.0
Total	10	100.0

Source:(Author ,2008)

In order to find out the presences of recorded strategic issue objective for the current year the researcher requested the respondents to state whether there was recorded strategic issue objective

for the current year, From the findings of the study, the majority as shown by 60% said no, while 40% of the respondent said yes to the question

Figure 12: Presences of Recorded Strategic Issue Objectives



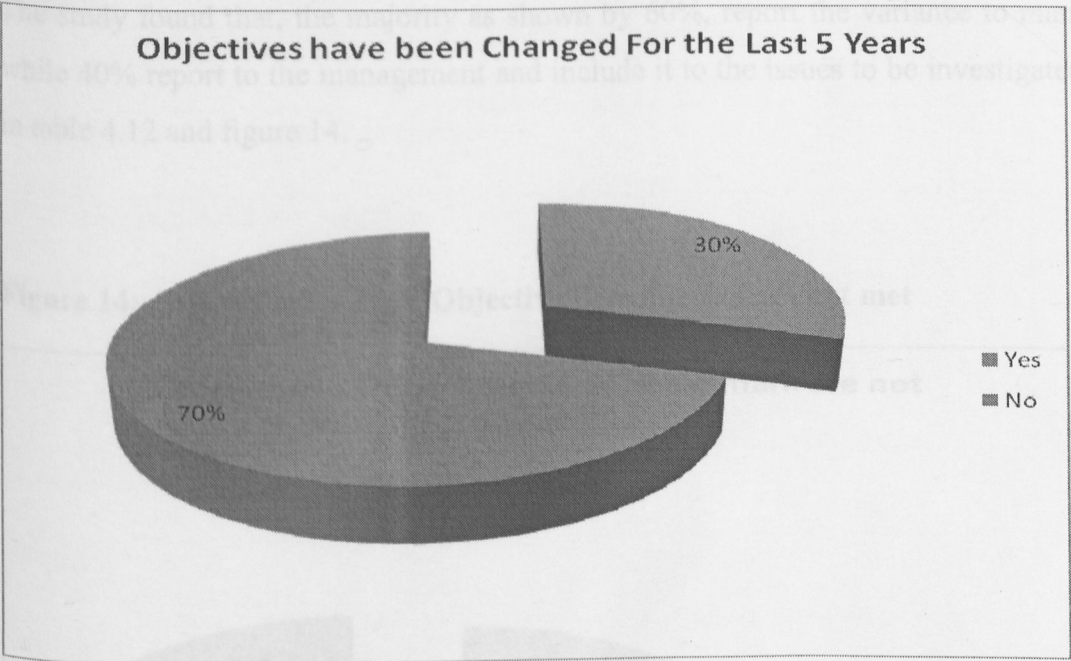
Source:(Author ,2008)

Table 4.11 : Action taken when Objectives Benchmark are not met

	Frequency	Percent
Report to management only	9	60.0
Report & include in issues to be investigated	4	40.0
Total	10	100.0

Source: (Author, 2008)

Figure 13: Whether those Objectives have been Changed for the Last 5 Years



Sources : (Author, 2008)

From the finding in figure 13, majority of the respondent as shown by 70%, said there had been no change of the objectives for the last five years, while 30% said there had been change in the to objectives for the last five years

Sources : (Author, 2008)

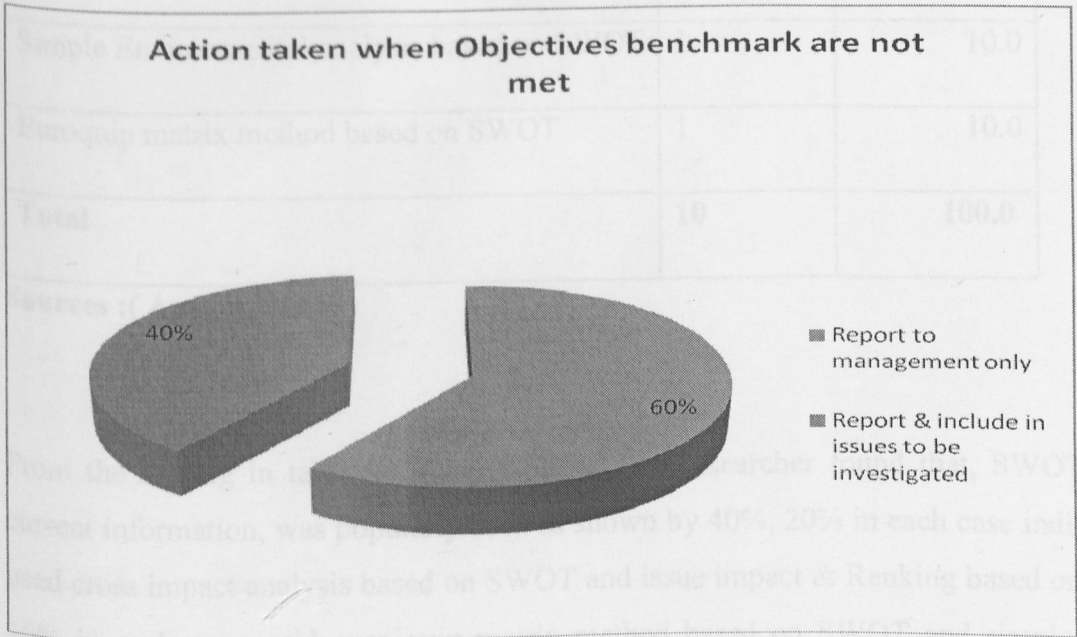
Table 4.12 : Action taken when Objectives Benchmark are not met

	Frequency	Percent
Report to management only	6	60.0
Report & include in issues to be investigated	4	40.0
Total	10	100.0

Sources : (Author, 2008)

The researcher sought to know what was done when the target/objective benchmark are not met. The study found that, the majority as shown by 60%, report the variance to management only, while 40% report to the management and include it to the issues to be investigated, as presented in table 4.12 and figure 14.

Figure 14: Action Taken when Objective Benchmarks are not met



Sources : (Author, 2008)

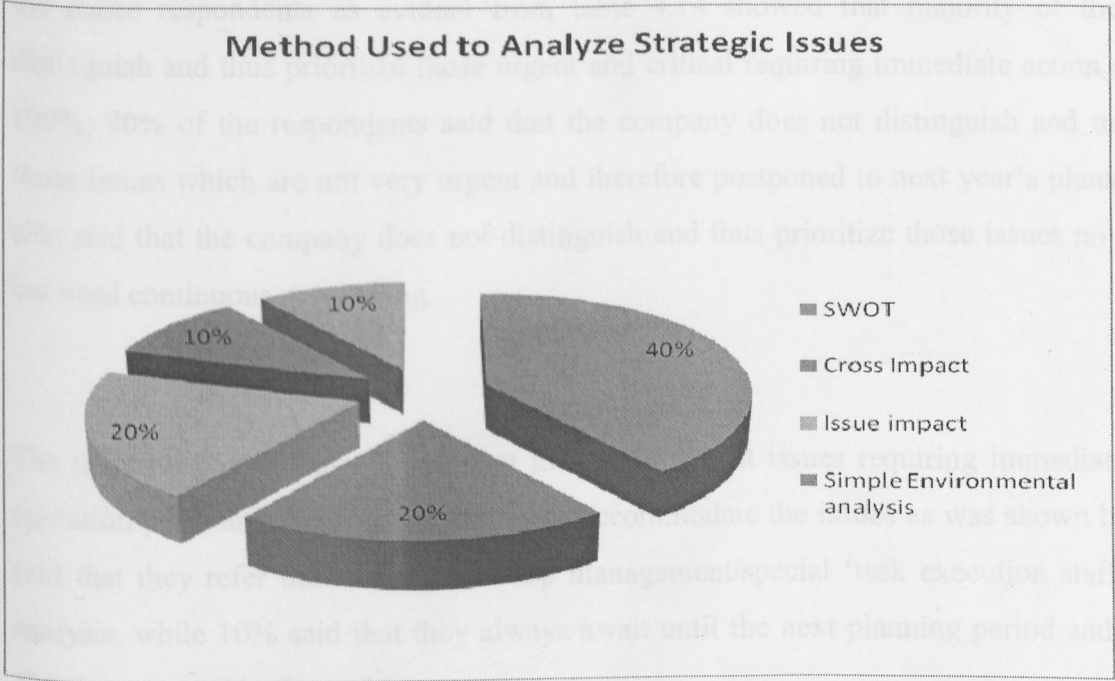
Table 4.13: Method Used to Analyze Strategic Issues

Method Used to Analyze	Frequency	Percent
SWOT based on current information	4	40.0
Cross Impact Analysis based on SWOT	2	20.0
Issue impact & Ranking based on SWOT	2	20.0
Simple Environmental analysis based on SWOT	1	10.0
Euroquip matrix method based on SWOT	1	10.0
Total	10	100.0

Sources : (Author, 2008)

From the finding in table 4.13 and figure15, the researcher found that, SWOT based on the current information, was popularly used as shown by 40%, 20% in each case indicated that, they used cross impact analysis based on SWOT and issue impact & Ranking based on SWOT, while 10% in each case, said euro quip matrix method based on SWOT and simple environmental analysis based on SWOT.

Figure 15: Method Used To Analyses Strategic Issues



Sources :(Author, 2008)

Table 4.14 : Distinguishing & prioritizing the following Issues

	Frequency	Percent
Immediately alter operation plans to accommodate the issues	6	60.0
Refer it to top management/special "task execution staff for further analysis	3	30.0
Always await until the next planning period and incorporate	1	10.0
Total	10	100.0

Sources :(Author, 2008)

The researcher also investigated whether the company distinguishes and prioritizes the issues, the entire respondents as evident from table 4.14 showed that majority of the companies distinguish and thus prioritize those urgent and critical requiring immediate action as shown by 100%, 90% of the respondents said that the company does not distinguish and thus prioritize those issues which are not very urgent and therefore postponed to next year's plans, while 60% also said that the company does not distinguish and thus prioritize those issues not very urgent but need continuous monitoring.

The majority of respondents said that in case of urgent issues requiring immediate action, the operation plans are altered immediately to accommodate the issues as was shown by 60%, 30% said that they refer the issues to the top management/special 'task execution staff' for further analysis, while 10% said that they always await until the next planning period and incorporate. This is presented in figure 16.

Figure 16: action taken on urgent issues requiring immediate action

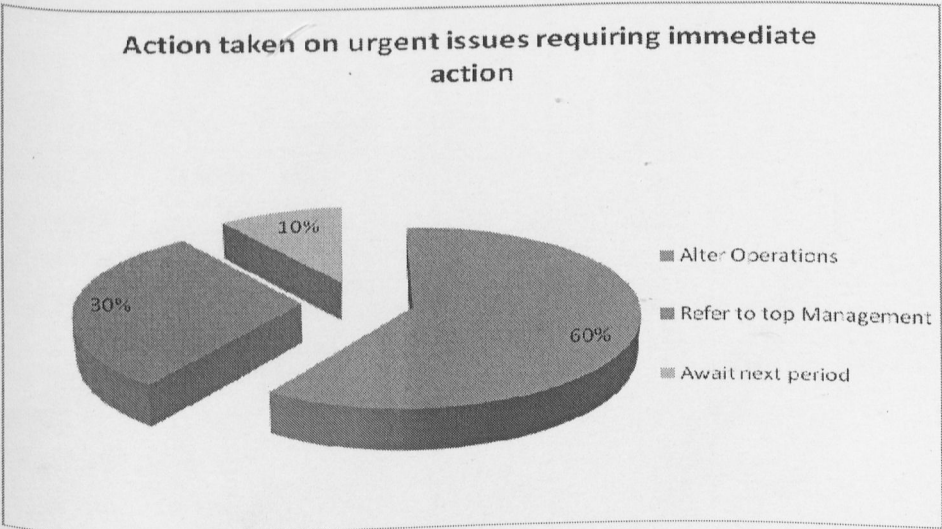


Table 4.15: Management Authority

Statement	Not applicable	To a less extent	Moderate	To a great extent	To a very great extent
Review of strategic issues	0	10	0	60	30
Accept or reject strategic issues proposals	10	10	30	30	20
Offer advisory role in strategic issues management process	0	0	10	40	50

From the results of the study revealed that the management had authority to review strategic issues and to offer advisory role in strategic issues management process to a great and to a very great extent at 90% each, while to accept or reject strategic issue proposals to a great and to a very great extent was at 50% as contained in table 4.15

Table 4.16: Statements That Apply To the Organizations

Statement	Not applicable	To a less extent	Moderate	To a great extent	To a very great extent	Mean	Std dev
Strategic issue management holds a place in our company	10	0	0	50	40	4	1.31
Strategic issue management is a motivating activity to undertake	0	0	40	10	50	4.1	0.99
The management understands how critical it is to address strategic issues	0	0	10	50	40	4.2	0.71
The resources required to handle strategic issues are adequate	0	10	50	30	10	3.4	0.92
Strategic issues management is allocated ample time by top management	10	0	40	40	10	3.4	1.19
The importance of strategic issues management is clear to everyone in the organization	0	30	40	20	10	3.2	1.04
The top management takes activities interest in the output of strategic issue	30	0	40	10	20	3.1	1.55

committee							
The strategic issues committee is highly respected and held with high esteem	40	10	0	30	20	2.9	1.81
There is a feeling of teamwork in the strategic issues committee	40	10	10	10	30	2.8	1.75
Strategic issues management is incorporated in our annual plans	10	0	10	40	40	3.9	1.36
Clear channels of communication exist to disseminate strategic issues to the staff	10	0	30	40	20	3.6	1.30
Strategic issues logs are clear to all the line managers	20	0	10	40	30	3.4	1.60

Source: (Author, 2008)

The study also sought to find out the extent that the statements in table 4.16 apply in the organizations. From It was found that management understands how critical it is to address strategic issue as it had the highest mean of 4.2, which in the response scale of 1-5; it means that this variable was important to a great extent. The study also found that Strategic issue management was a motivating activity to undertake as shown by a mean score of 4.1, Strategic issue management held a place in the company shown by a mean score of 4, Strategic issues management is incorporated in our annual plans as shown by a mean score of 3.9 and Clear channels of communication existed to disseminate strategic issues to the staff as was shown by a mean score of 3.6.

Other statements that were moderately rated were that the resources required to handle strategic issues were adequate, Strategic issues management was allocated ample time by top management and also strategic issues logs were clear to all the line managers as shown by a mean score of 3.4 in each case, the importance of strategic issues management was clear to everyone in the organization as shown by a mean score of 3.2 and the top management took activities interest in the output of strategic issue committee as shown by a mean score of 3.1.

The study further found that, the strategic issue committee needs to be highly respected and held with high esteem if the strategic issue management need to be successful and also there needs to be a lot of efforts to build teamwork in the strategic issue committee as these two variables had the least mean of 2.9 and 2.8 respectively.

Table 4.17: Extent that Strategic Issue Management is Considered as a Project Worth Investigating in

	Frequency	Percent
To a great extent	3	30
To a very great extent	7	70
Total	10	100.0

Source: (Author, 2008)

The study sought to find out the extent to which the organizations considered strategic issue management as a project worth investigating in.

The results from table 4.17 shows that strategic issue management was considered as project worth investigate in to a very great extent by 70% of respondents, while 30% viewed it important to a great extent.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the major results have been discussed, conclusions made and recommendations to the relevant people and institutions.

5.2 Discussions

From the analysis and data collected the following discussion, conclusion and recommendation were made.

From the study, the researcher found that the majority of the companies were wholly locally managed and owned; the study also found that majority of respondent rated the practices of strategic issue management as partially practiced in their respective companies, this is a clear indication that majority of the companies didn't practice strategic issue management often, on the importance of strategic issue management to the company, the study found that the majority agreed that the strategic issue management was indeed very important to the future success of the company. It was also noted from the majority that the management responds very fast to tackling strategic issues in the company.

The study also revealed that customer management was the most important in performance measure, profitability, market share and innovation were more important performance measure to the company while liquidity was moderately important performance measure. The study also found that, all the factors were more important to the company before engaging in strategic management. These factors were; opinion of the consultant, other oil companies, past experience, industry policy, core competence and needs of customers. It was further revealed that majority of the respondent were pre occupied throughout the year with checking critical urgent and critical issues which could affect their daily operations.

The study also found that the majority of the companies empowered their employees to handle strategic issues through involvement, while the rest used training as a way of empowering their

employees to handle strategic issues, it was further revealed the companies there wasn't documented process to handle strategic issues, the researcher also found that chief executive officer and the business manager were more responsible in championing the identification and implementation of strategic issues in the company, the general manager, supervisor and consultants were moderately responsible. The study also found out that, the majority of the companies didn't have any recorded strategic issue objective for the current year. It was further revealed by the study that, the majority of the company hadn't changed their recorded objectives for the last five years,

The study found that, the majority, reports the variance to management only, when the target/objective benchmark are not met. The study further revealed that in case of urgent issues requiring immediate action, the operation plans are altered immediately to accommodate the issues as indicated by the majority, while the rest refer the issues to the top management/special 'task execution staff' for further analysis and await until the next planning period and incorporate. On the practices used to analyze strategic issues, the study found that SWOT based on the current information, was popularly used as means to analyze strategic issues, SWOT and issue impact & Ranking based on SWOT were also used, while euro quip matrix method based on SWOT and simple environmental analysis based on SWOT were least used to analyze strategic issues.

On the question of distinguishing and prioritizing critical issues, the study also revealed that the entire respondents showed that majority of the companies distinguish and thus prioritize those urgent and critical requiring immediate, majority of the respondents said that the company doesn't distinguish and thus prioritize those issues which are not very urgent and therefore postponed to next year's plans, while majority also said that the company does not distinguish and thus prioritize those issues not very urgent but need continuous monitoring.

It was further revealed that, the majority of respondents said that in case of urgent issues requiring immediate action, the operation plans are altered immediately to accommodate the issues, while the refer the issues to the top management/special 'task execution staff' for further analysis and they always await until the next planning period and incorporate.

The study further found that the management had the authority to review strategic issues and also to offer advisory role on strategic issue management role to a great extent.

The researcher also found that management understood how critical it was to address to address strategic issue, Strategic issue management was a motivating activity to undertake, Strategic issue management held a place in the company, Strategic issue management was incorporated in the annual plans and also clear channels of communication existed to disseminate strategic issues to the staff. The study also revealed that strategic issue management is considered as project worth investigate in to a very great extent

5.2 Conclusions

From the study, the researcher concluded that most of the independent oil companies partially practices strategic issue management in their organization. It was also concluded that strategic issue management was indeed very important to the future success of the company and the management responds very fast to tackling strategic issues in the company.

5.3 Recommendations

From the summary of the findings and the conclusions in this chapter, the researcher can highly recommend strategic issue management as a process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives it should be highly implemented in the independent oil companies in Kenya for them to realize their set goals and objectives.

The study also recommended that for the strategic issue management practice to be successful in the companies, the companies should have a documented process in their company to handle strategic issues. This will also ensure that these strategic issues are well kept for future reference.

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APPENDICES

Appendix 1: Questionnaire

Section 1: Company data

1. What is the name of your company?

.....

2. Please indicate your job title

.....

3. When was the company started?

4. Kindly indicate the appropriate management and ownership of the company

a) Wholly foreign

b) Wholly local

c) Government

d) Individual

e) Others (please specify).....

Section 3: Practices of strategic issue management

(NB: A strategic issue is a forth coming development either inside or outside of the organization which is likely to have an impact on the ability of the enterprise to meet its objectives)

5. How do you rate the level of strategic issue management practices in your organization (please tick one)

(a) Highly practiced ()

(b) Not practiced ()

(c) Partially practiced ()

6. How important is strategic issue management to the future success of your organization?

(a) Of no importance ()

(b) Of limited importance ()

(c) Important ()

(d) Very important ()

(e) Essential ()

(f) Others (specify).....

7. In your view, which is the most important performance measure in your organization? please rank them accordingly to level of importance (1 being the most important and 5 being the least important)

(a) Profitability ()

(b) Market share ()

(c) Management of customers ()

(d) Liquidity ()

(e) Innovation ()

(d) Others (please specify)

8. How can you rate the top management response to tackling strategic issues in your company?

(a) Very fast ()

(b) Fast ()

(c) Sometimes ()

(d) Do nothing ()

(e) Other (specify)

9. How would you rate the following factors before engaging in strategic issue management in your company? (please tick) (NB 1 being least important and 5 being most important)

	Statement	1	2	3	4	5
a	Opinion of consultants					
b	Other oil companies					
c	Past experiences					
d	Industry policy					
e	Core competences					
f	Needs of target customers					
g	Others (please specify)					

10. Are you continuously preoccupied throughout the year with checking critical urgent and critical issues, which may affect your daily operations?

Yes ()

No ()

11. How are the employees in your organization empowered to handle strategic issues?
(please tick)

(a) Training ()

(b) Involvement in identifying solutions ()

(c) Excluded ()

(d) Others (specify).....

12. Is there a documented process in your company to handle strategic issues?

Yes ()

No ()

13. Who champions the identification and implementation of strategic issues in your company?

(NB: 1 denotes least responsible while 5 denotes most responsible)

	Statement	1	2	3	4	5
A	Chief Executive Officer (CEO)					
B	The General Managers					
C	Business Managers					
D	Supervisors					
E	Consultants					
F	Others (please specify)					

14. Does your company have recorded strategic issue objectives for the current year?

Yes () No ()

15. Have you changed those objectives for the last five years?

Yes () No ()

16. What do you do when the targets /objectives benchmark are not met?

(a) Report the variance to the management only

(b) Report to the top management and include it in list of issues to be investigated

(c) Others (please specify).....

17. Which method/technique /practice do you use to analyze strategic issues?

(NB: 1; SWOT means analysis of the strengths, weaknesses, opportunities and threats facing the company)

(NB: 2; For the purpose of this question the words method, technique, practice implies the same thing the way you analyze strategic issues:

	Yes	No
SWOT based on current information only		
Simple environmental impact analysis method based on SWOT (where each issue is analyzed separately without considering the effect of other identified issues		
Cross impact analysis method based on SWOT (where various related critical issues are grouped together the likelihood of simultaneous occurrence estimated and hence identify possible future major loss/disaster or future major profit /opportunity		
Issue impact and ranking method based on SWOT (where critical issues are ranked according to urgency and therefore grouped as to the following urgent issues needing immediate action; those issues not very urgent to be postponed to next year's plans; those issues not very urgent but which need continuous monitoring throughout the		

year; those issues of lesser importance and hence dropped from the issues list)		
Euroquip matrix method based on SWOT where the impact /urgency of issues is done after the evaluation of the issues impact and issues urgency. This involves prior and vigorous assessment of whether the strengths and /or weaknesses are applicable to respond to treats/opportunities)		

18. Do you distinguish and thus prioritize these issues as:

(a) Those issue not critical issues but require immediate action

Yes () No ()

(b) Those issues which are not very urgent but needs continuous monitoring throughout the year by a specified officer Yes () No ()

© Those issues which are not very urgent and therefore postponed to next year plans Yes () No ()

(d) Other (please specify).....

19. If the answer in (30) (a) above is yes what action do you take on urgent issues requiring immediate action? tick one as appropriate

(i) Where practical, immediately alter operation plans to accommodate the issue

(ii) Where the issue is impractical,immediately refer it to top management /special “ task execution staff” for further analysis

(iii) Always wait until the next planning period and incorporate it there

(iv) Other (please specify).....

20 To what extent does the company management have authority to the following?

(1-Not applicable, 2-to a less extent, 3-to a moderate extent, 4-to a great extent, 5-to a very great extent)

a	Statement	1	2	3	4	5

B	Review of strategic issues					
C	Accept or reject strategic issue proposals					
d	Offer advisory role an strategic issue management process					

21. To what extent do the following statements apply to your organization? tick where appropriate (1= not applicable ,2=to a less extent 3= to a moderate extent 4=to a great extent ,5=to a very great extent

(Table on the next page)

	Statement	1	2	3	4	5
a	Strategic issue management holds a place in our company					
b	Strategic issue management is a motivating activity to undertake					
c	The management understand how critical it is to address strategic issues					
d	The resources required to handle strategic issues are adequate					
e	Strategic issues management is allocated ample time by the top management					
f	The important of strategic issue management is clear to every one in the organization					
g	The top management takes active interest in the output					

	of strategic issues committee						
h	The strategic issue committee is highly respected and held in high esteem						
i	There is a feeling of teamwork in the strategic issues committee						
j	Strategic issue management is incorporated in our annual plans						
k	Clear channels of communication exist to disseminate strategic issues to staff						
l	Strategic issue logs are clear to all line managers						

22. To what extent do you consider strategic issue management as a project worth investing in (tick where appropriate)

- (a) Not applicable ()
- (b) To a lesser extent ()
- (c) To a moderate extent ()
- (e) To a great extent ()
- (f) To very great extent ()

Thank you very much