

Organization responses to external environmental changes:

A Case Study of Kenya Pipeline Company (KPC)

By:

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fulfilment for the requirements of the award of the
degree of Master of Business Administration,
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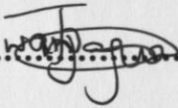
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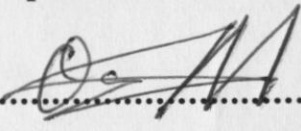
Declaration

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

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

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Acknowledgment

I reserve special appreciation to our Almighty Father for life through which all things are possible.

Dedication

To Steve, Tracy, mum and dad.

With the encouragement, support and contribution of a number of people to whom I am deeply indebted.

I owe special thanks to my supervisor Dr. Martin Ogutu for his constructive criticism, support and insightful guidance that has yielded to the successful completion of the study.

I am grateful to the management of Kenya Pipeline Company for allowing me conduct a field study on the company. Special thanks to the managers who I interviewed for the completion of the study.

I acknowledge the invaluable support of my family especially my daughter Tracy who sacrificed many days without me as I labored to complete this assignment.

Finally I thank all my friends for the encouragement and unbiased support to see me through the successful completion of the BBA programme.

May God bless you all.

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Abbreviations

AGO-	Automotive Gas Oil
ISO-	International Organization for Standards
JET-A1-	Jet Fuel (Aviation fuel)
KOSF-	Kipevu Oil Storage Facility
KPC-	Kenya Pipeline Company
KPLC-	Kenya Power and Lighting Company Limited
KPRL-	Kenya Petroleum Refineries Limited
LGP-	Liquefied Petroleum Gas
MOE-	Ministry of Energy
MSP-	Motor Spirit Premium
MSR-	Motor Spirit Regular
OPEC-	Oil Producing and Exporting Countries
PIEA-	Petroleum Institute of East Africa
SGS-	Societ Generale de Surveillance

Abstract

The motivation for this research project was the researcher's deep desire to establish organizational responses to external environmental changes. The study was to ascertain the responses by Kenya Pipeline Company (KPC) to changes in the external environment. Its objective was to document the challenges caused by these changes and how KPC has responded to them.

The study was based on primary data which was collected using an interview guide and secondary data available in KPC library. Content analysis was used as an interview schedule was the tool for data collection. The data was analyzed and interpreted in line with the aims of the study. Ten (10) people were interviewed; six (6) departmental heads, two (2) depot managers, and two (2) assistant managers involved in strategic planning process. All of them had same sound experience in the company of more than five (5) years.

The findings of this study revealed a number of responses that KPC has used to counter environmental changes. In responding to the changes, the company has used a combination of strategies which includes strategic planning, capital injection, capacity building and adopting technological change. The findings confirmed that the company operates in an environment that is not static but characterized by many changes and challenges.

The theoretical framework was based on the Ansoff-McDonnell model of 1990 that outlines the relationship between environment, strategy and capability. The company has to align her strategies to the environment changes to ensure that strategic gap does not occur. Consequently, the company must redesign her capability to ensure effective implementation and at the same time avoid capability gap occurrence. Critical finding was that strategic responses were used to respond to environment changes. New legislative requirement and response depended on financial capability.

The following recommendations were also made that KPC should first deal with issue of resistance to change for her to implement any change and enhance her strategic

capabilities. Secondly she should invest more on Information Communication Technology (ICT) and internet for her wide network of clients.

1.1 Background

1.1.1 Organizational Response to External Environmental Changes

Environmental changes are seen as having a significant impact on survival of organizations in the whole world. Kenya is not an exception. Changes are political, technological, social, and technical, market regulation, change in tax laws, changes in government safety and quality driven concerns. For instance some of the changes that have taken place are, liberalization of oil sector in 1994, policy reforms to stop fuel hoarding and adulteration, introduction of unleaded petrol and low sulphur diesel, increase payment of taxes on imported refined products and meeting social demand of liquefied Petroleum Gas (LPG). In return, organizations have been triggered to adapt to these changes in order to succeed in their businesses.

Porter (1985) observed that external environment is significant to organizations to the understanding that all organizations operate in open systems and they depend on their external environment for their survival. According to him, organizations utilize inputs from the environment while the outputs of these inputs are consumed by the same environment. The two are interdependent and inseparable. Porter concluded that no organization can survive if it ignores its environment.

Ansoff and McDonnell (1990) observed that organizations are environment dependant and that failure to adapt their efforts to their environment leads to strategic problems. This eventually causes a mismatch of organizations' strategies to the environmental changes. According to them, whenever organizations are faced with significant changes in their environment, they are mandated to revise their strategies to match the current conditions. They pointed out that organizations must adjust their strategies in accordance with environmental changes. Indeed, organizations must capitalise on opportunities in their environment for them to achieve their objectives as observed by Charles Ghemal. Managers have to monitor the external changes including customers and identify whether there is any organization in their environment that is moving in the same direction as their own. Monitoring environment enables them to avoid any strategic misadventure. At the same time, it enables them to

CHAPTER ONE: INTRODUCTION

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having great dependence on environment so much that the two need each other in operations.

1.1.2 Kenya Pipeline Company (KPC)

Kenya Pipeline Company was formed on 6th September, 1973 by an Act of parliament and incorporated under the companies act, Cap 486. It started its commercial operations in 1978. The company is under Ministry of Energy with 100% government shareholding. The company is a source of revenue to government in terms of dividends and taxes. The survival of KPC is critical to the development of Kenyan economy. Government has a major stake in the industry since petroleum industry is a major source of its revenue.

KPC operates a pipeline system for transportation of refined petroleum products from Mombasa to Nairobi and Western Kenya regions of Nakuru, Kisumu and Eldoret. The major objective of the company is to provide the economy with most efficient, reliable, safe and least cost means of transporting petroleum products throughout the country. According to Chief Human Resources, KPC has one thousand five hundred and thirty nine (1,539) employees. The company's mandates includes; first to build a pipeline for the conveyance of petroleum products from Mombasa to Nairobi and any other pipeline in East Africa as the company may determine and secondly to manage or operate such pipeline whether or not built by the company and pumping, storage and other facilities as company consider desirable to manufacture, construct, maintain or modify. KPC offers three main services to their customer namely; transportation, storage and loading of petroleum products. The products are Jet A1, Kerosene, gas oil, gasoline. This is well outlined in her vision which reads, "To be a world class petroleum products distribution, handling and supply network in Africa"

In transportation, KPC delivers petroleum products transported in a single line at intervals or in batches in the following sequence; gas oil-gasoline-gas oil-Jet A1-kerosene-gas oil. This is to ensure that products are not contaminated. The company has a quality control section whose role is to guarantee quality by offering assurance of all products passing through the line. In storage, KPC provides storage facilities for her clients in Mombasa, Nairobi, Nakuru, Eldoret and Kisumu. This is done through its storage facilities at its depots in Nairobi, Nakuru, Kisumu and Eldoret and its Jet

fuel depots for Jomo Kenyatta International Airport and Moi International Airport. Mombasa is the receiving point of the imported products. KPC provides loading of products at its Western Kenya depots of Nakuru, Kisumu and Eldoret where all export products are loaded at Kisumu and Eldoret depots.

1.2 The Research Problem

A company exists and grows because it provides a community with goods & services the community sees as worthwhile. To do this effectively, the company must cope well with its external environment and ensure that no strategic gap occurs between its strategies and environment changes. Whenever there is a strategic gap, the company mismatches its environment thereby lagging behind in its operations. KPC is in a very dynamic environment where many changes are occurring at an alarming rate. The dynamism of the environment calls for organizations to constantly redesign their strategies to remain effective.

The demand of energy all over the world has grown and changed radically since the great industrial revolution as observed by Ngige (2006). Global demand for petroleum products is intense. The demand has risen by approximately 4.8 billion litres a day since 2005 and is expected to rise by 50 billion litres a day in the next two decades. Kenya and East African region's demand of petroleum product has not been static. The demand in this region has increased by 4.5% from 2002 to 2004. (KPC Corporate Strategic and Financial Plan 2005/6 -2009/10). KPC is expected to put in place a plan to enhance infrastructure capacity.

KPC is the only company in Kenya that manages and operates a pipeline used in distribution of the refined petroleum products. She serves thirty eight oil companies who are in a very competitive environment. The pipeline capacity is out done due to the high demand and consumption of oil in Kenya and its land locked neighboring countries such as Rwanda, Uganda and Burundi. This has called for the necessity to expand and extend the pipeline system to serve all her customers efficiently and effectively. The storage facility also requires to be enhanced to cater for the increased importation of the oil. Lack of viable alternative energy source has been a constant challenge to all countries that rely on imported petroleum products. This made the pipeline capacity to be outdone consequently leading to oil shortage. Serious capacity

constraints within her pipeline system have hampered her ability to meet the growing demand within the country. As a result, other means of transport mainly road and railway networks have been used as alternatives which face a lot of challenges and insecurities of customers' products.

A number of studies have been carried out to document responses by various organizations to changing environment which have revealed that different organizations respond to changes in environment in various ways. Chepkwony (2001) and Isaboke (2001) concluded that oil firms made major marketing strategy adjustments by offering competitive prices in order to be competitive in the liberalised market. Thige (2002) confirmed that airlines responded in expansion of networks, shelving of unprofitable routes and cutting cost in order to survive in a changing environment. Njau (2000) confirmed that East African breweries made adjustment in competitive position in the face of increased competition. Kandie (2003) confirmed that Telkom Kenya was faced with external competition and as result undertook internal adjustment. Wairegi (2004) affirms that insurance companies responded to changes in environment by introducing new products, new distribution channels and undertaking organisations structures. Mutugi (2006) observed that micro finance in Kenya faces challenges in its turbulent business environment. The institutions were mandated to strategize themselves appropriately in order to achieve their competitive advantage by adopting low cost strategy that targeted low income earners.

Gitia (2006) indicated that NAS Airport strategically positions herself in a very turbulent environment for her survival by improving quality of their goods and services in order to enhance customers' satisfaction. The firms therefore strategically respond to that change. Muthuri (2003) observed that Christian churches must position themselves strategically in their changing environments by massive introduction of televangelism especially in Pentecostal and Evangelical churches. Other studies have shown that different organizations respond differently to the same environment in which they operate. None of these studies has focused on KPC and we expect she must have responded to the changes in her external environment. It is against this idea that the study needs to be undertaken and the paper will attempt to look at how organizations respond to environment changes through conducting a case study of KPC.

CHAPTER TWO: LITERATURE REVIEW

1.3 Research Objectives

- i. To determine how the environment has been changing for KPC.
- ii. To establish challenges these changes have posed to KPC.
- iii. To establish how KPC has responded to the changes in the environment.

1.4 Importance of the study

The study will assist KPC policy makers and managers on how they should respond to changes in the environment by developing appropriate strategies to put in operations. This will be achieved through documenting strategy responses and its quest to achieve maximum service efficiency to its clients. The study will also help Ministry of Energy and KPC customers in understanding why they react differently whenever they are faced by environmental changes. The study will help scholars who may wish to identify issues for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Environment Change

Organizations face challenges that are posed by their external environment. This environment in which organizations operate in is not static and is continuously changing. The study will therefore concentrate on the external environment of organization with an indication of changes occurring in that environment. Burnes (2004) defines external environment as those forces external to an organization such as market, customers, economy etc that influence its decisions and operations. Johnson et. al., (2005) described the external environment as being uncertain. Failure to scan the environment in an effort to spot changing trends and conditions leads to serious strategic problems characterized by maladjustment of the organization output and demand of its external environment as observed by Thomson and Strickland (1993). Traditionally, external environment of an organization was not considered as a major area of concern since it was stable and unchanging. Infact, resources were considered as inexhaustible. Today, the world is very different with external groups who have particular agendas that are organized and powerful and many organizations depend on them for support.

Porter (1985) indicated that external environment includes economical forces, socio-cultural, demographic and technical features and competitive forces such as competitors, customers and suppliers. He categorized the environment as remote, industry and operating environments. External environment can be viewed as a source of life to an organization and should be continuously monitored to ensure that activities are conducted in a way to satisfy the needs of the environment. It dictates what takes place in an organization and any decision made reflects what is happening in the environment. It is considered as complex in nature where the complexity arises as a result of interconnections between various factors that influence it. These factors are dynamic in nature. Organization should understand the business environment with the aim of helping to identify key issues and ways of coping with complexity and change.

Stoner et al (2003) observed that organizational environment has been changing since 1970's when the world faced a great change in petroleum prices and organizations

had to consider how to reconfigure them to this external event into account. In 1980s, changes were experienced when there was a shift from local to global that affected most organizations as the market competition was intensified across the world. In 1990s, there was the emergence of new technologies for communication and information processing that revolutionized the way we think about organizations. Consequently, worldwide concern about natural environment has emerged. According to Stoner et. al., (2003) organizations are neither self-sufficient nor self-contained but rather they exchange resources with and are dependent upon the external environment. They viewed external environment as all elements outside an organization that are relevant to its operations.

Burnes (2000) indicated that organizations take inputs (raw materials, money, labour and energy) from external environment, transform them into products or services and then send them back as outputs to the external environment. According to Scholes et. al., (2005), external environment has both direct-action and indirect-action elements. Direct-action elements also known as stakeholders include shareholders, unions, suppliers and many others who directly influence an organization. On the other hand, indirect-action elements include technology, economy and politics of a society that affect climate the organization operates in. The role of stakeholders may change as organizational environment evolves and develops. Managers of organizations should therefore be sensitive to this fact when searching for factors that influence organizations' behavior and as they recommend for responses to environmental changes. Organizations operate in an open system where they interact with the external environment. The concept of open system is derived from the resources requirement of all organizations from external environment.

Government bodies are seen as key factors that influence organizational changes. Economist indicated that laissez-faire developed in 18th century stipulated that government should exert no direct influence on business but instead should limit themselves to preserving law and order allowing free market to shape the economy.

This has gradually changed especially at the beginning of 20th century which is seen as abuses of business power led by United State of America government to take role of "watchdog" regulating organizations to protect the public interest and ensure adherence to free market principles. Many laws were therefore passed which

established and enforced ground rules within which business must be operated. Court decisions have also influenced organizational environment by shaping the strategies and policies of modern business organizations. State and local government too have taken in the “watchdog” role and passed laws concerning the operations of businesses within their boundaries, (World Bank, 2000).

External elements that affect organizations indirectly create a climate rapidly changing technology, economic growth or decline, changes in attitudes towards work in which the organization exists and to which it may ultimately have to respond to as observed by Child and Smith (1987). Today’s computer technology has made it possible for the acquisition, storage, coordination and transfer of large amount of information about individuals or organizations. In recent years, changing social values have affected people’s commitment to equality of opportunity and the regulation of industry. It is therefore important for managers to monitor ways in which values affect our attitudes toward organization and work it. Social values changes vary from one country to another. Managers are therefore called upon to monitor factors in environment for early warning signs of change that would later affect their organizations’ activities.

Johnson and Scholes (1999) indicated that changes in environment give rise to opportunities for the organization and at the same time exert threats to it. Pearce and Robinson (2003) observed that external component should have strategic fit with the internal environment that includes organization’s systems, policies, resources capability and corporate culture. According to them, resistance to change frequently leads to gaps between the behaviors of the organization and the imperatives of the environment. In globalised economy, organizations are forced by environment to have dramatic improvement for them to survive, compete and prosper. The organization exists in the context of a complex political, economic, social, technological, environmental and legal world. This environment changes and is more complex for some organizations than others. It affects organizations in understanding the historical and environmental effects as well as expected or potential changes in environmental variables. Ansoff and McDonnell (1990) observed that managers have difficulties in segmenting organization’s environment into Strategic Business Analysis (SBAs). They fail to view environment through the eyes of the organization’s traditional

product line to viewing the environment as a field of future needs which any competitors may choose to address. Managers should therefore focus on future threats and opportunities offered by the environment.

2.2 Environment Challenges

Major challenges that affect organizations as a result of external environmental changes are technological, information, competition and political and cultural.

2.2.1 Technological challenge

Environmental turbulence poses a lot of challenges to the organizations as they struggle to cope with it for their survival. Organizations are forced to constantly redesign their strategies by the dynamism of the environment for them to remain effective. Organizations faced strategic challenges in 1960s to 1970s from technological turbulence, changing competition, saturation of growth and socio-political pressures. As a result of this, most organizations focused on optimization of their competitive strategies and optimization of business portfolio.

Ansoff and McDonnell (1990) observed that technology advancement is a major challenge to the organizations' operations. Organizations should become technology-driven in order to incorporate the latest technology developments that determine the pace of its strategic development as a result. Porter (1985) outlined that technological change is among the most important forces that alter rules of competition due to the fact that business activities are concerned with processing and transmitting within and between organizations. Technology development takes several forms such as novelty in product and process. Koontz and weihrich (2001) defined technology as sum total of the knowledge we have of ways to do things. It includes inventions, techniques and organized knowledge. Its main influence is on ways of doing things.

Technology strategy is considered as organization's approach to the development and use of technology. Technological change is one of the principle drivers of competition and it plays a major role in industry structural change as well as creating new industries. It is beneficial when it affects competitive advantage and industry structure positively. This means that not all technological changes are strategically beneficial.

For instance, it may worsen an organization's competitive position and industry attractiveness. At the same time, it requires a lot of investment and as such it is a powerful determinant of entry barriers. Technology strategy is all about innovation which should be considered as a principal way of attacking well-entrenched competitors. The sustainability of a technological lead depends on whether the technology is developed inside the industry or is coming from outside it. When fetched from outside the industry, its sustainability is quite difficult due to the fact that external technology source decouples an organization's access to technology from its technological skills and Research and Development spending rate.

2.2.2 Information Challenge

As a challenge, organizations lack strategic information in their business environments. Availability of strategic information assists in determination of future performance potential of an organization which would be available in Strategic Business Analysis (SBA) to successful competitors. Traditionally, strategic planning had inadequate extrapolative accounting based information system which misled in forecasting performance in turbulent environments. As a result, this called for development of forecasting and environmental analysis technique that gave nonlinearities, complexity and unpredictability of future environments. This was designed to develop future trends and identify significant future variables in competitive analysis.

Environmental surveillance and analysis techniques can be used in filtering environmental information before an organization uses it. For instance, during "petroleum surprise" oil producing nations produced a major discontinuity in the world petroleum prices and many firms were caught unaware since no advance indicators of the surprise were given in their forecasts. The development of computer and telecommunications have transformed the business environment and process although the information technology has assisted organizations to meet the challenges of changes through engaging strategic forces such as internetworking, internet, intranets and extranets.

2.2.3 Competition Challenge

Competition has changed customers' mind and relationships so much that they easily shift their choices to any substitutes offered as long as their needs are satisfied. Porter (1985) observed that competition determines the appropriateness of an organization activity that can contribute to its performances such as innovations, cohesive culture and good implementation. Competitive strategy aims at establishing a profitable and sustainable position against the forces that determine industry competition. It shapes the organization environment and responds to the same environment. Any organization should therefore achieve and sustain competitive advantage in its environment. This can be achieved through cost or differentiation competitive advantage in the application of value chain as the basic tool.

Competitive advantage stems from many discrete activities an organization performs in designing, producing, and marketing, delivering and supporting its product. The value chain may be used to point out activities that need to be isolated such as those with discrete technology and economies. The challenge is in cost leadership an organization may opt to take to pursue competitive advantage. It is quite challenging because managers may concentrate on manufacturing costs and overlook the impact of other activities such as marketing, service and infrastructure on relative cost position. The cost of individual activity is analyzed sequentially without recognizing the linkages among activities that can affect cost. Organizations also have great difficulties in analyzing and assessing the cost positions of competitors for them to be in a position to assess their own relative positions. As a result, they often resort to simplistic comparisons of labour rates and raw material costs. In order to overcome the challenge, managers must resort to meaningful cost analysis that examines costs within the value chain activities. Cost advantage results when organization achieves a lower cumulative cost of performing value activities than its competitors. These activities costs are dynamic and organizations need to consider how they change over time independent of its strategy.

Einshardt et. al, (2001) observed that analysis of cost dynamism enables organization to forecast on how the cost drivers change and which activity will decrease or increase in relative cost importance. Indeed organizations may achieve cost advantage through anticipation of these changes and quickly respond to them. Cost dynamism is boosted

by factors such as industry real growth, differential scale sensitivity, different learning rates, differential technological change, relative inflation of costs and market adjustment. As an organization aims at achieving cost advantage, the quality of its produce may be affected by cost dynamism. An organization strives to achieve and continually improve cost efficiency in its operations as it exercises its strategic capability. The challenge here is to ensure that appropriate level of value is offered at an acceptable price. The costs have to be maintained as low as possible that must account for the value provided in order to avoid inviting competitors or encourage customers switch to other products. An organization is forced to grow because if it grows more slowly than its competitors, competitors will gain cost advantage in long term. Likewise, if an organization cannot manage its cost efficiently and continue to improve on it, it will be vulnerable to those who can. Sustainable competitive advantage can be achieved by developing strategic capabilities over time. The challenges to managers is that environments are changing very fast, technology is giving rise to innovation at a faster rate which leads to greater capacity of imitation and substitution of existing products and services. More emphasis has therefore to be placed on the organization's capability to change, innovate, flexibility and adaptation to rapidly changing environment.

Scholes et. al,(2005) indicated that organizations face challenges in trade offs they need to make in order to achieve a level of threshold capability required for different sorts of customers. Many may have found it difficult to compete in market segments that require large quantities of standardized products and added value specialist products. Established organizations may therefore experience redundancy of capabilities as step changes in business environment take place. An organization should strive to dispose those redundant resources or competences for it to be able to free up sufficient funds to invest in new ones that are required which have high cost base. For organizations to survive and prosper, they need to address the challenges of the environment turbulence that they face. They must be capable of delivering against critical success factors that arise from demands and needs of their customers.

2.2.4 Political and Cultural Challenge.

Attitude and actions of political and government leaders and legislators change with the ebb and flow of social demands and beliefs. Koontz and Weihrich (2001)

observed that government affects virtually every enterprise and aspects of life. It promotes and constrains business. It promotes business by stimulating economic expansion and development while it constraints business by requiring organizations to act under conduct of law and regulation. These laws and regulations present a complex environment to all organizations' managers.

Pearce and Robinson (2003) defined organization culture as a set of important assumptions that members of an organization share in common. It comprises of beliefs, values and norms shared commonly. It is therefore considered as the "operating system" of the organization. This culture is dynamic in nature and organizations need to align it continuously with environment. Organization culture should change in order to support changes in the organization that respond to environmental changes. The concept of social responsibility requires organizations to consider impact of their actions on society. This is the reason why ethical environment sets generally acceptable and practical standards of organization conduct. The environmental challenge to managers is to design an environment that is conducive to performance and satisfaction of the society. Organization leadership involves actions in guiding organization to deal with constant changes and shaping the culture to fit with opportunities and challenges placed by the environment. Managers are called upon to display strong leadership, great courage and responsibility.

Other challenges experienced by organizations are government policy, management style, employees and stakeholders. Scholes et. al, (2005) observed that new legislations always pose a challenge to organizations as they may dedicate or commit more resources to ensure that it is in-line with new government policies or legislation. The government policies are in form of new taxation regimes, social welfare reforms and foreign trade regulations. Different managers adopt different styles. Organizations with flat structures make decisions easily as opposed to those with multi-layer structures. Autocratic managers may also hamper changes within their organizations which pose challenges in decision making. Wheeler and Hunger (1990) indicated that the nature and workforce of employees has changed due to demographic factors and skills which have posed a challenge to organizations as managers find it necessary to experiment with quality programs and self managed groups. Maina (2006) indicated that organizations find it difficulty to achieve desired goals and objectives if morale of

the workers is low. Ill-motivated employees may resist changes to sabotage the organization and this poses a challenge to the managers.

2.3 Organizational Response to Environmental Changes.

Organizations respond to external environment challenges in both strategically and operationally levels. Different organizations respond differently to changes in environment. Onhmae (2001) observed that change is very essential if organizations are to be effective. He proposed two ways in which organizations should overcome the challenge of handling a changing environment in their strategy. Firstly, organizations should recognize the source of change to the industry though most changes are obvious while others are hidden. Secondly, organizations must translate, decide and adapt these changes. Organizational response has become an academic field in its own right. Rich with own ideas, the field is prominent among management researchers. Porter (1985) observed that competitive strategy examines the way in which an organization can compete more effectively to strengthen its position in the environment. Any such strategy must occur in the context of rule of the games for socially desirable competitive behavior established by ethical standards and through public policy. Organization therefore responds either strategically or operationally which is demonstrated in the form of market and product coverage, technology, cultural change, leadership and restructuring.

2.3.1 Strategic Response

The rules of game cannot achieve their intended effect unless they anticipate correctly how business responds strategically to competitive threats and opportunities. Ansoff and McDonnell (1990) observed that essence of strategy is to relate the organization to the changes in the environment. A good strategy helps an organization to have competitive advantage. According to them, strategy is a powerful tool for coping with the conditions of change for it offers significant help in copying with turbulence faced by the organization. They also noted that environment is required to analyze their environment in terms of distinct areas of trends, threats and opportunities that are offered by it. In this case, an organization could use Strategic Business Area (SBA) analysis as an example which is a distinct segment of environment in which an organization does business. The outcome of such an analysis is the growth,

profitability, turbulence and technology prospects which are offered by SBA in the future to any competent competitor.

Managers are required to construct scenarios of possible futures for them to see how strategies need to be changed or developed. This is as a result of future being different from the past. This can be done through PESTEL framework that is used to identify how future trends in political, economical, social, technological, environment and legal aspects management impinge organizations. This differs from one sector to another. For instance, in technology development, people's way of working is changed, and their living standards and lifestyles too. Whenever these factors change, they affect competitive environment in which organizations operate. PESTEL framework therefore helps observing future impact of environment factors on organizations. Thompson and Strickland (1978) considered strategy as the game plan that management of any organization has for positioning the organization in its market and environment. Koch and Richard (2000) observed that strategy is the commercial logic of a business that defines how the organizations have competitive advantage. They defined competitive advantage as the ability to provide goods and services effectively in a way to outperform ones rivals in the same business. Competition is therefore seen as a battle that each organization is out to win.

Porter (1980) outlined a five forces model that is used to understand how competitive dynamics within an industry can change and its effect on organizations. The model comprises of new entrants threats, rivalry within an industry, threats of substitution, bargaining power of buyers and bargaining power of suppliers within an industry. The model demonstrates that pressure from one direction triggers off changes in another direction in a dynamic process of shifting sources of competitions. It can be used to gain insights into the forces at work in the industry environment of a strategic Business Unit (SBU) that requires particulars attention in development of strategy. Strategic gap occurs when opportunities are not exploited. Strategic gap in this case is seen as an opportunity in competitive environment that is not being fully exploited by competitors. For instance, though substitutions are seen as threats, they provide opportunities since management is mandated to improve on their efficiency.

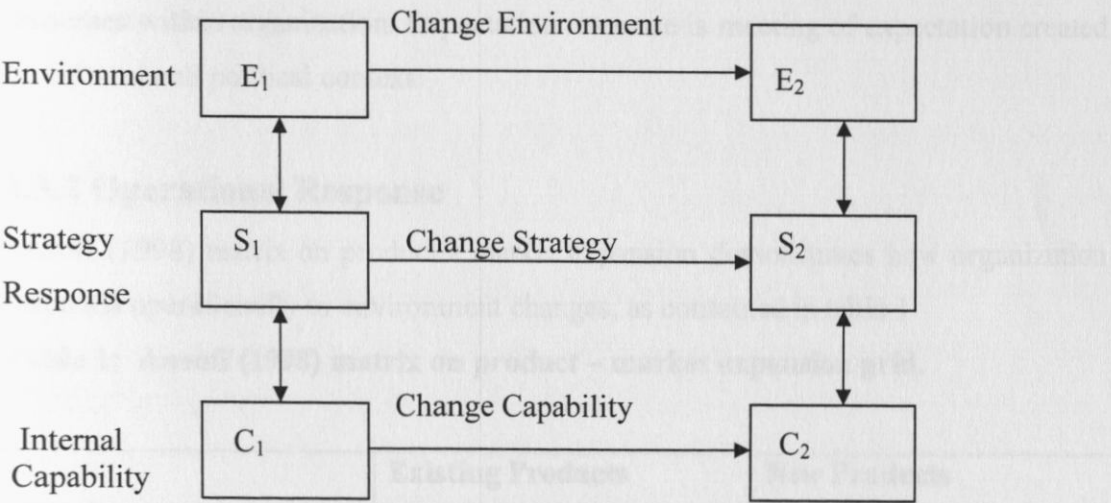
Mullins (2005) observed that a SWOT analysis assists managers to identify the key issues from the business environment and the strategic capability of any organization that are most likely to have an impact on strategy development. The aim is to identify the extent to which the current strengths and weaknesses are relevant to and capable of dealing with threats or capability on opportunities in the business environment. External environment in which organizations operate is capable of creating opportunities and threats. At the same time, successful strategies are dependant on organizations internal strategic capability for success and survival. Strategy development is driven by opportunities afforded in changing environment. Such developments are necessary in order to achieve strategic fit which implies that organizations must change internal strategic capabilities to better fit such opportunities. The SWOT analysis will identify key issues from business environment and outline ways of dealing with changes taking place. The analysis has both internal and external factors where strengths and weaknesses are internal while opportunities and threats are external factors that influence organizations in their business environment. Managers assess interrelationships between the environmental impacts and strengths and weaknesses of an organization. A positive relationship is obtained when the organizations strengths helps in taking advantage of or counteract a problem arising from an environmental change or when a weakness is offset by such a change. A negative relationship is realized when an organization strength is reduced by such a change or a weakness would prevent organization from overcoming problems associated with the change.

Pearce and Robinson (1997) observed that more emphasis has been placed on the organization's capability to change, innovate, be flexible and adapt to rapidly changing environment. In such a case, organizations are forced to opt for dynamic capabilities in order to cope with the dynamic conditions. Organization's ability to develop and change competences to meet the needs of rapidly changing environment is necessary. These capabilities are both formal and informal. Formal capabilities include organizational systems for new product development and standardized procedure for agreement on capital expenditure or may take a form of major strategic moves such as acquisitions or alliances by which new skills are learned by the organizations. Capabilities are informal where decisions made are taken faster than usual when fast response is needed.

New opportunities can be created by stretching and exploiting capabilities in ways in which competitors find difficult to match. An organization achieves competitive advantage over the others when it has capabilities that others do not have or others have difficulties in obtaining them. The capabilities could be the resources that organization has or the way in which resources are deployed. Grant (2002) observed that survival and success of an organization occurs when it creates and maintains a match between its strategy and environment and also its capabilities with its strategy.

Ansoff model of 1998 demonstrates how organizations strategically respond to a change in the environment, as shown in figure 1

Fig 1: Relationship between environment, strategy and organization’s capability.



Source: Ansoff and McDonnell (1990): pp 40

Key

- E₁ - Environment 1
- E₂ – Environment 2
- S₁ – Strategy 1
- S₂ – Strategy 2
- C₁ – Capability 1
- C₂ – Capability 2

In environment 1, organization strategy is S₁ and capability C₁. S₁ meets its objectives but its success depends on its capability. Turbulence moves higher to level E₂ and this call for strategy response by developing S₂ which operates in C₂. A strategic gap is

realised whenever there is no shift in strategy yet E_1 has moved to E_2 . Likewise if strategy shifts without a shift in capability, capability gap is realised.

Johnson and Scholes (1999) viewed strategic response as strategic fit and stretch. Strategy is taken as the matching of resources and activities of an organization to the environment it operates. In strategic fit, organizations develop strategies by identifying opportunities in the environment thereby adapting resources so as to take advantage. In strategic stretch, the organization uses resources in environment to yield new opportunities. Strategic response involves changes to the organization's strategic behaviour. This could be environmental, capability or expectation based. In environmental based response, organization changes strategic behaviour to fit in the changing environment. Capability response is the stretching and exploiting of resources within organization. Expectation response is meeting of expectation created by cultural and political context.

2.3.2 Operational Response

Ansoff (1998) matrix on product - market expansion demonstrates how organization responds operationally to environment changes, as contained in table 1

Table 1: Ansoff (1998) matrix on product – market expansion grid.

	Existing Products	New Products
Existing Markets	A) Protect and build	B) Product development
New Markets	C) Market development	D) Diversification

Source: Johnson et al (2005): pp 341

In A, organization decides to maintain existing product in existing market by protecting and building it through advertisement with an aim to penetrate the market further. In B, a new product is developed to satisfy customers need and placed in existing market. In C, a new market is developed for the existing product. In D, the organization introduces a new product in a new market through diversification.

Information technology has assisted organizations in overcoming the challenges of changes through engaging strategic forces such as internetworking, internet, intranets etc. In restructuring, changes pursued by organizations in the long term change both

its strategic and operations directions. Restructuring may stem as a response to opportunities and threats arising from the turbulent environment or through internal analysis of weaknesses and strengths of the organisation. Pearce and Robinson (2003) observed that restructuring is used at identifying root causes of corporate failures and strategic planning gaps thereby finding long-term solutions.

Mullin (2005) indicated that organisations respond to environmental changes by managing its people for capability development. Strategic capability relies a lot on day to day activities undertaken by people in the organisation. These people need to be trained and developed on the development of competences. Human resources policies are used in identifying right skills for competences to be achieved. The organisation should assist its people in realising how their work relates to the strategic picture which enhances the likelihood that they would contribute positively to helping achieve competitive success and increases their motivation to do so. In so doing, people are prepared in advance to welcome change in the organisation and this reduces chances of any resistance to change. Managers and individuals in the organisation control resources, activities and business process that are crucial in enabling strategic success. This is done in order to curb changes in the business environment with which they interface. For instance Human resources specialists should understand money markets and marketing managers understand the customers.

Enabling success is concerned with relationship between overall business strategies and strategies in separate resource areas such as people, information, finance and technology. This was effected in the beginning of twenty first century where many organisations were engaged in incorporation of new information technology and exploitation of available in the business. Organisations respond to environmental change by managing information available in the changing business environment. Information processing has great impact in transforming the way in which organisations build their relationship with others in their value network. Koontz and Weihrich (2001) indicated that a business model describes the structure of product, service and information flows and the notes of the participating parties. For instance E-Commerce models have emerged from traditional business models to take the modern ones. Information technology has therefore impacted organisations in various ways. It has replaced physical or paper-based with electronic processes. For example

e-shops movies, marketing and “display” to websites, E- procurement moves tendering, negotiation and purchasing process to websites. This has reduced costs and enhanced wider choices. It has significantly extended the functions that traditional business models can offer. For example sourcing or selling through e-auctions is easy and cheap and leads to significantly reduced purchasing costs or increased revenues. E-commerce business models are able to create better value for money for customers. In so doing, they threaten the position of some organisations while at the same time create opportunities to others. The information technology has transformed the competitive forces in an industry.

Child and Smith (1987) observed that organisations are able to respond to environmental changes through management of changes. Education and communication involve the explanation of the reasons for and means of strategic change. Organisations should allow all stakeholders be involved in changes affecting them for smooth operations to take place. They should be involved in their developing and planning processes and also in change processes. In return, this will create change ownership. People need to change longstanding mindsets or taken for granted assumptions; the paradigm has been a major challenge in achieving strategic change. There has been a lot of resistance to change where these longstanding assumptions persisted. People tend to question, reconfigure and reinterpret such analysis to bring inline with the existing paradigm. Well organised routines can be a block to welcome change. It is therefore important to identify critical success factors and competences for any organisation to succeed in change management. For instance, effective communication is an important factor in overcoming resistance to change.

Various researchers conducted in Kenya have shown that organisations are dynamic as the environment is, and they respond to the changing environment in various ways which include marketing, introduction of products, restructuring and adoption of new technologies. Chepkwony (2001) and Isaboke (2001) concluded that oil firms made major marketing strategy adjustments in order to be competitive in the liberalised market. Thige (2002) confirmed that airlines responded in expansion of networks, shelving of unprofitable routes and cutting cost in order to survive in a changing environment. Njau (2000) confirmed that East African breweries made adjustment in competitive position in the face of increased competition. Kandie (2003) confirmed

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The study was done through a case study design. The method was suited for identifying details of KPC. As indicated by Kothari (1990), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of a study. It enables a researcher to collect in-depth data on population being studied and allows him to be more focussed. According to Kothari, it is a powerful form of quantitative analysis that involves a careful and complete observation of a social unit or entire community. Content analysis was used as an interview schedule was the tool for data collection. In total nine (9) people were interviewed; five (5) departmental heads, two (2) depot managers and two (2) assistant managers involved in strategic planning process and have worked for the company for at least five (5) years. The departmental heads cut across Corporate planning and business development, Engineering, Human resource, Operations and Financial departments and depot managers together with Chief executive, and company secretary as board members.. A letter of introduction (see appendix 1) was given to respondents before the interview.

3.2 Data Collection

Primary and secondary data relevant to the objectives of the study was collected for analysis. The data focused on how KPC has responded to environmental changes/challenges. Secondary data was obtained from KPC records such as Corporate Strategic Plans 2005/6-2009/10, financial statement, petroleum magazines, annual reports and the company's website. An in-depth interview was conducted to determine the challenges that have affected the company and the company's responses to these challenges. An interview guide (appendix 2) with exploratory questions was used to collect the relevant primary data for the study. The interview guide is divided into A, B, C, D, and E sections, each section with a set of questions relevant to the indicated aspects (see appendix 2). The major aspects are categorized as macro environment, industry and operational environment.

3.3 Data Analysis OUR DATA ANALYSIS AND FINDINGS

The data was analyzed using content analysis technique because it was qualitative in nature. The content of the answers was analyzed to address the various research objectives, that is, to deduce evidence of what kind of environmental changes are affecting KPC, and to establish how KPC has responded to the changes. The study attempted to focus on responses by KPC to environmental challenges at both strategic and operational levels.

The study reports Strategic Plan, statistical reports and departments' plans. The collected data has been analysed and interpreted in line with aims of the study namely to document strategic response of KPC to the external environment changes.

KPC is a class A Petroleum with a turnover of about Ksh. 7.8 Billion per annum. The company structure consists of departments headed by departmental heads. All departments work together through information sharing to ensure realisation of the company's Vision and Mission. These departments cut across Operations, Marketing, Maintenance section, Finance, Auditing, Corporate Planning, and Human Resources Development. Operation department carries out the daily operations of the company which includes receiving, unloading, pumping, storage, and delivery of petroleum products to the customers. Quality control is essential in maintaining product quality during receipt, transfer and delivery to customers at various locations. A system label has been put in place to ensure the quality of the product. The throughput volume of 3,137,15843 was realized in the year of 2003/04, an increase of 11.9% compared to the previous financial year, 2002/2003, performance of 2,793,51083. Throughput of 3-4 M3 was achieved at the end of 2004/05 and an increase of 10% compared to the year 2003/04. The company's key performance measures are based on throughput and the company has to pay due attention to the issues of national security.

KPC's Mission and objectives as articulated in 1994 through an act of parliament, is to provide a pipeline for conveyance of petroleum products from Mombasa to Nairobi. The account of the company or account of others and any other pipeline in East Africa as the company may determine. Her Mission statement reads "To efficiently, economically and safely transport, store and deliver petroleum products to customers."

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter covers data analysis and findings which are the result of personal interviews carried out with the respondents identified in chapter three, Research methodology section of this study. It is also the result of secondary data obtained from KPC that includes Corporate Strategic Plan, sessional papers and departmental plans. The collected data has been analysed and interpreted in line with aims of the study namely to document strategic response of KPC to the external environment changes.

KPC is a class A Parastatal with a turnover of about Ksh. 7.8 Billion per annum. The company structure consists of departments headed by departmental heads. All departments work together through information sharing to ensure realisation of the company's Vision and Mission. These departments cut across Operations, Engineering, Maintenance section, Finance, Auditing, Corporate Planning, and Business Development. Operation department carries out the daily operations of the pipeline which includes; receiving, batching, pumping, storage, and delivery of products to the customers. Quality control is essential in maintaining product specifications during receipt, transfer and delivery to customers at designated issuing points. In her throughput Performance, she serves both the export and local market. A total throughput volume of 3,157,158M3 was realized at the end of 2003/04, an increase of 11.9% compared to the previous financial year, 2002/2003, performance of 2,820,610M3. Throughput of 3.4 M3 was achieved at the end of 2004/05 and an assessment of current throughput trend indicates that the total pipeline throughput will be over 3.6M3 at the end of 2008/09. The company's key performance measures focus on throughput and the company has to pay due attention to the issues of national security.

KPC's Mission and objectives as articulated in 1974 through an act of parliament, is to build a pipeline for conveyance of petroleum products from Mombasa to Nairobi for the account of the company or account of others and any other pipeline in East Africa as the company may determine. Her Mission statement reads; "To efficiently, economically and safety transport, store and deliver petroleum products to customers,

while optimizing shareholder value, with utmost respect for the environment''. Her mandate refers to infrastructure and service provision and not specifically to the generation of profit. The government through Ministry of Energy recognizes the role played by KPC in facilitating supply and distribution of refined petroleum products to East Africa region and Kenya in particular. The over-riding objective that motivated the incorporation of the company was the government's desire to establish an efficient, reliable and safe mode of transportation for petroleum products throughout the country, which is from the port of receipt in Mombasa to the hinterland. By so doing, the government aimed at reducing the wear and tear of roads occasioned by heavy road tankers.

KPC entered into a performance contract with the government on 1st October 2004 where she was expected to sign same in subsequent years. The performance contract is a management tool to ensure accountability for results and transparency in management of the company's resources, improve service delivery and efficiency among others. Sessional paper No. 4 of 2004 on energy lays out the policy framework upon which cost effective, affordable and adequate quality energy services are made available to the domestic economy on a sustainable basis over the period 2004 -2023.

4.2 Changes in KPC's External Environment

Major changes in business environment that significantly affect the company's operations and capacity has awakened the company to review and align her strategies to the changing environment. Some these changes offer opportunities and threats to the company. The company therefore must take advantage of or hedge against by capability in its internal strengths and minimizing its weaknesses. The policy of liberalization and the formation of regional trading blocs offer most formidable challenges as well as best opportunities for KPC. The regional trading blocs provide best opportunity for the expansion and consolidate her business in Eastern and Central region. Prudent changes in business strategies are required for KPC to enhance sustainability and remain the dominant player in the region.

There has been an increased usage of the pipeline due to the increase in customers which has led to capacity constraints. Changes in customers' taste have too

contributed to her challenges calling for proper adaptation to the situation. In competition, major threat is posed by other models of transportation primarily road and railway networks. KPC has developed intermodal transportation strategy with other transporters in order to curb this threat.

4.3 Environmental challenges

KPC has faced challenges in technology, information, political and competition fields as a result of turbulence in her business environment. KPC has noted the challenge in changing of global and domestic business environment and acted proactively by putting in place a comprehensive Corporate Strategic Plan to mitigate against foreseen environmental challenges. Major challenges in her operating environment include; policy reforms such as liberalization of the oil sector in 1994 fight against dumping and adulteration of petroleum products, introduction of unleaded and low sulphur diesel, Kenya Revenue Authority (KRA) upfront payment of duties on imported refined products, meeting social demand for LPG gas, and expansion of pipeline system to Kampala in Uganda. KPC has therefore realized the relevance of her business expansion that goes along way in achieving the company's objectives, thereby improving its efficiency in its performance.

Another major challenge has been the possibility of damage to the pipeline and inability to transfer customers' products. This has made the company to input place intermodal transportation capability at its stations that allow truck loading and railway wagon loading. Threat of vandalism has been a challenge to KPC and this would lead to a serious environmental degradation in addition to loss of products. Competition amongst major shippers poses a challenge to KPC revolving around distribution margin. This has mandated the company to invest in overhead loading technology and ensuring that major clients maintain individual distribution office. Development in ICT has far reaching implications on the way companies carry out day-to-day business operations. KPC has positioned herself to take advantage of technology development policy by embarking on the implementation of her ICT strategy.

Other challenges include; political instability and upheavals in the producing countries that have a direct impact on the oil industry which in turn affects the pump

prices. Terrorism poses a big threat to business entities all over the world. The current targeting of strategic installations exposes the oil pipeline systems to such risks. The global political environment affects KPC in that increase or decline in oil prices affects the petroleum consumption in the region and subsequently KPC's throughput and revenue. Policies in international oil cartels such as OPEC (Oil Producing and Exporting Countries) have an upper hand on the regulation of oil supply and the prices of petroleum in the world market. OPEC's imposition of quotas on member countries fundamentally influences the oil prices. Discovery of oil in Sudan and other neighboring countries has a significant effect on the petroleum product supply network in the region. Plans to construct a railway line connecting Kenya and Sudan are underway and this creates formidable competition to KPC.

The growing global concern and enlightenment on the effects of environment degradation bring into sharp focus the need for ensuring environmentally friendly operations in the oil sector thus raising the stake on the risk of the operations of the oil industry. KPC has put in place facilities of ensuring availability of unleaded gasoline and low sulphur diesel in all her depots. The growing pressure to conform to the National Environmental Management Authority (NEMA) regulations on environmental protection and the need for safer petroleum transport poses a challenge to KPC. She is obliged to comply with the laid down environmental regulations. The world has witnessed dynamic development in technology especially in Information and Communication Technology (ICT). This development has far reaching implications on the way companies carry out their day-to-day business operations.

4.4 Response to External Environmental Changes

Response to environmental changes involves strategically positioning a company in a turbulent environment and understanding the strategic position of the company through a deliberate gathering of information and intelligence about the external environment of the company. Strategic position of KPC is to be the most modern petroleum transportation company in East Africa. This objective would be realized by consolidation of market position through expansion of the network in the East and Central African region, development of an Information Communication Technology policy and capacity, deployment of the latest technology in her operations, training

and effective management of knowledge and diversification. Survival of any company depends on how well it predicts and responds to changes and their impact to its operating and business environment. The company should therefore identify the opportunities it can exploit and threats which it can mitigate against in its situational analysis.

In her response to technology challenge, KPC undertook an ICT policy and strategy formulation with aim to rehabilitate company's information and communication systems and installation and implementation of a company's wide Information Management System (IMS) in 2003/04. In recognition of the importance of ICT, the section was upgraded to a department towards end of the year 2004 which addresses the company's ICT better.

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Summary, Discussions and Conclusions

The objectives of the study were to document changes that have occurred in Kenya Pipeline Company's external environment, challenges posed by the changes and ways in which she has responded to the changes by positioning herself strategically in her business environment. On the respondent's profile, nine top managers were interviewed where two were assistant managers.

The findings confirmed that the company operates in an environment that is not static but characterized by many changes and challenges. The dynamism of the environment implies that companies have to constantly redesign their strategies in order to remain effective in their operations. Major environmental changes identified by respondents were technological advancements, increase in oil demand and liberalization and legislative changes.

The legislation that the government required oil companies import petroleum products through an open central tendering system impacted on KPC's storage and pipeline capacities as constraints were experienced. Legal Notice Number 47 of June 2005 required all oil companies to import and offload petroleum products at KPC terminal in Mombasa thereby limiting privately owned depots from importing petroleum products directly into their terminals. Storage of imported products became a major problem at KPC as she struggled to satisfy her esteemed customers. The policy of liberalization and formation of regional trading blocs offer the most formidable challenges as well as opportunities for KPC. What may be regarded as sunk costs makes KPC the best option for the regional blocs and presents an opportunity for expansion and consolidation of her presence.

The findings of this study revealed a number of responses that KPC has used to counter environmental changes. In responding to the changes, the company has used a combination of strategies which includes strategic planning, capital injection, capacity building and adopting technological change. The government has put in place the development of the National Information Communication Technology (ICT) Policy

and the government Initiatives which require companies to develop company and departmental strategies in order to comply with the nation one. KPC is no exceptional and as such she has positioned herself to take advantage of this development in technology by embarking on the implementation of her ICT strategy.

KPC as a commercial business, the primary concern is about creation of value which is driven by higher returns, rapid growth arising from rapid and continued growth of business and lower risk that is within acceptable and appropriate limits of risk and uncertainty. The Corporate Strategic Plan that guides KPC in her daily operations and achievement of laid down objectives is based on reasonable assumptions derived from the current operating environment. This should therefore be reviewed annually in order to re-align the plan emerging external factors capable of affecting the plan in any way. The re-alignment must be in consistent with the strategic objectives of the company.

5.2 Limitations of the study

This was a case study, as a result the research findings cannot be used to make generalization on the industry. In order to allow generalization in the industry, a cross section survey covering the whole industry can be undertaken. Time limitation constrained the scope as the depth of the research.

5.3 Suggestions for further research

It is recommended that further studies to identify areas that KPC has competences to enable her achieve the coveted competitive advantage in the industry she operates in be undertaken.

5.4 Implications for Policy and Practice

Organization operates in a dynamic environment. This implies that strategic response well developed and appropriately adopted are powerful tools for acquiring and sustaining a competitive advantage. In view of the above, I suggest that KPC should first deal with resistance to change for her effective implementation of change that may make it remain efficient and effective in her operations. KPC should also invest heavily on ICT for enhancing her technology and efficiency.

The policy of liberalization and the formation of regional trading blocs offer challenges as well as opportunities for KPC. These presented opportunity for expansion and consolidation of her presence. She has technical know how of operating a pipeline having done for the last thirty years. Other factors that influence KPC's response to changes are political considerations, government desires, preferences of Chief Executive Officer (CEO) and pressure of the environmental dynamics such as those exerted by regional countries and trading blocs.

Key assumptions made for a company to realize her objectives include; sustained economic growth in counties served by pipeline infrastructure, political stability, and continued cooperation. Good corporate governance and stability in management tenures in the regions served by the pipeline are too necessary. Continued good will from the major shareholder which is the government is also necessary.

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www.bbcnews.com (Visited on 1st July, 2008)

TO WHOM IT MAY CONCERN

Recd of this letter Wahneema Lubiano

Ref: Ref: 121/2/2004/2004

Master of Business Administration (MBA) student of the University of
Banda, Banda Campus.

I am required to submit as part of her coursework assignment a research
report on a management problem. The subject of the study is to do
project on real problems affecting firms in Kenya. The subject therefore,
requests if you assist her by allowing her to collect data in your organization
for research.

Results of the report will be used solely for academic purposes and a copy
of same will be mailed to the interviewed organization as required.

Yours
Wahneema Lubiano

Wahneema Lubiano

Wahneema Lubiano

Wahneema Lubiano

Wahneema Lubiano





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DATE: 19th APRIL 2008

TO WHOM IT MAY CONCERN

The bearer of this letter **Wanjagua Teresa**

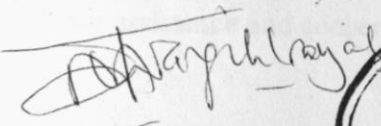
Registration No: **D61/P/8984/2004**

is a Master of Business Administration (MBA) student of the University of Nairobi, Bandari Campus.

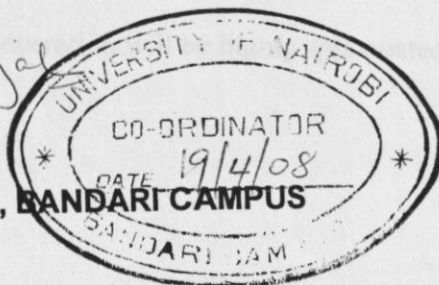
She is required to submit as part of her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist her by allowing her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


Cyrus Iraya

CO-ORDINATOR, BANDARI CAMPUS



Appendix 1

A letter of introduction

University of Nairobi
School of Business studies

Dear respondent,

I'm a postgraduate student in School of Business Studies, University of Nairobi.

I'm conducting a management research on responses of Kenya Pipeline Company to environmental changes.

In order to undertake the research, you have been selected to form part of the study. This letter is therefore to request your assistance in filling the attached questionnaire.

The information will be treated with strict confidence and is purely for academic purpose. A copy of the final report will be available to you upon request.

Your assistance and cooperation will be highly appreciated.

Yours faithfully,

Teresa wanjagua
MBA student


Dr. Martin Ogutu
Supervisor

Appendix 2

Interview Guide

Please answer the following questions;

A. Company Data

- 1) What is the size of your company?
- 2) How many employees;
 - i) Permanent?
 - ii) Temporary?
- 3) How long have you worked in the company?

B. General issues

- 4) Has the structure changed within the last 10 years?

If yes, what are the major changes that have taken place in the above?

- 5) What mechanism has KPC put in place to detect challenges in the environment?
- 6) What is the management plan in future concerning the challenges not responded to?
- 7) How do you assess the response of the company now?
- 8) How aggressive is the company's behavior in response to the challenges?
- 9) What major areas have improved in the company?
- 10) Does the company have standard performance measures for each department?

C. Macro environment

Political environment

- 11) What are the major changes in legal/political environment that have affected KPC in the last 10 years?
- 12) What challenges is KPC facing as a result of the changes above?
- 13) How has the company responded to the above changes?

Economical environment

- 14) What are the major changes in economical environment that have affected KPC in the last 10 years?
- 15) What challenges is KPC facing as a result of the above changes?
- 16) How has the company responded to the above changes?

Social- cultural environment

- 17) What are the major changes in social-cultural environment that have affected KPC in the last 10 years?
- 18) What challenges is KPC facing as a result of the changes above?
- 19) How has the company responded to the above changes?

Technological environment

- 20) What are the major changes in technological environment that have affected KPC in the last 10 years?
- 21) What challenges is KPC facing as a result of the changes above?
- 22) How has the company responded to the above changes?
- 23) How can you rate the company in terms of modernization? Is it at par with the market rate?

D. Industry

Competition

- 24) What are the changes that have taken place in the competitive business environment and have affected KPC in the last 10 years?
- 25) What challenges is KPC facing as a result of the changes above?
- 26) How has the company responded to the above changes?

Buyers

- 27) What are the changes that have occurred in the bargaining power of the buyers and have affected KPC in the last 10 years?
- 28) What challenges is KPC facing as a result of the changes above?
- 29) How has the company responded to the above changes?

Sellers/Suppliers

- 30) What are the changes that have occurred in the bargaining power of the sellers/suppliers and have affected KPC in the last 10 years?
- 31) What challenges is KPC facing as a result of the changes above?
- 32) How has the company responded to the above changes?

Substitutes

- 33) Has there been any changes involving substitutes to KPC's products/services?
If so, what are some of the changes?
- 34) What challenges is KPC facing as a result of the changes above?
- 35) How has the company responded to the above changes?

New entrants

36) Have there been new entrants into the market for the last 10 years? If so, what are some the new entrants and what changes have they brought about affecting KPC?

37) What challenges is KPC facing as a result of the changes above?

38) How has the company responded to the above changes?

E. Operational environment

Shareholders

39) Has there been any changes involving shareholders? If so, what are some of these changes?

40) What challenges is KPC facing as a result of the changes above?

41) How has the company responded to the above changes?

Competitors

42) Has there been any changes involving competitors? If so, what are some of these changes?

43) What challenges is KPC facing as a result of the changes above?

44) How has the company responded to the above changes?

Customers

45) Has there been any changes involving customers? What are some of these changes?

46) What challenges is KPC facing as a result of the changes above?

47) How has the company responded to the above changes?

Employees

48) Has there been any changes involving employees? If so, what are some of these changes?

49) What challenges is KPC facing as a result of the changes above?

50) How has the company responded to the above changes?

Suppliers

51) Has there been any changes involving shareholders? If so, what are some of these changes?

52) What challenges is KPC facing as a result of the changes above?

53) How has the company responded to the above changes?

Creditors

54) Has there been any changes involving shareholders? If so, what are some of these changes?

55) What challenges is KPC facing as a result of the changes above?

56) How has the company responded to the above changes?

57) What other changes not mentioned above that has affected KPC in the last 10 years?

58) What challenges is KPC facing as a result of the changes above?

59) How has the company responded to the above changes?

60) Have the responses produced desired results?

Thank you for your time.