EFFECTS OF RESPONSE STRATEGIES ON COMPETITIVENESS OF OIL MARKETING COMPANIES IN KENYA

BY

MARTIN KIMANI KAMENJU

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2015

DECLARATION

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

Signature: .... Date.....................................

MARTIN KIMANI KAMENJU
D61/60715/2013

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

Signature: .... Date.....................................

PROF. JUSTUS MUNYOKI
DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI

DEDICATION

This work is dedicated to the Almighty God, my wife, Maureen Kimani for her great and consistent support. To our daughter Trisha Kimani for her patience and understanding towards my successful completion of this course.

ACKNOWLEDGEMENT

I would like to express my deepest appreciation to the following people for their support that made this research paper a success.

To my academic Supervisor, Prof. Justus Munyoki for his contribution and support that enabled this research project to take its present form, without his guidance and persistent help, this research would not have been successfully completed.

I am sincerely grateful to God for the gift of serenity throughout my studies from the beginning of the course to its completion. I must admit humbly that the success of this research has been largely due to collaborative efforts and devotion of many people to who I owe a lot of gratitude.

Thank you to you all.

ABSTRACT

The oil marketing industry in Kenya has undergone major changes in the recent years. One of the major changes has been an upsurge of competition in the sector; this has been attributed to the high entry levels of private investors into the sector. Competition in the provision of this service is cut throat, with this the operators have been forced to adopt response strategies to survive. This is what inspired this study, to look at the effect of response strategies on competitiveness of oil marketing companies. The objectives of the study were to determine the response strategies adopted by oil marketing Companies in Kenya, and to establish the effects of the response strategies on the competitiveness of the oil marketing firms. The study adopted a descriptive cross sectional survey design. The target population of the study comprised all 36 oil marketing companies in Kenya. Data was collected using questionnaires and analyzed using descriptive statistics. The study established that the oil marketing companies adopted differentiation and diversification strategies to a greater extent. It was also established that these response strategies had an effect on the competitiveness of the marketing firm to a great extent. Differentiation strategy posed a challenge during the implementation process due to the exorbitant implementation cost of the strategy and the ever changing customer needs. From the regression analysis, the response strategies affected competitiveness of the companies greatly to 67%. Therefore there is need for a study to be conducted on the factors influencing competitiveness of Oil Marketing Companies in Kenya. This study will be of significant in identifying the effectiveness of the response strategies on competitiveness.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF ABBREVIATIONS

ATMA	Avoidance, Transference, Mitigation and Acceptance
ERC	Energy Regulatory Commission
KIPPRA	Kenya Institute for Public Policy, Research and Analysis
KPC	Kenya Pipeline Company
KPRL	Kenya Petroleum Refineries Limited
KRA	Kenya Revenue Authority
OEM	Original equipment manufacturers
OTS	Open Tender System
PIEA	Petroleum Institute of East Africa
RBV	Resource-Based View
SPSS	Statistical Package for Social Scientists

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The business environment in the oil marketing industry has become competitive following increased changes that have been implemented in the past five years. In addition, continued effects of globalization, information technology and regulatory framework have changes the competitive levels in the industry. In order to keep pace with these changes and remain competitive, oil marketing firms have to develop appropriate response strategies to propel them to attain their organizational goals (Pearce & Robinson, 2000). Competition as one of the environmental influences to a business exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to perceived and actual changes in the competitive environment. Strategic decisions are ones that are aimed at differentiating an organization from its competitors in a way that is sustainable in the future. It is through response strategies that a firm seeks to build competitive advantage which it can then seek to sustain.

This study was guided by two theories: dynamic capabilities and the resource based view theories. The dynamic capabilities theory argues that dynamic capabilities enable organizations to integrate, build, and reconfigure their resources and competencies and, therefore, maintain performance in the face of changing business environments (Helfat, 1997). In order to be competitive in a rapidly changing operating environment, it is important that organizations make use of their dynamic capabilities to gain and sustain competitive advantage. The resource-based perspective has an intra-organisational focus and argues that performance is a result of firm-specific resources and capabilities

(Barney, 1991). It isolates idiosyncratic resources that are complex, intangible, and dynamic within a particular firm which can be utilized y the firm to gain and sustain competitive advantage (Barney, 1991). Therefore, in an organization's effort to gain competitive advantage, it is important to establish the resources owned by the company and how such resources can be tapped for the given organization's competitive advantage.

The oil marketing industry has faced numerous challenges as their operating environment evolved (KIPPRA, 2011). The situation was worsened by the introduction of stringent tax regimes by the Kenya Revenue Authority (KRA) which requires upfront prepayment of 100% taxes on oil imports. 70% of the fuel sold locally used to be refined by the Kenya Petroleum Refineries Limited (KPRL) while 30% was imported as fully refined until the closure of KPRL. Currently the country only imports refined oil products on which 100% duty payment is levied upfront. In addition the pump prices especially for Petrol, Diesel and kerosene is controlled by the Energy Regulatory Commission (ERC) which is a Government agency. The number of oil marketing companies has also increased making the industry very competitive.

1.1.1 Concept of Strategy

A strategy refers to the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole (Quinn, 1980). It helps to position a firm in the wider external environment by defining the obligation of the firm to its stakeholders (Johnson & Scholes, 2002). In addition, strategy helps to define the specific business of the firm in terms of products, markets and geographical scope and can be considered as a firm’s game plan that enables the firm to create competitive advantage (Pearce &Robinson, 2000).

Thompson and Strickland (2002) define strategy as the match between an organization’s resources, skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish. Its purpose is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2007). Andrews (1980) argues that the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.

1.1.2 Response Strategies

A response strategy is a means of investing selectively a firm’s resources to develop those capabilities that assures a sustainable competitive advantage (Hax & Majluf, 1996). It involves the search for a favourable competitive positioning in the industry in order to beat competition and remain relevant in the market. Response strategies are broadly categorized into corporate strategy, business strategy and functional strategy. Corporate strategies include mergers, acquisitions, takeovers, joint ventures, strategic alliances, turnaround, divestment and liquidation. Business strategies include cost leadership, differentiation and focus (Lawrence and Lorsch, 1969). Functional strategy involves developing and nurturing a distinctive competence to provide an organization or business unit with a competitive advantage by maximizing resource productivity (Dawson, 2001).

Strategic responses are of two levels, where we have corporate and business response. According to Johnson and Scholes (2002) the corporate level strategy deals with overall scope and purpose of the organization and ensures that stakeholders' expectations are met. It enables the business to decide which business line to concentrate through diversification integration, divestiture and portfolio management (Hax and Majluf, 1996). The business level strategy determines and defines how the organization competes in its market and how long-range objectives will be achieved. This can either be through existing or new products and markets (Johnson & Scholes, 2002). It involves fitting new strategies to changing business environment or stretching and exploiting the competences of an organization. Operational Response is aimed at ensuring that the organization activities are being performed in the best way possible (Pearce & Robinson, 2007). It focuses on excellence in whatever the organization does. Its purpose is to ensure that the organization is efficient.

1.1.3 Firm Competitiveness

Competition is a dynamic process through which industry structure itself changes through evolution and transformation. The essence of competition is a dynamic process in which equilibrium is never reached and in the course of which industry structure are continually reformed (Grant, 2002). Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation (Porter, 1985). Competition is most intense when there are many direct competitors and when industry growth is slow.

Sometimes competition is high because the rivals have very different “personalities” and strategies (Grant, 2002). There are dramatically different ideas about how to compete and constantly find themselves in new battles with one another (Bateman & Zeithaml, 1990). In the fight for the market share, competition is not manifested only in the other players but rather is rooted in its underlying economics, and existing competitive forces that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants and substitute products are all competitors that may be more or less prominent or active depending on the industry (Porter, 1985). The state of competition in an industry depends on five basic forces: threat of new entrants, bargaining power of buyers, threat of substitute products or services, bargaining power of suppliers and rivalry among existing firms (Porter, 1980). The collective strength of these forces determines the ultimate profit potential in the industry, where profit potential is measured in terms of returns in the long run or invested capital (Kotler, 2000).

1.1.4 The Oil Industry in Kenya

The oil industry in Kenya has had a lot of challenges such as the introduction of price controls which exposes weaknesses in less diversified players as better performing companies diversify into non-regulated product lines, the discovery of oil and other energy sources in the region is likely to be positive for some product lines but negative for others, high financing costs eroding margins and storage and distribution infrastructure proving inadequate and inefficient (Standard Investment Bank, 2012). The situation in the Kenyan oil industry and its environment has been worsened by the introduction of stringent tax regimes by the Kenya Revenue Authority (KRA). This requires upfront prepayment of 50% taxes on oil imports. 70% of the fuel sold locally is refined by the Kenya Petroleum Refineries Limited (KPRL) while 30% is imported as fully refined.

The government introduced the Open Tender System (OTS), which means that all the crude oil imported is supplied by one supplier to minimize costs and level the retail prices. Oil companies are then invited to bid for the delivery and the company with the lowest bid automatically wins the tender to import the crude and have it discharged into KPRL tanks. Kenya Pipeline Company (KPC) has a challenge in oil storage across the country because they do not have enough storage capacity to cater for the regional towns. KPC is however putting up mechanisms to deal with the challenge (Tsavo Securities Ltd, 2007). The main players in the downstream operations in Kenya as of September 2011 are Total Kenya 23.7%. Kenol Kobil 23.4%, Shell 17.8% and Libya Oil 10% (Petroleum Institute of East Africa, 2011). There are a total of 51 oil marketers in Kenya categorized as multinational oil companies, local oil companies, and independent oil dealers (PIEA, 2012).

1.2 Research Problem

Organizations have to adequately and promptly respond to the challenges in the environment for them to be successful or else they get wiped out. Ansoff (1990) outlined the need for organizations to match their strategies to the level of competitiveness in the operating environment if they are to remain competitive. The environment in which businesses operate faces stiff competition due to the existence of other firms producing and/or selling the same products or services. Due to this, businesses have to cope with competition and to adopt response strategies to it to remain competitive. An organization can adopt different response strategies in order to beat competition challenges.

The oil industry in Kenya is characterized by challenges such as the introduction of price controls; a severe depreciation of the shilling and soaring interest rates which has resulted in increased cost of crude oil and escalating cost of sales; an aging refinery which cannot refine the residue of its processing products unlike more complex refineries which are able to extract valuable products from their residue and hence improve their margins; high financing costs eroding margins and storage and distribution infrastructure proving inadequate and inefficient (Standard Investment Bank, 2012)

Several studies have been conducted on response strategies and firm competitiveness. Bhoola, Hiremath and Mallik (2014) conducted an assessment of risk response strategies practiced in software projects in Australia. They discussed four fundamental treatments to risk response: Avoidance, Transference, Mitigation and Acceptance (ATMA). In the findings, mitigation emerged as the most significant risk response strategy to achieve project targets. Acceptance, transference, and avoidance of risk were mostly manifested in the forms of transparency in communication across stakeholders.

Gacheri (2010) conducted a study on strategic responses by Tuskys supermarket to changing competitive environment and established that the firm had reacted to competition and to the environmental changes in general using strategic responses that had been very successful. This was a case study of a supermarket which operates in a different industry from the oil industry. On the other hand, Abdul (2012) examined response strategies adapted by Hass Petroleum (K) Ltd to environmental challenges.

Political instability in the region, inadequate infrastructure, lack of sharia compliant banking and insurance products, high interest rates and exchange rates included some of the challenges in the oil industry. The organization responded to these challenges through corporate, business and functional strategies. This study was a case study and its findings may not apply to other oil marketing firms hence the need to conduct this research.

Similarly, Oduol (2012) examined competitive strategies adopted by independent oil lubricant marketers in Kenya and established that the exiting of multinationals had opened up more opportunities for the independent Lubricant marketers. However the factors influencing competition in the lubricants business to the greatest extent were brand loyalty and Original equipment manufacturers (OEM) recommendations. This study only concentrated on one segment of products in the energy sector traded by all oil marketing firms. Therefore its findings may not apply for other products. In order to emerge competitive in an industry, oil marketing companies have had to develop several strategies in response to the changing environment.

This study sought to establish the effects of response strategies on the competitiveness of oil marketing firms in Kenya. The study was guided by the following research question: What are the effects of response strategies on competitiveness of oil marketing companies in Kenya?

1.3 Research Objectives

i. To determine the response strategies adopted by oil marketing Companies in Kenya**.**

ii. To establish the effects of the response strategies on the competitiveness of the oil marketing firms.

1.4 Value of the study

It is hoped that the findings of this study would be valuable to a number of stakeholders including: policy makers, managers in the oil marketing industry and future scholars and academicians. To start with, this study would be important to the policy makers in the oil marketing industry in Kenya especially the Ministry of Energy and the Energy Regulatory Commission (ERC) as they would be able to know for certain how to develop appropriate policies to ensure a stable energy sector in Kenya. The results would contribute to a better understanding of responses by oil marketing firms in Kenya.

Further, the study would be important to oil marketing firms' managers as it would help them understand the effects of various response strategies on their organization performance. The response strategies play a key role in determining the success or failure of organizations as they position the organization strategies in a turbulent operating environment. This would help them strategize on how to use response strategies to improve organizational performance.

The results of this study would also be important to future researchers and scholars, as it will form a basis for further research. The scholars would use this study as a basis for discussions on response strategies adopted by oil marketing firms in improving their competitiveness. The study would also be a source of reference material for future researchers on other related topics; it will also inform other academicians who undertake the same topic in their studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the relevant literature on the subject of response strategies on competitiveness as presented by various researchers and scholars. The exact topics covered here include theoretical perspective, competition and strategic responses to competition by firms.

2.2 Theoretical Perspective

The study is founded on two theories including the dynamic capabilities and the resource based view theories of which explain how organizations can build competitiveness in their industry. These theories are discussed in details below:

2.2.1 Dynamic Capabilities Theory

In his seminal contribution, Teece (2007) argue that dynamic capabilities enable organizations to integrate, build, and reconfigure their resources and competencies and, therefore, maintain performance in the face of changing business environments. The notion of dynamic capabilities was subsequently refined and expanded by other scholars including (Eisenhardt & Martin, 2000; Zollo & winter 2002; Teece, 2007; among others). In order for an organization to be competitive in its industry and in whatever it produces, it needs to have dynamic capabilities which constitute the firm's ability to utilize its resources effectively. Dynamic Capabilities enable the firm to quickly respond to change and deploy resources accordingly purposely integrated to achieve a desired end state (Dosi & Grazzi, 2006).

Aghan and Alrubaiee (2012) argue that in a highly competitiveness market, core competence has emerged as a central concept for competitive strategy. They define core competence as the knowledge set that distinguishes a firm and provides a competitive advantage over others. According to Johnson and Scholes (2002), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains. Resources and capabilities are the building blocks upon which an organization create and execute value-adding strategy so that an organization can earn reasonable returns and achieve strategic competitiveness. Resources are inputs to a firm in the production process (Dosi & Grazzi, 2006). These can be human, financial, technological, physical or organizational. The more unique, valuable and firm specialized the resources are, the more possibly the firm will have core competency. Resources should be used to build on the strengths and remove the firm's weaknesses. Capabilities refer to organizational skills at integrating its team of resources so that they can be used more efficiently and effectively (Management Study Guide, 2014). In order for an organization to remain competitive, it is important it leverages on its dynamic capabilities. Therefore dynamic capabilities are important in the development of firm competitiveness.

2.2.2 Resource Based View Theory

The resource-based view (RBV) is a way of viewing the firm in terms of approaching strategy. Fundamentally, this theory formulates the firm to be a bundle of resources. It is these resources and the way that they are combined, which make firms different from one another. It is considered as taking an inside-out approach while analysing the firm (Priem & Butler, 2001). This means that the starting point of the analysis is the internal environment of the organization. Resources of the firm can include all assets, capabilities, organizational processes, firm attributes, information and knowledge. In short, resources can be considered as inputs that facilitate the organization to perform its activities. All resources that an organization has may not have strategic relevance. Only certain resources are capable of being an input to a value creating strategy which put the organization in a position of competitive advantage. An organization's resource should have four attributes to provide the potential for competitive advantage (Peng, 2001).

The important features for a resource to be strategically important are as follows: Valuable - When resources are able to bring value to the firm they can be a source of competitive advantage, Rare - Resources have to deliver a unique strategy to provide a competitive advantage to the firm as compared to the competing firms. Consider the case where a resource is valuable but it exists in the competitor firms as well. Such a resource is not rare to provide competitive advantage, Inimitable - Resources can be sources of sustained competitive advantage if competing firms cannot obtain them. In order for a firm to implement response strategies, it needs to have adequate resources: both financial and human capital otherwise the strategy implementation process is bound to fail (Priem & Butler, 2001)

2.3 Competitive Strategies

Competitive strategy comprises of all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002).Porter (1980, 1985) argues that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy defined as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 1980). A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company.

Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics, first it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly it is hard for competitors to imitate. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than rivals. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for.

Porter (1998) describes competitive strategy as “the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs” and further explains that “Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition.” This involves identifying sources of competition in the ever changing environment then developing strategies that match organizational capabilities to the changes in the environment. According to Porter (1998), “competitive strategy is about being different”. This means deliberately performing activities differently and in better ways than competitors.

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) outlines the three approaches to competitive strategy these being Striving to be the overall low cost producer, i.e. low cost leadership strategy, secondly Seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy and lastly Focus on a narrow portion of the market, i.e. focus or niche strategy.

2.4 Competitive Strategic Responses

The environment in which organizations operate is constantly changing with different factors influencing the organizations. The general business environment has become more volatile, unpredictable and very competitive making it difficult for organizations to compete on yesterday's strengths. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce & Robinson, 2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000).

An organization can shift production from one base to another, in order to take advantage of the foreign exchange rate fluctuations and access the best factors of production (Porter, 1990). Similarly, the competitive flexibility of an organization arises from its ability to coordinate its global competitive moves. This helps the organization to have a large number of competitive points and a bigger strategic space to build appropriate offensive and defensive moves that may often include counter-parry, cross-subsidization and sequential competitive entries. A strategy is usually a dynamic strategy-making process and involves a complex pattern of actions and reactions. It can also be partially planned and partially unplanned (Pearce & Robinson, 2005).

2.4.1 Differentiation Strategy

Differentiation involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Because customers see the product as unrivalled and unequalled, the price elasticity of demand tends to be reduced and customers tend to have more brand loyalty (Christopher, Peck & Towill, 2006). This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy.

To maintain this strategy the firm should have: strong research and development skills; strong product engineering skills; strong creativity skills; good cooperation with distribution channels; strong marketing skills; incentives based on subjective measures; be able to communicate the importance of the differentiating product characteristics; stress continuous improvement and innovation and attract highly skilled, creative people (Hayes & Pisano, 1996). It the primary school context, the private primary schools can use differentiation strategy by ensuring that their students score higher marks than Public primary school pupils in order to qualify for the spaces in the National schools (Hayes & Pisano ,1996).

It is a normative framework developed for identifying efficient service strategies for the different institutional settings, especially those enabled by modern information and communication technologies (Apte & Vepsalainen, 1993). When analysing service processes, four types of delivery channels consisting of organizations and systems are distinguished: principal customer or owner, in which case service is procured within the organization, or “hierarchy” that needs it; agent or alliance, including experts, consultants, and representatives as parties cooperating in providing the service; service personnel such as sales office or manufacturer's service organization; and market network, or “market” with customers relying on self-service.

2.4.2 Restructuring Strategy

Organizational restructuring refers to the dramatic internal changes and re-organizations of a firm’s structure. It includes a set of activities, undertaken on the part of the management of an organization, designed to improve organizational efficiency, productivity, and or competitiveness (Pearce & Michael, 2006). They further described four key elements to organizational downsizing. First, it is an intentional endeavour. Second, it usually involves reduction of personnel. Third, it affects work processes and finally, it focuses on improving the efficiency or effectiveness of the organization.

Sometimes planned restructuring efforts involve attempts to get people and groups within organizations to work together more effectively (Connolly, 2000). When this is the aim, the change agent often attempts to increase formal structural connections between people and groups under the assumption that information will flow more freely, barriers and conflict between work functions will break down, and innovative activities will diffuse more effectively in a dense network (Denis & Kruse, 2000). At the same time, however, organization members who stand to lose influence and/or structural autonomy if barriers are broken down may work against efforts to increase formal connections in ways that weaken their influence.

Wilson and Rosenfeld (1990) defined organization structure as the established pattern of relationships between component parts of an organization outlining communication, control and authority patterns. Thus, structure distinguishes the parts of the organization and delineates the relationship between them; one of the major activities of restructuring is business process reengineering. Hammer (1996), notes that companies can dramatically improve their efficiency and quality by focusing on customers and the process that create value for them. Processes have come to be more important than their products and are in fact defining the market places in which the companies compete. Outsourcing for instance, would enable an organization to concentrate on its core businesses, while benefiting from the cost efficiencies of those companies that specialize on the strategies activity firms can design their strategies based on their processes, for instance, through intensification where processes are mapped and improved to enhance customer service, or through extension where strong processes enable entry to new markets.

Senior (1997) observes that there are various catalysts for organizational changes such as restructuring whose triggers may include the purchase of new information technology equipment or system, business process reengineering through process intensification/extension, the redesign of a group of Jobs, staff right sizing and subsequent staff cutbacks, as well as staff redundancies. With regard to the number of levels in the structure of the organization, often referred to as the scalar chain, Drucker (1999) suggests that there should be as few as possible. Too many levels make it difficult to understand the objectives and to communicate both up and down the hierarchy. Thompson (1997) states that radical business process reengineering implies that a firm completely rethinks how certain tasks are carried out and then searches for new ways through which performance can be improved.

2.4.3 Diversification Strategy

Diversification refers to growth and expansion of firms entering related fields and new businesses (Hitt, Tihanyi, Miller, & Connelly, 2006). It has also be defined as increased diversity on a whole line of products to sell through business activities of firms (Guillen, 2000). Diversification is a form of corporate strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit level or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry which the business is already in. At the corporate level, it is general and also very interesting entering a promising business outside of the scope of the existing business unit (Khanna & Palepu, 2000).

The diversification strategy of a company is a corporate strategy intended to increase profits by increasing sales volume. This increase in sales volume is brought about by launching new products and identifying new market segments. Diversification strategy can be implemented at the business unit level as well as the corporate level. In case of business unit level, the strategy can be implemented for the expansion of the company by coming up with a new segment, related to the existing business. In case of corporate level, however, the target area is a new business, which is not related to the existing business unit (Guillen, 2000). Some of the most prominent diversification strategy examples include a company specializing in pencil production opting for production of erasers or a company specializing in alcoholic beverages entering the airlines sector.

According to Yiu, Bruton and Lu, (2005), there are two dimensions of rationale for diversification. The first one relates to the nature of the strategic objective: diversification may be defensive or offensive. Defensive reasons may be spreading the risk of market contraction, or being forced to diversify when current product or current market orientation seems to provide no further opportunities for growth. Offensive reasons may be conquering new positions, taking opportunities that promise greater profitability than expansion opportunities, or using retained cash that exceeds total expansion needs.

The second dimension involves the expected outcomes of diversification: management may expect great economic value in terms of growth, profitability or first and foremost great coherence and complementary to their current activities (exploitation of know-how, more efficient use of available resources and capacities). In addition, companies may also explore diversification just to get a valuable comparison between this strategy and expansion (Ghatak & Kali, 2001).

2.4.4 Market Positioning

In a marketplace, a position reflects how consumers perceive the product's/service's or organization's performance on specific attributes relative to that of the competitors (Kotler, 1997). Also, positioning is a competitive marketing tool that goes beyond image-making. Positioning appears to have evolved from market segmentation, targeting and market structure changes during the 1960s and the early 1970s. Ries and Trout (1986) define market positioning as an attempt to distinguish an organization from its competitors along real dimensions in order to be the most preferred firm for a certain market segment. It is an attempt to have a clear or unique position in the marketplace. It is a competitive marketing tool that goes beyond image-making. Market positioning is a process of establishing and maintaining a distinctive place and image in the market for an organization and/or its individual product offerings so that the target market/prospect understands and appreciates what the organization stands for in relation to its competitors (Ries & rout, 1986).

Review of the literature uncovers several comments and definitions of marketing positioning. However, Arnott's (1992) definition appears to be conceptual, strategic and operational in nature. He notes that marketing positioning is concerned with management's attempt to modify the tangible characteristics and the intangible perceptions of a marketable offering in relation to the competition. In other words, the process of market positioning can be described as iterative, it necessitates deliberate and proactive actions. It involves decisions at conceptual, strategic and operational levels and should reflect the triumvirate deliberations of the company, its competitors and its target market/customers (Arnott and Easingwood, 1994).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design and methodology that was employed in the study. It gives specific procedures that were followed in undertaking the study. It specifically identifies the research design, population, data collection and data analysis procedures.

3.2. Research Design

This study adopted a descriptive cross-sectional survey design. This is a type of descriptive research design involving the collection of information from any given sample of the population element once (Ngechu, 2004). Mugenda and Mugenda (2003) noted that a survey attempts to collect data from members of a population and describes phenomenon by asking individuals about their perceptions, attitudes, behaviour or values.

Cross-sectional research design was chosen because it allows for generalization of findings within a particular parameter. The data obtained would be able to be standardized to allow easy comparison. This design was meant to enhance a systematic description that is accurate, valid and reliable as possible regarding the effects of response strategies on competitiveness of oil marketing companies in Kenya.

3.3 Population of the Study

Target population in statistics is the specific population about which information is desired. According to Bryman and Bell (2003) a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. The target population of the study comprised all 36 oil marketing companies as recognized by the Petroleum Institute of East Africa (Appendix II). In particular, the study targeted one respondent from each oil marketing company. Following the small number of oil marketing companies and easy accessibility as they had contact with PIEA, all of them were included in the study hence a census.

3.4 Data Collection

The study collected both primary and secondary data which was used in this study. According to Mugenda and Mugenda (2003), primary data is data the researcher collects while secondary data refers to data from other sources. Primary data is considered more reliable and up to date. The main instrument for data collection was a semi structured questionnaire that allows for uniformity of responses to questions at the same time gives respondents a chance to provide insightful information on the study variables. The questionnaire is a fast way of obtaining data as compared to others instruments (Mugenda & Mugenda, 2003). Questionnaires give the researcher comprehensive data on a wide range of factors. Both open-ended and closed-ended questions were used. Questionnaires allow greater uniformity in the way questions are asked, ensuring greater compatibility in the responses.

The study targeted the operations manager of each of these companies although they were free to delegate to whoever they deemed relevant in providing responses for the study. These respondents were chosen upon because of their high level of involvement in strategic management processes.

3.5 Data analysis

In order to comprehend the responses and make inferences, the questionnaires collected from the field were coded and entered into statistical Package for Social Sciences (SPSS. 20.00) for Analysis. The data collected was mainly be quantitative because of the standardized questions by the use of a five point likert. To analyze the likert scale questions, descriptive statistics including mean and standard deviation were used in the analysis. For open ended questions, content analysis was used. The analyzed data is presented using tables and charts.

In addition, the study conducted a multiple regression analysis using the model below:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where **Y** = Competitiveness of oil marketing firms

$\mathbf{X_1}$ = Differentiation strategy

$\mathbf{X_2}$= Restructuring Strategy

$\mathbf{X_3}$= Diversification Strategy

$\mathbf{X_4}$= Market Positioning

$\boldsymbol{\varepsilon}$ = Error Term

$\boldsymbol{\beta}$= Coefficients

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents research findings, analysis of the data and interpretation of the data collected from the respondents. It also presents findings and the discussion about the effects of response strategies on competitiveness of oil marketing companies in Kenya and to establish the effects of the response strategies adopted on the competitiveness of the oil marketing firms. The data was collected and reports were produced in form of tables and figures and qualitative analysis done in prose.

4.1.1 Response Rate

A total of 36 questionnaires were administered out of which 30 were filled and returned giving a response rate of 83%.This response rate was made a reality after the researcher dropped the questionnaires and made personal visits and phone calls to the respondents who then completed the questionnaires

4.2 Demographic Characteristics of the Respondents

4.2.1 Position in the Company

The study sought to establish the respondents' position in the company. The finding was as shown on Table 4.1:

Table 4.1: Position in the Company

	Frequency	Percent
Supply manager	6	20.0
Trading manager	7	23.3
Supply and Trading Manager	5	16.7
Stock and Logistic Manager	5	16.7
Supply Planner	7	23.3
Total	**30**	**100.0**

As indicated in Table 4.1, the study found 20% of the respondents were Supply Managers, 23.3% were trading managers while 16.7% of the respondents were supply and trading managers.

4.2.2 Number of Years Worked

The study sought to establish the number of years that the respondents had worked for the companies they worked for. The findings are as shown in table 4.2 below.

Table 4.2: Number of Years Worked

	Frequency	**Percent**
less than 3 years	11	36.7
4-6 Years	0	0
7-9 years	2	6.7
10-12 years	5	16.7
More than 12 years	12	40.0
Total	**30**	**100.0**

Results on Table 4.2 above indicate that, 36.7% of the respondents had worked for less than 3 years while 40% of the respondents had worked for that company for more than 12 years. However there was no respondent who had worked for a period of between 4-7 years. This study indicates that majority of the respondents which is equivalent to 12 worked for over 12 years while the minority of the respondents had worked for a period of between 7-9 years. This shows that the respondents had enough working experience.

4.2.3 Ownership Structure

The study sought to find out the ownership structure of the various firms that the respondents worked for. Research findings indicate that 70% of the companies that the respondents worked for are privately owned companies while 30% of the companies that the respondents worked for were publicly owned company in the sense that they were quoted at the NSE. These findings show that the findings represent the entire industry including both listed and privately owned companies.

4.2.4 Period that the Organization has been in the Kenyan Market

The study sought to find out the period that the companies which the respondents worked for had been in the Kenyan Market. The findings were as shown in the Table 4.3 below.

Table 4.3: Period that the Organization has been in the Kenyan Market

	Frequency	Percent
10-20 years	11	36.6
20-30 years	5	16.7
30-40 years	9	30.0
over 40 years	5	16.7
Total	**30**	**100.0**

Findings on Table 4.3 above indicate that, 36.6% of the companies that the respondents work for have been in the Kenyan market for a period of between 10-20 years followed by 30% of the companies who had been in the Kenyan market for a period of 30-40 years. The least number of companies 16.7% had been in Kenya for a period of 20-30 years, and over 40 years each. This study indicates that all the companies had been in operations in Kenya for long hence understood the market dynamics. They therefore understood the Kenyan markets to be able to formulate appropriate strategies that would improve their competitiveness.

4.3 Competitive Strategic Responses

This section presents analysis, findings and discussions on strategic responses i.e. differentiation, restructuring, diversification and market positioning strategies. Several statements were presented to the respondents upon which they were to indicate the extent of their agreement with each on a five point likert scale.

4.3.1 Differentiation Strategy

The respondents were asked to indicate the extent to which the statements relating to differentiation as a strategic response applied by firms to remain competitive in the market are applicable to the various firms in the oil marketing industry in Kenya. The responses are presented below in Table 4.4

Table 4.4: Differentiation Strategy

Statement	Mean	Std. Dev
Our Company has unique products from those offered by other oil marketing Companies in Kenya	2.7000	1.31700
Our Company has branded all its products	3.3000	1.26355
Our Company has distinguished standards of health and safety in all our premises	3.8000	1.09545
Our Company has well informed employees on our products	4.2333	.43018
Our Company services have been benchmarked to international standards	4.7333	.44978
Our Company has unique brand colours in its logo	4.4000	.49827
Our Company has distinguished products not offered by other competitors in the industry	3.0000	1.70193
Our Company has developed loyalty programs to reward loyal customers	2.9667	1.65015

As indicated in Table 4.4 on what extent the company has distinguished standards of health and safety in all their premises, the respondents indicated that this had been applied to a great extent with a mean of 3.8000 and a standard deviation of 1.09545. On whether the Company has well informed employees about the company's products, the respondents showed with a mean of 4.2333 and a standard deviation of 0 .43018 that this had been implemented at a great extent in the various companies. Regarding whether the company's services have been benchmarked to international standards the respondents implied that this had been applied at a very great extend with a mean of 4.7333 and a standard deviation of 0. 44978.

Findings on Table 4.4 further indicate that the company has unique colours on the logo, the respondents indicated that this has been applied at a great extent with a mean of 4.4000 and a standard deviation of 0.49827. The respondents were asked to give any other ways that the companies had differentiated themselves from other oil marketing companies in Kenya. It was found that some companies had other differentiation strategies while others did not have any further differentiation strategies. It was found that some of the companies applied strategies such as; personalised customer service, management style and expeditious decision making, some had differentiated their oil products into products such as V- Power and addition of additives to their Mogas and Gasoil.

The respondents were further asked to indicate the extent to which the differentiation strategy adopted had affected the competitiveness of the company. The finding was as shown on Table 4.5:

Table 4. 5: Extent of influence of Differentiation Strategy on Competitiveness

	Frequency	**Percent**
Very great Extent	10	33.3
Great Extent	7	23.3
Moderate Extent	6	20.0
Little Extent	5	16.7
No Extent	2	6.7
Total	**30**	**100.0**

From the findings illustrated in table 4.7 above, 33.3% of the respondents which was the majority said that differentiation strategy had influenced the competitiveness of the company at a very great extent. This was followed by 23.3% of the respondent who said that the strategy had affected the competitiveness of the company at a great extent while

20.0% of the respondents said that the strategy adopted had influenced the competitiveness of the company at a moderate extent.

4.3.2 Restructuring Strategy

The respondents were asked to indicate the extent to which the statements relating to restructuring as a strategic response applied by firms to remain competitive in the market are applicable to the various firms in the oil marketing industry in Kenya. The responses are presented below in Table 4.6.

Table 4.6: Restructuring Strategy

Statement	Mean	Std. Dev
Our Company has changed the management structure in the past to align to changing market demands	3.4667	1.92503
More management positions have been created in our Company to help focus the activities of different managers	2.5667	1.13512
There have been a change in business processes in our Company	3.8000	1.49482
Our Company outsources some of the services from better qualified firms	3.7667	.97143
Our Company has adopted information technology to improve the productivity of our staff	3.9667	.61495
The reporting structure existing in the our Company ensures optimal performance	3.9667	.61495

Results on Table 4.6 show that, when asked the extent to which the Company has changed the management structure in the past to align to changing market demands as a restructuring strategy, the respondents indicated that this had been implemented at a moderate extent with a mean of 3.4667 and standard deviation of 1.92503. These findings agreed with Senior (1997) who observes that redesigning of a group of Jobs can be used as a method of restructuring strategy.

The respondents were asked to give the extent to which there has been a change in business processes in the company, the respondents showed that this had been applied in the various companies at a great extent with a mean of 3.8000 and a standard deviation of 1.49482. This was in agreement with Senior (1997) who claims that business process re-engineering through process intensification/extension, as a way of restructuring of strategy. When asked if the company outsources some of the services from better qualified firms the respondents agreed with a mean of 3.7667 and a standard deviation of 1.49482 that this had been applied at a great extend. This is in agreement with Hammer (1996), who advocates that Outsourcing enables an organization to concentrate on its core businesses, while benefiting from the cost efficiencies of those companies that specialize on the strategies activity firms can design their strategies based on their processes.

Regarding the extent to which the companies have adopted information technology to improve the productivity of their staff the respondents agreed to this that this had been applied at a great extent with a mean of 3.9667 and a standard deviation 0.61495.this is concurrent with Senior (1997) who observes that there are various catalysts for organizational changes such as restructuring whose triggers may include the purchase of new information technology equipment or system. When asked if the reporting structure existing in the Company ensures optimal performance, the respondents showed that this had been applied at a great extent with a mean of 3.9667and a standard deviation of 0.61495.

Respondents were thereafter asked if there were any other restructuring strategies that the companies had adopted, most of the companies did not have any other restructuring strategy, however there were a few firms that had adopted various other restructuring strategies such as reducing of control by the mother companies and empowering the regional heads for decision making. Others had gotten rid of the management positions that had duplicated duties, open door engagement with the management had also been mentioned as one of the restructuring strategies adopted, while others reduced the reporting lines in their companies.

The respondents were further asked to indicate the extent to which the restructuring strategies adopted had affected the competitiveness of the company. The finding was as shown on Table 4.7 below;

Table 4.7: Influence of Restructuring Strategy on Competitiveness

	Frequency	Percent
very great extent	10	33.3
great extent	9	30.0
moderate extent	5	16.7
no extent	6	20.0
Total	**30**	**100.0**

From the findings as illustrated in Table 4.9 Table, 33.3% of the respondents said that the restructuring strategy adopted by the company had influenced the competitiveness of the company at a very great extent, 30% of the respondents also agreed that the restructuring strategy had influenced the competitiveness of the firm at a great extend, 20% of the respondents said that the restructuring strategy had an influence on their competitiveness at a moderate extend, 16.7% of the respondent which was the minority said that the restructuring strategy had to no extent influenced their competitiveness as a company.

4.3.3 Diversification Strategies

The respondents were further asked to indicate to what extent the following diversification strategies had been applied in their organization. The findings are presented in Table 4.8 below.

Table 4.8: Diversification Strategies

	Mean	Std. Dev
Our Company has several product offerings to customers	3.4667	1.27937
Our Company has invested in other industries supporting the operations of the Company	3.6000	.77013
Our Company has developed new market segments for its several products	3.1000	1.24152
Our Company is involved in upstream operations	2.5333	1.92503
Our Company is involved in downstream operations	3.9333	1.41259

As indicated on Table 4.8 above, on the extent to which the companies had several products offering to customers they agreed that the companies had applied this strategy at a moderate extent with a mean of 3.4667 and a standard deviation of 1.27937.regarding the extent to which the company had invested in other industries supporting the operations of the company the respondents said that the companies had also applied this strategy at a great extent with a mean of 3.6000 and a standard deviation of 0. 77013 this is in agreement with Khanna and Palepu (2000) who said that diversification can occur either at the business unit level or at the corporate level where at a corporate level, a business enters into a promising business outside of the scope of the existing business unit.

Findings in Table 4.8 further show that, on the extent to which the companies had developed new market segments for its several products, and they agreed to this that the companies had applied this strategy at a moderate extent at a mean of 3.1000 and a standard deviation of 1.24152. These findings were in agreement with the claims of Guillen (2000) who says that diversification seeks to increase profitability through greater sales volume obtained from new products and new markets, where the several products are sold into new markets.

The study also sought to identify other ways that the companies might have diversified their operations and products. It was established that indeed most of the companies had other diversification strategies such as; deployment of specialized staff for each of the lines of business, strategic investments of depots in other countries, investing intensively in uncontrolled markets and also convenient retail was mentioned as one of the strategies applied.

The respondents were further asked to tell to what extent this strategy had affected the competitiveness of the company and the results are as shown in the Table 4.11 below.

Table 4.9: Influence of Diversification Strategy on Competitiveness

	Frequency	Percent
great extent	19	63.3
moderate extent	11	36.7
Total	**30**	**100.0**

From the findings shown in Table 4.11 above 63.3% of the respondents said that the diversification strategy had influenced the competitiveness of the company at a great extent, however 36.7% of the respondents said that the diversification strategy had influenced the competitiveness of the company at a moderate extent.

4.3.4 Market Positioning Strategy

The study further sought to establish to what extent market positioning strategy had been used by the various companies. Findings are presented in Table 4.10 below.

Table 4.10: Market Positioning Strategy

	Mean	Std. Dev
Our Company has positioned its service stations in strategic locations	3.3000	.74971
Our Company has entered into long term agreements with other Companies to use our products	3.2667	.98027
Our Company positions itself as the best in service quality in the Industry	3.8000	.71438
Our Company has segmented the market for its products	3.4333	1.00630
Our Company has developed product packages for different customer segments	3.7667	.97143

Results in Table 4.10 above indicate that, on the extent to which the company had positioned its service stations in strategic locations the respondents the respondents said that this had been applied at a moderate extent with a mean of 3.3000 and a standard deviation of 0.74971. Asked to what extent the company had entered into long term agreements with other firms the respondents said that it had been implemented with other companies the respondents said that the companies had applied this strategy at a moderate extent with a mean of 3.2667 and a standard deviation of 0.98027. On the extent that the companies had positioned themselves as the best in the quality industry the respondents said that the companies had applied this at a great extent as supported by a mean of 3.800 and a standard deviation of 0.71438.

The respondents were asked to what extent the companies had segmented the market for their products and they said that this had been applied at a moderate extent with a mean of 3.4333 and a standard deviation of 1.00630. On the extent that the companies had developed product packages for different customer segments the respondents indicated a great extent as shown by a mean of 3.7667 and a standard deviation of 0.97143.

The study further sought to establish if there were other ways through which the companies had positioned themselves in the market. Some of the ways identified were that; some of the companies have positioned themselves as local company with regional presence. Some said that having their own refinery has enabled them to remain competitive in the market while others had implemented this through a fuel card for fleet management for investors with many vehicles.

They were thereafter asked to what extent this had influenced their competitiveness and the results are as shown in the Table 4.11 below

Table 4.11: Influence of Market Positioning Strategy on Strategy

	Frequency	**Percent**
Very Great Extent	5	16.7
Great Extent	14	46.7
Moderate Extent	5	16.7
Little Extent	6	20.0
Total	**30**	**100.0**

According to the findings illustrated in Table 4.12 above, 46.7% of the respondents revealed that the market positioning strategy had at a great extent influenced the competitiveness of the companies, 20% of the respondents said that the strategy influenced the firms competitiveness at little extent, 16.7% of the respondents said that the strategy influenced the competitiveness of the company at very great extent while an equal 16.7% also sad that the strategy had influenced the firms competitiveness at a moderate extent.

4.4 Effects of Response Strategies on Competitiveness

The respondents were asked to give the extent to which the identified strategies had influenced the firms' competitiveness and their responses were as shown in the Table below.

Table 4.12: Effects of Response Strategies on Competitiveness

	Mean	**Std. Dev**
Differentiation strategy	2.9000	1.26899
Restructuring strategy	3.0667	1.41259
Diversification strategy	3.6333	.49013
Market positioning strategy	3.3667	.80872

When asked to what extent the differentiation strategy affected the competitiveness of the companies the respondents indicated that this had influenced the competitiveness of the companies at a moderate extent with a mean of 2.9000 and a standard deviation of 1.26899. On the extent that restructuring strategy had influenced the competitiveness of the companies the respondents said that this had influenced competitiveness at a moderate extent with a mean of 3.0667 and a standard deviation of 1.41259. Regarding the extent which diversification had influenced the competitiveness of the companies the respondents said that it had influenced competitiveness at a great extend with a mean of 3.6333 and a standard deviation of 0.49013 and finally regarding the extent to which the market positioning strategy had influenced the competitiveness of the companies the respondents said that this had affected the competitiveness of the companies at a moderate extent with a mean of 3.3667 and a standard deviation of 0.80872.

The respondents were then asked to give their own opinion of the extent of the competitiveness of the oil companies in the Kenya Oil industry. The findings showed that, in the respondent's opinion the competitiveness of the oil industry in Kenya was at a very great extent as said by 16.7% of the respondents while 83.3% of the respondents thought that the competitiveness of the oil industry in Kenya was at a great extent

4.5 Regression Analysis

The study conducted a cross-sectional multiple regression on the 36 oil marketing companies in Kenya. The findings are shown in Tables 4.13(a-c) below

Table 4. 13 (a): Regression Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.848	0.718	0.673	0.21663

Table 4.13(b): ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.993	4	.748	15.947	.000b
Residual	1.173	25	.047		
Total	4.167	29			

Table 4.13 (c): Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.106	.293		3.776	.001
differentiation strategy	.028	.058	.096	.485	.632
restructuring strategy	-.486	.099	-1.895	-4.904	.000
diversification strategy	-.179	.161	-.231	-1.113	.276
market positioning strategy	.944	.191	2.499	4.952	.000

Table 4.13(a) above shows a model summary of regression analysis between four independent variables, Differentiation strategy, restructuring strategy, market positioning strategy, and the diversification strategy. The value of adjusted R square was 0.673. From the findings, 71.80% of changes in the competitiveness were attributed to the four independent variables in the study. These findings show that 28.2% of the competitiveness is attributed to other factors beyond the scope of this study.

ANOVA statistics of the processed data at 5% level of significance shows that the value of calculated F is 15.947 and the value of F critical at 5% level of significance With numerator degrees of freedom 4 and denominator degrees of freedom 25 was 2.76 .Since F calculated is greater than the F critical (15.947>2.76), this shows that the overall model was significant.

From the regression findings, the substitution of the equation:

($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$) becomes:

Competitiveness of oil marketing firms$=1.106+0.096X_1-1.895X_2-0.231X_3+2.499X_4$

Where Y is the dependent variable (competitiveness of oil marketing firms), X_1 is differentiation strategy, X_2 is restructuring strategy, X3 is diversification strategy and X_4 is market positioning strategy. From the study findings, holding all variables constant at zero will lead to a 1.106 change in competitiveness. A unit increase in diversification strategy will lead to 0.028 increase in the level of competitiveness of the oil marketing companies. Similarly, a unit increase in restructuring strategies would lead to a 0.486 decrease in the level of competitiveness of oil marketing companies in Kenya. A unit increase in diversification strategies would lead to 0.179 decrease in the competitiveness of oil marketing companies in Kenya and finally an increase in the market positioning strategies would lead to a 0.944 increase in the level of competitiveness of oil marketing firms in Kenya.

At 95% level of confidence, differentiation strategy has a significance of 0.632 restructuring strategy has a significance of 0.000, and diversification strategy has a significance of 0.276 while marketing positioning strategies have a significance of 0.000. These show the differentiation strategy and diversification strategy was not significant while all other variables were significant.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendations made there-to. The conclusions and recommendations drawn were focused on addressing the purpose of this study or achieving the research objectives which were to determine the response strategies adopted by oil marketing Companies in Kenya and then establish the effects of the response strategies on the competitiveness of the oil marketing firms.

5.2 Summary of Findings

The study found out that there were several differentiation strategies applied by the various companies in the oil industry. Each company had unique products from those offered by other companies in the industry to a moderate extent. These findings were impartial with the findings by Christopher, Peck and Towill (2006) who observed that Differentiation involves creating a product that is perceived as unique. They also established that the unique features or benefits should provide superior value for the customer if this strategy is to be successful. It was also found that companies have branded all their products to a moderate extent as one of their differentiation strategy. These findings are concurrent with the observations of Hayes and Pisano (1996) who established that in order to maintain strategy, firms should have strong product engineering skills and strong creativity skills.

The study found out that the companies had applied distinguished standards of health and safety in all their premises to a great extent. This had been used as a differentiation strategy by most of the companies in the oil industry. According to the findings, the companies ensured that their employees were well informed about the company's products to a great extent. The study also found out that, to a very great extent the companies benchmarked their services with international standards in order to differentiate themselves from their competitors and increase their competitiveness. The study identified that the companies had used unique colours on their logos as a differentiation strategy to a great extent. Each company had tried to offer distinguished products from those offered by other companies in the industry to a moderate extent. However the companies have not really developed a loyalty programme to reward for their loyal customers. This strategy has been applied to little extent in most of the companies in the oil industry.

On restructuring strategy, it was established that the companies have been changing the management structure in the past to align to changing market demands to a moderate extent as a restructuring strategy. These findings agreed with senior (1997) who observed that redesigning of a group of Jobs can be used as a method of restructuring strategy. It was found that the companies have more management positions being created in the Companies to help focus the activities of different managers at a moderate extent. The respondents also revealed that there have been changes in business processes in the companies to a moderate extent. This was in agreement with Senior (1997) who claims that business process reengineering through process intensification/extension, can be applied as a way of restructuring strategy.

The study confirmed that the companies engaged in outsourcing some of the services from better qualified firms to a great extent. This is in agreement with Hammer (1996), who advocates that Outsourcing enables an organization to concentrate on its core businesses, while benefiting from the cost efficiencies of those companies that specialize on the strategic activity, firms can design their strategies based on their processes. Adoption of information technology to improve the productivity of their staff was found to be one of the restructuring strategies being applied by oil marketing companies in a bid to improve their competitiveness in the industry. This had been applied at a great extent by most of the firms. These findings are concurrent with Senior (1997) who identified various catalysts for organizational changes such as restructuring whose triggers include the purchase of new information technology equipment or system.

Respondents were thereafter asked if there were any other restructuring strategies that the companies had adopted, most of the companies did not have any other restructuring strategy. There were a few firms however that had adopted various other restructuring strategies such as reducing of control by the mother companies and empowering the regional heads for decision making. Others had gotten rid of the management positions that had duplicated duties, open door engagement with the management had also been mentioned as one of the restructuring strategies adopted, while others reduced the reporting lines in their companies.

On diversification strategy, the study found that the companies several products offering to customers to a moderate extent. The findings also showed that as a way to diversify them, the companies had to a great extent invested in other industries in order to support the operations of the companies. These findings are positive to with Khanna and Palepu (2000) claims who said that diversification can occur either at the business unit level or at the corporate level where at a corporate level, a business enters into a promising business outside of the scope of the existing business unit.The respondents indicated that the companies had developed new market segments for its several products to a moderate extent, these findings concurred with the claims of Guillen (2000) who says that diversification seeks to increase profitability through greater sales volume obtained from new products and new markets, where the several products are sold into new markets. The companies have involved themselves in upstream operations to a moderate extent and involved themselves in downstream operations to a great extent

The study established that there were various other strategies that the companies had adopted. It was established that indeed most of the companies had other diversification strategies such as; deployment of specialized staff for each of the lines of business, strategic investments of depots in other countries, investing intensively in uncontrolled markets and also convenient retail stations was mentioned as one of the strategies applied. This had to a great extent influenced the competitiveness of the companies. On market positioning; the study found out that the companies had positioned their service stations in strategic locations as a market positioning strategy to a moderate extent. The study also established that the companies had entered into long term agreements with other firms to a moderate extent. On what extent the companies had positioned themselves as the best in the quality industry the respondents said that the companies had applied this at a great extent. Segmentation of the market by the companies for their products was also found to be one of the market positioning strategies adopted by the oil marketing companies to a moderate extent. The respondents also revealed that the companies had developed product packages for different customer segments to a great extent. The study further established that there were more other marketing strategies being applied by the companies such as positioning themselves as local companies with regional presence, having their own refinery which has enabled them to remain competitive in the market.

5.3 Conclusion

This study therefore concludes that there are various differentiation strategies that have been used as a response strategy by oil marketing companies in Kenya. It concludes that companies offer unique products from those offered their competitors, most of the companies have branded all their products in a way that differentiate them from their competitors in order to increase their competitiveness in the industry. The study concludes that the companies have benchmarked their services to international standards the companies have also applied distinguished standards of health and safety in all their premises as a means of differentiation strategy. The study concluded that employees of the companies are well informed about the products that the companies' offer. The study concludes that companies have not really developed a loyalty programme to reward their loyal customers.

The study concludes that there has been change in the management structures in the past in the companies to align to changing market demands. It also concludes that there have been more management positions being created in the Companies to help focus the activities of different managers. In Addition, the study concludes that the oil companies engage a lot in outsourcing some of their services from better qualified firms since outsourcing enables an organization to concentrate on its core businesses, while benefiting from the cost efficiencies of those companies that specialize on the strategic activities, firms can design their strategies based on their processes. The study further concludes that the companies have highly adopted information technology to improve the productivity of their staff. The study concluded that the reporting structure of the companies ensures optimal performance.

This study concludes that companies in the oil industry have several products offering to customers. It also concludes that the companies have invested in other industries in order to support the operations of the companies as a way to diversify their operations and activities. The study concludes that the companies have developed new market segments for their products. In addition the companies also engage in upstream operations and highly engage in downstream operations.

The study concluded that companies have positioned their service stations in strategic locations. It also concluded that companies in the oil industry engage in long-term agreements with other firms. In addition the study concludes there has been segmentation of the market by the companies in the oil marketing industries for their products. It is concluded that each company also has positioned itself as the best in the quality industry.

5.4 Limitations of the Study

The study faced a myriad of limitations. Confidentiality by the respondents hindered the collection of data. Also some respondents had to be reminded several times of the past deadlines of collection of the duly completed questionnaires. The study was limited in scope since it covered only Nairobi County as such the recommendations of this study may only be applicable to a different county at a minimal extent. The study was also limited to certain strategies whereas there are many more strategies which these institutions can adopt to remain competitive.

Recommendations for Further studies

The purpose of this study was to establish effects of response strategies on competitiveness of oil marketing companies in Kenya. The study concentrated on oil marketing firms alone. The study therefore recommends that a study be conducted across all industries so as to generalize the findings.

This study also recommends that in the future a study be conducted on the factors influencing competitiveness of Oil Marketing Companies in Kenya. This study will be of significant in identifying the effectiveness of the response strategies on competitiveness.

REFERENCES

Abdul, A.N (2012). Response strategies adopted by Hass Petroleum (K) ltd to environmental challenges. *Unpublished MBA Thesis. Nairobi*: University of Nairobi.

Aghan, S., & Alrubaiee, L. (2012). Effect of core competence on competitive advantage and organizational performance. *International Journal of Business and Management*, *7*(1): 192–204.

Andrews, K. (1980). *The Concept of Corporate Strategy* (2nd ed.) Dow-Jones Irwin

Ansoff, H (1990). *Implanting Strategic Management***,** Prentice Hall Cambridge, UK

Apte, U.M. & Vepsalainen, A.P.J. (1993). High tech or high touch? Efficient channel strategies for delivering financial services, *Journal of Strategic Information Systems, 2(1),* 39-54.

Arnott, D.C. (1992). Bases of financial services positioning in the personal pension, life assurance and personal equity plan sectors, *PhD thesis, Manchester Business School, University of Manchester*, Manchester

Arnott, D.C. & Easingwood, C.J. (1994). Positioning in services: a hypothetical typology of competitive basses. *Proceedings of the 23rd. European Marketing Academy Conference, May, 1-9.*

Bhoola, V., Hiremath, S. B., & Mallik, D. (2014) conducted an assessment of risk response strategies practiced in software projects in Australia.Australasian Journal of Information Systems, 18 (3), 234-242

Bryman, A., & Bell, E. (2007). *Business research methods* (2nd ed.). Oxford: Oxford University Press.

Christopher, M., H. Peck & Towill D. (2006). A taxonomy for selecting global supply chain strategies. *International Journal of Logistics Management 17* (2): 277–87.

Connolly, P. I. (2000). Leadership on race in a changing suburban high school. *Journal of Applied Behavioural Science, 36,* 407-424.

Dawson, P. (2001).*Organizational Change in Management and Organizational Behaviour*. Australia: Wiley and Sons

Denis, D. & Kruse, T. (2000) Managerial Discipline and Corporate Restructuring Following Performance Declines, *Journal of Financial Economics 55,* 391-424.

Dosi, G & Grazzi M. (2006). Technologies as problem-solving procedures and technologies as input–output relations: some perspectives on the theory of production. *Industrial and Corporate Change 15* (1), 173-202

Drucker, P. (1999), *Management Challenges for the 21st Century*, Harper Business, New York, NY.

Eisenhardt K. M & Martin J. A. (2000). Dynamic capabilities: what are they? Strategic *Management Journal 21*, 1105-1121.

Gacheri A. (2010). Strategic responses by Tuskys supermarket to changing competitive environment. *Unpublished MBA Thesis. Nairobi*: University of Nairobi.

Ghatak, M. and R. Kali (2001). Financially Interlinked Business Groups, *Journal of Economics and Management Strategy. 10*(4) 591-619

Grant, R.M. (2002). *Contemporary Strategic Analysis"*, 4th edition, Balckwell Publishers Inc., Massachusetts.

Guillen, M. F. (2000). Business groups in emerging economies: A resource-based view. *Academy of Management Journal*, *43*(3), 362–380.

Hayes R.H. and Pisano, G.P. 1994. Beyond World Class Manufacturing: The new manufacturing strategy, *Harvard Business review*, *51(5*), 77-86

Hammer, M (1996): *Beyond Reengineering: How the Process-Centered Organization is Our Work and Our Lives*, Harper Collins Publishers

Hax, A. C. & Majluf, N. S. (1996). *The Strategy Concept and Process, a Pragmatic Approach*. Upper Saddle River, NJ: Prentice Hall.

Helfat C. E. (1997). Know-how and asset complementarily and dynamic capability accumulation. *Strategic Management Journal* 18(5): 339-360.

Hitt, M.A., Tihanyi, L., Miller, T. & Connelly, B. (2006), International diversification: antecedents, outcomes and moderators, *Journal of Management*, *32* (6), 831-867.

Johnson, G. & Scholes, K. (2002), *Exploring Corporate Strategy*, 6th Ed. Prentice Hall Incl.

KIPPRA. (2011). *A Comprehensive Study and Analysis on Energy Consumption Patterns in Kenya*. Nairobi, Kenya: KIPPRA.

Khanna, T., & Palepu, K. (2000). The future of business groups in emerging markets: Long-run evidence from Chile. *Academy of Management Journal*, *43*(3), 268-285.

Kotler, P. (1997). *Marketing Management*, (9th ed), Englewood Cliffs, NJ: Prentice-Hall.

Kotler, P (2000). *Marketing Management*, Millennium edition, Upper Saddle River, NJ. : Prentice-Hall.

Lawrence, P. R., & Lorsch J. W. (1969). *Organization and environment*. Homewood: Irwin

Oduol, T.D. (2012). Competitive strategies adopted by independent oil lubricant marketers in Kenya. *Unpublished MBA Thesis. Nairobi*: University of Nairobi.

Mugenda, O.M & Mugenda, A.G (2003) *Research Methods*, Quantitative & Qualitative Approaches, Acts Press, Nairobi

Ngechu. M. (2004), *Understanding the research process and methods. An introduction to research methods*. Acts Press, Nairobi

Pearce, J. A., & Michael, S. C. (2006). Strategies to prevent economic recessions from causing business failure, *Business Horizons, 49,* 201-9.

Pearce, J.A. & Robinson, R. B. (2007). *Formulation*, *Implementation and Control of Competitive*

Pearce, J.A. & Robinson, J.B., (2005). *Strategic Management*: Formulation, Implementation and Control, (3rd ed.), Richard D. Irwin

Pearce J. A. & Robinson Jr. R. B. (2000), *Strategic Management: Formulation, Implementation and Control,* Boston: Irwin McGraw-Hill.

Peng, M. W. (2001). The Resource-Based View and International Business.*Journal of Management* 27(6), 803-829.

Petroleum Institute of East Africa (2012). Overall Market Share. *Petroleum Insight,* 1st Quarter, 34.

Porter, M. (1998). *Competitive Advantage*. New York Press: Free Press

Porter, M. (1980). Competitive Forces: *Techniques for Analysing Industries and Competitors.* New York: Prentice Hal

Porter, M. E. (1985). *Competitive Advantage,* New York: Free Press.

Porter, M. E. (1990).*The competitive advantage of nations,* New York: Free Press.

Porter, M. E. (1997). *Competitive Strategy Techniques for Analyzing Industries and competitors*. Free press: New York.

Prahalad, C.K. & Hamel, Gary, (1990), The Core Competence of the Corporation, *Harvard Business Review*. 79-91.

Priem, R. L. and Butler, J. E. (2001). Is the Resource-Based View a useful perspective for strategic management research? *Academy of Management Review* 26(1), 22-40.

Quinn. J. (1980), Strategic change: logical incrementalism. *Sloan Management Review*. *20* (1): 7-21

Ries, A., Trout, J. (2000), *Positioning: The Battle for Your Mind,* New York, NY: McGraw-Hill

Senior B. (1997). *Organisational Change, Financial Times*. Harlow: Prentice Hall

Standard Investment Bank (2012) Kenya Oil and gas Sector Overview. Nairobi: Standard Investment Bank

Teece D. J. 2007. Explicating dynamic capabilities: the nature and micro foundations of (sustainable) enterprise performance. *Strategic Management Journal 28*, 1319-1350.

Thompson A. & Strickland A. J. (2002), *Strategic Management: Concepts and Cases*, Irwin: New York

Thompson, D. (1997). *Crafting and Executing Strategy*: Text and Readings. (15h edn), McGraw Hill Companies, New York.

Wilson, D. C. & Rosenfeld, R. H. (1990). *Managing Organisations: Text, Readings and Cases,* Maidenhead: McGraw-Hill

Yiu, D., Bruton, G., & Lu, Y. (2005). Understanding business group performance in an emerging economy: Acquiring resources and capabilities in order to prosper. *Journal of Management Studies, 42*(1), 183-206.

Zollo, M., & Winter S. G. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science 13*(3): 339-351.

APPENDICES

APPENDIX I: QUESTIONNAIRE

EFFECTS OF RESPONSE STRATEGIES ON COMPETITIVENESS OF OIL MARKETINGCOMPANIES IN KENYA

Kindly answer all questions. The information requested will be treated with strict confidence and used only for academic purposes.

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of the organization ____
2. Your position in the Company ____-
3. Number of years you have worked with the Company

   Less than 3 yrs ( ) Between 4-6 yrs ( )

   Between 7-9 yrs ( ) 10-12 yrs ( )

   More than 12 yrs ( )
4. Period that the organization has been in the Kenyan market

   Less than 10 yrs ( ) Between 10-20 yrs ( )

   Between 20-30 yrs ( ) Between 30-40 yrs ( )

   More than 40 yrs ( )
5. Number of employees in your organization

   Less than 20 ( ) Between 21-40 ( )

   Between 41-60 ( ) Between 61-80 ( )

   More than 81 ( )
6. Ownership structure of your Company

   Privately owned ( ) Publicly Owned (Quoted at the NSE) ( )

SECTION B: RESPONSE STRATEGIES

7. Below are several differentiation strategy applied by firms to remain competitive on the market. Kindly indicate the extent to which each of these has been applied by your Company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Differentiation Strategy	**1**	**2**	**3**	**4**	**5**
Our Company has unique products from those offered by other oil marketing Companies in Kenya					
Our Company has branded all its products					
Our Company has distinguished standards of health and safety in all our premises					
Our Company has well informed employees on our products					
Our Company services have been benchmarked to international standards					
Our Company has unique brand colours in its logo					
Our Company has distinguished products not offered by other competitors in the industry					
Our Company has developed loyalty programs to reward loyal customers					

8. In your opinion, in what other ways has your Company differentiated itself from other oil marketing Companies in Kenya? Please explain.

____

____

9. To what extent has the differentiation strategy affected the competitiveness of your Company?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

10. Below are several restructuring strategy applied by firms to remain competitive on the market. Kindly indicate the extent to which each of these has been applied by

your Company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Restructuring Strategy	**1**	**2**	**3**	**4**	**5**
Our Company has changed the management structure in the past to align to changing market demands					
More management positions have been created in our Company to help focus the activities of different managers					
There have been a change in business processes in our Company					
Our Company outsources some of the services from better qualified firms					
Our Company has adopted information technology to improve the productivity of our staff					
The reporting structure existing in the our Company ensures optimal performance					

11. In what other ways has your Company changed the management structure?

____

____

12. To what extent has the restructuring strategy affected the competitiveness of your Company?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]

13. Below are several diversification strategies applied by firms to remain competitive on the market. Kindly indicate the extent to which each of these has been applied by your Company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Diversification Strategies	**1**	**2**	**3**	**4**	**5**
Our Company has several product offerings to customers					
Our Company has invested in other industries supporting the					

operations of the Company					
Our Company has developed new market segments for its several products					
Our Company is involved in upstream operations					
Our Company is involved in downstream operations					

14. In what other ways has your Company diversified its operations/products and services?

____

____

15. To what extent has the diversification strategy affected the competitiveness of your Company?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

Section E: Market Positioning

16. Below are several market positioning strategies applied by firms to remain competitive on the market. Kindly indicate the extent to which each of these has been applied by your Company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Market positioning Strategies	**1**	**2**	**3**	**4**	**5**
Our Company has positioned its service stations in strategic locations					
Our Company has entered into long term agreements with other Companies to use our products					
Our Company positions itself as the best in service quality in the Industry					
Our Company has segmented the market for its products					
Our Company has developed product packages for different					

customer segments					

17. In what other ways has your Company positioned itself on the market?

____

____

18. To what extent has the market positioning strategy affected the competitiveness of your Company?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

PART C: EFFECTS OF RESPONSE STRATEGIES ON COMPETITIVENESS

19. Please indicate the extent to which each of the identified response strategies has affected the competitiveness of your company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent

Response Strategies	**1**	**2**	**3**	**4**	**5**
Differentiation strategy					
Restructuring strategy					
Diversification strategy					
Market positioning strategy					

20. In your opinion, to what extent is the competitiveness of the oil marketing industry in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

THANK YOU

APPENDIX II: LIST OF OIL MARKETING FIRMS IN KENYA

1) AFRIOIL
2) AINUSHAMSI
3) AL-LEYL
4) BAKRI
5) BANODA
6) CITYOIL
7) DALBIT
8) EAGOL
9) ENGEN
10) ESSER
11) FINEJET
12) FOSSIL
13) FUTURES
14) GALANA
15) GAPCO
16) GULF ENERGY
17) HASHI ENERGY
18) HASS
19) KENOL KOBIL
20) LIBYA OIL
21) MGS
22) NATIONAL OIL KENYA
23) OLYMPIC
24) OYRX ENERGIES
25) PETRO
26) RANWAY
27) REGNOL
28) RHDEVANI
29) RIVAPET
30) ROYAL
31) STABEX
32) TOTAL KENYA LIMITED
33) TOWBA
34) TRISTAR
35) TROJAN
36) VIVO ENERGY

Source: (Petroleum Institute of East Africa, 2015)