Impact of Strategic Responses on the Performance of Oil Marketing Companies in Kenya

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Abstract- The objectives of this study were to determine the strategic responses adopted by Oil Marketing Companies in Kenya and to establish the influence of strategic responses on performance of Oil Marketing Companies in Kenya. The research used a descriptive case study to determine the strategic responses adopted by OMCs, Kenya. A survey was used to describe the strategic responses which were successfully applied at OMCs so as to improve performance. The target population for the study was 216 employees working at OMCs and the sample size was 115 employees. The study used primary sources of data. Primary data was collected using both open-ended and closed-ended questionnaires. The instruments were self-administered to the respondents using a drop and pick later method. Data analysis was done using Statistical Package for Social Sciences (SPSS). This involved both quantitative and qualitative data analysis. Numerical data was collected from large sample, representative samples structured questions and interviews were analyzed using simple statistical methods whereby frequency distribution and percentages were widely used for study conclusions. The study concluded that the most popular strategic responses adopted by OMCs were strategic differentiation, strategic mergers and strategic alliances. It was revealed that OMCs faced stiff competition in the Oil sectors that prompted their adoption of strategic responses to effectively cope in the environment. Some of the OMCs attained a high market share were Total Kenya, Vivo Energy and Kobil. The regression results found that the model was a good predictor. Strategic differentiation and strategic alliances were found to be statistically significant. Mergers and outsourcing were found to be statistically insignificant. It was concluded that there was a statistically significant relationship between strategic responses and performance of OMCs. The study recommends that OMCs should form more alliances in order to broaden and diversify their product lines, ERC should offer an enabling environment that allow OMCs to merge so as to benefit from synergy, ideas and investment in advanced technology. Product differentiation should be integrated with innovation to ensure that products and services target specific needs. It is further recommended that future research should consider other strategic responses not discussed in this study for example downsizing, divesture and product innovation to establish their contribution towards performance. This will enable the researcher to compare findings after which a plausible conclusion can be drawn.

Index Terms- Strategic Alliances, strategic mergers, strategic product differentiation, Performance

I. Introduction

1.1 Background of the Study

Strategic responses are perceived as key drivers in dealing with environmental challenges and responding to customer needs; Grant (2003) studied the benefits of strategic response in European of companies. The findings revealed that the adoption of strategic responses enabled oil firms to effectively respond to environmental dynamics. Further, it was revealed that oil firms that used strategic responses were able to maximize on their core competencies and thus provided value adding goods and services at a cheaper price than their competitors.

Pearce and Robinson (2005) argue that strategic responses are actions that are designed to enable the firm to cope with challenges in the environment. A survey by Collins (2014) in Netherlands found that most manufacturing firms that used strategic responses recorded better performance as compared to manufacturing firms that failed to implement strategic responses. Ketchen and Palmer, (2013) investigated the effectiveness of strategic responses and organizational performance in the Textile Industry. The study used a longitudinal research design. 300 managers were interviewed in different states. Textile firms that utilized strategic responses performed better as compared to those firms that were reluctant to adopt strategic responses.

Santhanam and Hartono (2003) examined the effectiveness of strategic responses on organizational performance of IT firms in US. The cross-sectional design was which consisted of a quarterly report. The study concluded that strategy did not necessarily enable firms to respond to their customer needs. A negative correlation between strategic responses and organizational performance was established. Jabar, Othman and Idris (2011) examined the relationship between organizations' resource availability and absorptive capacity as well as type of alliances with organizational performance. The result establishes that Malaysian manufacturers need to increase their efforts in increasing internal resources that are the source of competitive advantage in order to achieve superior manufacturing performance.

Mohammed (2014) explored the link between strategic responses and performance of manufacturing firms in Dar es Salaam, Tanzania. The study applied a cross-sectional research design, 96 managers were interviewed and it was found that the most popular responses strategies adopted by firms were mergers, differentiation, product innovation and strategic alliances. Adoption of these responses was found to contribute positively towards improved performance.

Diallo (2012) explored the effectiveness of coping strategies by commercial banks to environmental dynamics in Senegal. The findings showed that the strategic responses utilized by banks were differentiation, mergers, strategic alliances and product innovation. Banks the employed these strategies were found to be efficient in their operations and thus, they were able to retain a large clientele. Kasekendi (2013) found that the adoption of strategic responses allowed manufacturing firms to adapt effectively to the changing environment. This made it easier for such firms to continuously record good sales and profitability. A strong correlation was found to be present between strategic responses and performance.

Imalingat (2015) did an investigation of strategic responses of mobile money transfer services in Barclay banks in Kampala, Uganda. The results found that product innovation, differentiation, strategic alliances and mergers were commonly used strategies by Barclays. Implementation of these strategies enabled the bank to effectively cope with changes in the market and guarantee survival. In so doing, the bank was able to cater for the growing needs of its customers. This improved customer loyalty, growth sales and increased profitability.

Akinyele and Fasogbon (2010) examined the impact of strategic responses on firm performance of service firms in Lagos, Nigeria. The study found that strategic alliance and product innovation influenced firm performance. Product innovation adoption led to increased sales since customers got quality products which were difficult to imitate by competitors. The findings depicted that strategic alliances improve synergy between firms. It also widened the scope of services and products offerings to the customers giving many customers a chance to access products.

In the Kenyan context strategic responses has attracted growing attention as a tool to enhance performance. Some studies have been done relation to strategic responses and performance. Murule (2011) studied the strategic responses used by pharmaceutical manufacturing firms in Kenya. The study used a cross-sectional design where data was collected using questionnaires once. Primary data was collected using semi-structured questionnaires. The results found that pricing, marketing and strategic alliances were the most commonly used strategies in pharmaceutical firms to maintain competitive advantage.

Kilonzi (2012) investigated the strategies responses used by NIC bank. A cases study was used to carry out an in-depth investigation of NIC bank. Five (5) departmental heads were interviewed and data was analyzed using content analysis. The findings revealed that differentiation and diversification were the main strategic responses used by NIC bank.

Kimunguyi (2013) studied strategic responses adopted by agrochemical firms. The study used a descriptive survey to find out the strategic responses adopted and their contribution to organizational performance. Primary data was collected using unstructured questionnaires that were administered using ‘a drop and pick’ later method. The findings indicated that the most popular responses adopted by agrochemical companies were differentiation and go-to-market strategy. Kamau (2014) assessed the influence of strategic responses on competitiveness of Faulu bank. The study used a cases study research design and primary data was collected using questionnaires. The findings revealed that strategic alliances and differentiation were popular strategic responses implemented by Faulu bank.

The Kenya oil market comprises of 64 companies that are involved in the distribution of petroleum products in Kenya as per 2013 data from the pipeline coordinator. A few Oil marketers have retail stations while others lack but are involved in the exportation of petroleum products and wholesale to other companies. Five dominants players in the Kenyan Oil market command a market share above 5 percent. These are Total, Kenol-Kobil, OMCs, Oil Libya and National Oil that consists of 72 percent combined proportion of the Retail stations at 45 percent.

This is an indication that major oil companies have a competitive edge over their rivals (EAOGS, 2014). Of the major oil marketers, Kenol-Kobil, and National Oil is local. As at end 2013, there were approximately 1400 Retail stations countrywide with more than five dominant players owning a combined total of 654 of the stations in the country (Total=188, Kenolkobil=166, OMCs=121, National Oil=101, oil Libya=78). The domestic sales of the industry in 2013 stood at 4550 kilometers cubed, and the total industry sales in the Retail stations stood at 1795 km3. The growth rate annually is estimated at an average of 4 percent per annum (Deloitte Report, 2013).

The oil marketing firms share in joint imports for motor fuels to realize economies of scale. The ministry of energy coordinates the imports with the help of an open tender system. The Oil Marketing Company (OMC) that offers the most competitive quote imports on behalf of the industry, The OMCs have a joint facility at the port and Kenya Pipeline Company (KPC) to import and transport petroleum products. The OMCs have agreed to share services that are not sufficient to service the oil needs in Kenya. The oil companies have their storage depots in Mombasa and Nairobi that gives them a competitive edge over their rivals since they can hold buffer stocks to maintain their operations when Kenya Pipeline is out of stock (EAOGS, 2014).

The oil industry faces increasing competition due to the growing demand for oil and petroleum products in Kenya. Oil marketing firms supply oil in Kenya and in the region, they undergo through an open tender system whereby the oil firms with the most competitive quote imports on behalf of the oil industry. The ministry of energy is charged with the responsibility of coordinating the open tender system (Munyasya, 2014). To serve the current needs of the market oils firms should consider adopting strategic responses that will allow oil marketing firms to utilize their core competencies to provide value adding goods and services to customer. This will attract more customers and contribute to superior performance (Munyasya, 2014).

Firms operate in an environment that is complex and uncertain this necessitates the need to respond to environmental challenges so as to survive in the business environment. However, there are certain environmental aspects that the firm is sensitive and must therefore respond to survive. The environment comprises of opportunities, threats and constraints; rising prices, competition and technological changes are important topics that require organisations to find ways to manoeuvre in order to survive. Strategic responses have been described as effective in enabling a firm to cope with environmental alterations. These responses are changes which take place overtime to the strategies

and goals of an organisation. Such change can be dramatic or gradual (Thompson, 2007).

Santhanam and Hartono (2003) contend that, strategic responses are changes which affect the strategic behaviour of an organisation. These responses might take several forms depending on the capability of the organisation and the nature of the environment in which they operate. Well-defined and aligned strategic responses form a formidable weapon for the organisation in obtaining and sustaining competitiveness. Strategic responses have been adopted and implemented by firms as a means to counter challenges in the environment. These responses have yielded desired outcomes in some firms while in other firms the responses have failed. Studies have been conducted to investigate the link between strategic responses and performance however, there lacks conclusive findings demonstrating this relationship. Ketchen and Palmer (2013) found an inverse association between strategic responses and performance. Murungi (2013) revealed that there was a positive relationship between strategic responses and performance. Mokua and Muturi (2015) concluded that strategic response impacted positively on productivity of Pharmaceutical Firms in Kisii County. Murungi (2013) found that most OMC's utilized to a great extent strategic alliances (64%), focus market (50% percent), joint ventures (50%), as well as corporate diversification (34%) as strategies in responding to dynamic economic environment. It was concluded that strategic responses were less utilized but would be effective if they were adopted. Although strategic responses have been studied, limited focus was given on the link between strategic responses and performance of OMCs in Kenya which, this study found worthwhile to investigate.

The general objective of the study was to determine the influence of strategic responses on the performance of Oil Marketing Companies in Kenya. The specific objectives were: to establish the influence of strategic alliances on the performance at Oil Marketing Companies in Kenya, to assess the influence of strategic outsourcing on the performance at Oil Marketing Companies in Kenya, to examine the influence of strategic mergers on the performance at Oil Marketing Companies in Kenya and to assess the influence of strategic product differentiation on the performance at Oil Marketing Companies in Kenya.

II. LITERATURE REVIEW

2.1 Theoretical Framework

This section reviews a discussion of the theories that anchor this study which include; Resource-based View, the Relational View of Strategy, Theory of Efficiency and Dynamic Capability Theory. These theories which have been discussed as per the research objectives.

2.1.1 Resource-Based View

In line with the theory, product differentiation enables the firm to widen its customer segment and to fulfill unmet customer needs. Product differentiation allows the firm to exploit its core competencies by offering products and services that add value to customers (Barney, 2001). Resources are inputs into an organization's production process, they include; capital, employees skills, finances, equipment, goodwill and gifted managers. Resources are either intangible or tangible in nature (Hoopes, Madsen, Walker, 2003).

To successfully implement product differentiation, the firm has to make maximum use of its available resources. Individual resources might not necessary lead the firm to a competitive gain but through synergy and integration of competitive resources the firm can effectively meet diverse needs of the customers (David and Cynthia 1995). RBV has been researched extensively in establishing the relationship between the organization's internal characteristics and performance. The basic idea is that the firm is a constituent of different resources put together and the manner in which an organization utilizes its available resources is critical in developing its competitive abilities and producing superior products and services (Hoopes, Madsen & Walker, 2003).

Kirchoff (2011) explains that organisational competitiveness is how best an organisation reacts to various environmental challenges. In this case, product differentiation is a way that the organisation utilizes reach out to customers whose needs were previously unmet. This can be realized through tailoring customers' products and services to cater for the evolving wants of consumers. One of the ways used by firms to counter dynamics in the environment is the utilization of their core competencies and to develop efficient capabilities that can be valued by their customers. Improving value to customers is one of the main objectives why firms adopt strategic responses in an attempt to tailor their products and services to meet the needs of the consumers.

RBV integrates product differentiation and competitiveness. Managing a company's strategic decisions and aligning these strategies to the firm's vision and mission is critical in enhancing the effectiveness of product differentiation utilized by the firm this attracts many consumers while retaining existing ones. Product differentiation is a resource to the organisation, effective utilization of product differentiation increases the scope of customers leading to customer value and satisfaction. This attracts more customers leading to increased sales and firm performance (David & Cynthia, 1995).

2.1.2 The Relational View of Strategy

Dyer and Singh (1998) have offered a relational view of competitive advantage that focuses on network routines and processes as a vital unit of analysis for understanding competitive advantage. The relational view critiques the BRV's assumption that resources are held by a single firm. It is argued that Dyer and Singh (1998) that the firm's resources might go beyond organisational boundaries. Dyer and Singh (1998) explain that an inter-firm linkage is a source of relational rents and competitive advantage. The define a relational rent as, a supernormal profit jointly generated in an exchange association that cannot be generated by either firm in isolation and can only be created through joint idiosyncratic contributions of the specific alliance partners' (Dyer & Singh 1998).

They identify 4 relational rents as a source of competitive advantages: relation-specific assets, knowledge-sharing routines, complementary resources and capabilities and effective governance. Dyer and Sing (1998) indicated that a fundamental level, relational rents are possible when alliance partners combine exchange or invest in idiosyncratic assets, knowledge, and resources and capabilities, they effective governance mechanism that lower transaction costs or permit the realization

of rents through the synergistic combination of assets, knowledge or capabilities.

The relation view of strategy is becoming increasingly popular (Wang 2004). A number of authors have discussed about inter-firm collaboration (Easton 1992; Easton & Araujo 1997; Ebers 1999; Oliver 1990), business interactions (Wang 2004), relationships (Perrow 1986; Walter et al. 2001) and networks (Ahuja 2000; Gulati & Gargiulo 1999; Gulati et al. 2000).An inter-organisational network involves relationships between two or more firms both in the micro-level and macro-level contexts (Ebers 1997). The micro-level context involves resources flows, information flows and flows of mutual expectations between firms. The macro-level context includes institutional, relational, PESTEL factors (political, economic, social, technological, ecological and legal) and regional contingencies (Ebers 1997). In line with the study, strategic alliances are adopted by firms in the same business after taking into account technical criterion. This makes it easier for firms to work together in an organized fashion while maintaining lower costs and efficiency. This conforms to Meyer and Rowan (1977) who argued that adoption of technical efficiency leads to reduced operational costs, improved quality and competitiveness.

2.1.3 Theory of Efficiency

Theory of efficiency explains that mergers will only occur when they are anticipated to generate synergy to enables the organization and mutual benefit for both firms. Through symmetric expectations of gains, organizations have realized the importance of merging and therefore express disinterest when they anticipate that gain in value from merging will not be positive. When a merger deal is proposed, Banerjee and Eckard (1998) and Klein (2001) highlight that a positive return is expected to both the acquirer and the target. Klein (2001) puts more emphasis on the need to distinguish operative synergies of 'efficiency gains' that are achieved through economies of scale and allocative synergies or conclusive synergies.

Allocative synergies are as a result of a high market power and an increased ability to extract consumer surplus in matters pertaining creation of value when considering a merger. Extant literature depicts that use of synergies is one of the critical drivers used to achieve superior performances as a result of the gains that are associated to synergies such as capital base and diversity of products and service offering (Devos et al., 2008; Houston et al., 2001).

Mergers open up markets for enhanced allocative synergies which contribute to positive benefits. Mukherjee et al. (2004) posit that companies possessing a high market power charge extra premiums to earn greater margins through consumer surplus. Such firms' records better performances than their rivals. On the same note; Kim and Singal (1993); Sapienza (2002) explain that companies that practice mergers record better performances. This is attributable to increased amount of sales which contribute to improved performance. Market power enables the organization to make high sales as a result of diverse market segments.

Cefis et al., (2008) argues that a high market power and allocative synergy gains create a major hindrance for other market players. Firms that dominate the market utilize their core competencies and their distinctive capabilities in providing value adding products and services that are difficult to duplicate by competitors. This discourages new entrants that are trying to gain a niche in the market thus allowing big organizations to continue dominating the market (Motta, 2004). Bensanko (2006) contends that mergers allow firms to offer products at an extra premium which increases the sales margins for the firms and thus improved performance.

Weston, Mitchell and Mulherin (2004) argue that mergers provide a platform for the organization to share knowledge and ideas for purposes of improving their procedures and processes to improve efficiency and mitigate the cost of operations. This significantly reduces the cost of operations and increases value for goods and services. This brings about customer a high level of customer satisfaction and hence increased sales. Weston et al. (2004) suggest when a performing organization acquires an underperforming firm; it might consider removing the underperforming managers and replacing them with competent managers who can harness their skills and competencies in devising strategies to make the organization more efficient and effective. This will lead to improved firm performance.

2.1.4 The Capability-Based View

Grant (1991) noted that capabilities are a source of competitive advantage and resources are a source of capabilities. Amit and Shoemaker (1993) indicate a similar position and explain that resources do not impact on sustained competitive gains of a firm, but its capabilities do. Haas and Hansen (2005), as well as Long and Vickers-Koch (1995), supported the importance of capabilities and suggest that a firm can gain competitive advantage from its ability to apply its capabilities to perform important activities within the firm. Amit and Shoemaker (1993), define capabilities in contrast to resources, as 'a firm's capability to deploy resources, in a blend of organisational processes that are information-based, tangible or intangible processes which are firm-specific and developed over time through complex interactions among the organisational resources.

Teece et al. (1997) define capabilities as, 'the firm's ability to align, build, and reconfigure internal and external competencies that can accommodate a dynamic environment. Grant (1996) defines organisational capability, as, the ability to perform a productive task that relates either directly or indirectly to the organisational capacity to create value through enhancing the quality of input to transform outputs. Grant (1996) groups capability into four categories. Cross-functional capabilities, broad-functional capabilities, activity-related capabilities and specialized capabilities; Sirmon et al. (2003) emphasized on the importance of organisational learning. They argue that capabilities and organisational learning implicitly and explicitly are part of strategy in the firm. Zack (1999) argued that the ability to learn and create new ideas is critical for gaining competitive advantage. Lee et al. (2001) described the influence of internal abilities and external networks on firm performance.

The concept of dynamic capacities is important because the environment where business operate are uncertain hence the need for organisations to cope to environmental changes. Firms use different approaches to build dynamic capacities depending on the prevailing environment conditions and the objective of the firm. A firm can decide to strategically outsource some of its functions if it is cheaper and more efficient. This way, the firm can easily concentrate on its core activities and work towards it

vision and mission. In so doing, the firm can easily be able to adjust to the environment and compete effectively with its competitors.

In support of this, Wade and Hulland (2004) observe that when the firm is seeking to implement a strategic plan, it has to consider whether to outsource some of its functions. The decision to outsource services highly depends on how well the firm is aligned to its resources and capacity to strategically outsource services from a credible organisation.

2.2 Empirical Review

2.2.1 Strategic Alliances

Ferdinard (2012) investigated the impact of strategic alliances on performance of Tesco Company in the UK. The researcher carried out a survey of 230 employees in several company departments with the help of an explanatory research design, the results found that through the adoption of strategic alliances firms enhanced performance. A significant link was found present between strategic alliances and performance. Adoption of strategic alliances contributed to reduction of costs and value addition.

Camison et al. (2011) studied the effect of participating in technological strategic alliances on business performance through taking into consideration the knowledge-based unique competencies as a mediating variable using sampled Spanish firms. The findings showed that the link between research and development (R&D), innovation strategic alliances, and performance is mediated by knowledge-based generation of distinctive competencies and that the contribution of participating in alliances to a firm's growth depends on its creation of innovative competencies. This implies that research and development managers must enhance the development of this kind of competencies to realize superior performance.

Matata and Oduor (2014) studied the effects of strategic alliances on performance of supermarkets and their alliances in Kenya. The study applied a correlational research design. The sample involved five big supermarkets (Nakumatt, Ukwala, Naivas, Tuskys and Uchumi) and 95 of their strategic alliances. Data was collated from head offices of these firms with the help of the questionnaires. Analysis of data was done using a multiple regression model to test the effect of the independent variables that relate to strategic alliances and the performance. Analysis of variance and t-test (one tail) were applied to determine the level of significance. Empirical results showed the existence of an inverse linkage correlation between technological strategic alliances and performance. There was no statistical significant nexus between technological alliances and performance among supermarkets and their strategic alliances in Nairobi CBD.

Correlation findings showed the existence of a weak, negative effect between production strategic alliances and supermarkets performance. There existed a strong and positive impact between marketing strategic alliances and performance. About supermarkets alliances, a medium and positive correlation between marketing strategic alliances and performance was found. However, 2 tailed tests showed a statistically insignificant link between the variables. Multiple regression results found that strategic alliances were weakly related to performance. Analysis of variance showed that the link between strategic alliances and performance was statistically insignificant for the supermarket alliances but significant for the supermarkets. Under t-test analysis, strategic alliances and performance was found to be statistically significant.

2.2.2 Strategic Outsourcing

Yankelovih (2013) investigated two-thirds of firms world-wide outsource at least a single business process to a third party. This practice is popular in the U.S., Canada, and Australia, where 72 percent of business processes are outsourced. Javaligi (2008) indicated that successful implementation of outsourcing strategies results into reduction in costs, increased capacity and quality. Kotabe (2009) noted the possibility of having long-term negative impacts of outsourcing as a result of a firm's dependence on autonomous suppliers. This form of reliance on outsourcing might inhibit the company to sustain long-term competitive gains without participating in the development activities regularly. This observation collaborates with Corley (2011) when he assessed the results of technology outsourcing partnerships from outsourcing organisation's point of view and found that, equity-related alliances were more effective than contract-related outsourcing.

Steensma, Kevin and Corley (2010) made suggestions that the results from technology partnerships for outsourcing organisations depends on the nexus between technology attributes and interdependence between the source and outsourcing firms. Klaas et al (2001) found that the influence of organisational traits was highly contingent, indicating that the organisational traits had a different impact on the various types of outsourcing activities outsourced. As such, it can be concluded that many factors such as pay level, promotional opportunities and demand uncertainty must be considered when making a decision on whether to source functions of activities.

Akewushola and Elegbede (2011) assessed the axiomatic relationship between outsourcing strategic performance of Nigerian manufacturing sector. The study adopted a stratified sampling approach to achieve at 120 sample elements. Some top and middle level managers of Cadbury Nigeria Plc and Nestle Foods Plc were interviewed. The results revealed that outsourcing firms experienced reduced average cost, increases in sales turnover and profitability. In addition, there was improved; expertise, service quality and streamlined production processes. Lau and Hurley (2011) did an examination of the link between outsourcing and profitability margin; it was revealed that Chrysler's profit margin was four times higher as compared to that of the GM due to the effectiveness of outsourcing strategy.
Frayer, Scannell, and Thomas (2011) contend that firms perceive outsourcing strategy as a way of minimizing costs, improving quality and increasing an organisation's overall competitive position. In accordance to Ellram, Tate and Billington (2007), outsourcing has an impact on the day-to-day management and performance, as well as strategic implications. Hence, firms must outsource wisely. Outsourcing decisions might affect the firm's cost structures, long-term competitiveness and alter the nature of risks that the firm should manage.

2.2.3 Strategic Mergers

Athanasoglou and Brissimis (2014) utilized operating performance methodology on revenue, cost, profit and productivity ratios during pre-merger and acquisition period 2004-2007 and post-merger and acquisition period (2000-2002). It was found that mergers positively influenced profitability of merged banks; it also led to improved cost efficiency. Also,

Athanasoglou and Brissimis (2011) applied an event study methodology for merger and acquisitions in Greek banking sector in the period 2008-2009, an examination of 7 different cases was carried out. The results showed that banks attained a higher cumulative abnormal return as compared to bidder banks. Siems (2011) applied event methodology in the case of 24 US bank mega-mergers (deals exceeding $500m) in 2005. It was found that the shares of the target bank increased by 13.04% but those of the acquirer declined by 1.96%. The results were found to be significant at 1% level. Several studies use accounting data. Vander Vennet (1996) examined European bank mergers between 1998-2003; the two studies applied accounting data and the efficient approach. The accounting data comprised of several financial measures such as return on assets, return on equity and asset utilization. It was concluded that domestic mergers between equal-sized partners led to a significant increase in the level of efficiency among merged banks. Cornett and Tehranian (2008) did an examination of post-acquisition of larger bank mergers in the period 1992-1997. The report showed that merged banks outperform other banks in the banking sector.

Rezitis (2008), adopted a stochastic output function, it was found that mergers and acquisitions led to improved technical efficiency and improved productivity which resulted into growth of Greek banks. Noulas (2007), examined the growth productivity of Greek banking sectors in 1991 and 1992, with the help of Malmquist productivity index and the Data Envelopment Analysis method (DEA), a huge difference in growth of state and private banks was recorded. Most private banks embraced adoption of mergers and acquisitions as strategies to boost growth.

2.2.4 Strategic Differentiation

Hall and Saisa (2009) explored the link between differentiation and performance of American firms. The study adopted a sample of 64 firms in five different states. An exploratory research design was utilized and the results showed the existence of a significant relationship between differentiation and performance. It was established that firms that adopted differentiation as a strategy were able to attract more customers. A strong and positive correlation was found between differentiation and performance. Firms that utilized differentiation as a strategy recorded high levels of sales turnover which contributed to profitability. Alamdari and Fagan (2005) did an investigation of a model-based study through discussing the effectiveness of the low-cost model and its influence on bank profitability. The results showed that banks that attained the lowest costs and earned the highest amount of profits in cases when competing products were undifferentiated, selling at standard market price. Firms that adopted this strategy laid more emphasis on reduction of costs in each activity within the value chain.

Chan and Jamison (2009) assessed the effectiveness of differentiation on performance of Chinese firms in the period between 2001 and 2008. The study adopted a longitudinal research design which was carried repetitively in various phases. The findings showed that the sector witnessed key players moving in and out, several legal regulations were applied; the structure and the intensity of competition changed and differentiation became a key feature of competition. It was further revealed that a positive nexus was established between differentiation and performance.

Bonaccorsi di Patti and Gobbi (2011) tested the impact of differentiation on performance of Italian banks. A sample of 15 banks was used in Rome. Primary sources of data were used. The findings showed the adoption of differentiation improved value for products and services offered by the bank. This gave customers increased access to banking services and products. A positive correlation was found to exist between differentiation and performance. Many banks implemented differentiation as a strategy since they wanted to segment their niche markets by enhancing accessibility of banking services.

2.3 Critique of Existing Literature

From the reviewed literature it is evident that firms need to adjust themselves to the changing environment for survival. This way, they can compete effectively with their rivals by providing quality products at competitive prices. This attracts many customers since they can get value for products and services offered by a firm leading to satisfaction. Responding to environmental changes is important for the firm's survival and strategic goals. Some firms respond but unfortunately, they do not survive in the environment. Ketchen and Palmer, (2013) strategic responses allow the firm to counter challenges such as competition, technology and other uncertainties that are beyond the control of the organization. Strickland, Gamble and Jain (2008) explain that the adoption of strategic responses enables the organization to marshal and allocate its resources in a unique and viable posture in accordance to its relative internal competencies and shortcomings, anticipated environmental changes and contingent moves by intelligent opponents (Pearce & Robinson, 2005). Successful implementation of strategic responses depends on how well the firm formulates and sets out its strategic plan.

Barney and Hesterly, (2008) maintain that a responsive and adaptable organization can continuously provide for the growing needs of its customers. Successful adoption and implementation of strategic responses require the firm to integrate its strategic responses with its corporate goals and objectives. Not all firms that adopt strategic responses succeed some fail. Yabs (2010) observed that most firms formulate strategic plans but few succeed in the implementation of these plans. White (2006) notes that to succeed in the implementation of strategic plans calls for effective coordination of the top management and the employees in achieving the same goals.

Top management team should set their targets and align the employees to work towards implementation of strategic plans. An organisation that endeavors to differentiate itself positively from its competitors, using its relative corporate strengths and weaknesses must ensure that customers get value for products and services offered. This will boost customer satisfaction and attract more customers. Some firms that have adopted strategic responses have failed while others have succeeded. It could be argued that the adoption of strategic response is not a guarantee towards the realization of corporate goals. The manner in which the firm implements its strategic plan and how well the plan is aligned to strategic goals highly determines the success of strategic responses. Firms that have succeeded in strategic response adoption have a strategic plan

that acts as a road map on how the process of implementation will take place. Top management plays a crucial role in providing direction and aligning strategic goals with the mission and vision of the organisation. Firms fail to succeed in implementing strategic responses because of several reasons. These include poor leadership, inadequate resources, resistance to change among other factors.

Several studies depict a mixture of reaction on the link between strategic responses and performance. Munyasya (2014) found that the adoption of strategic responses contributed positively towards improved performance. He argued that implementation of strategic responses enabled firms to boost their efficiency and mitigate costs. These arguments are in harmony with Kamanja (2015) who concluded that the adoption of strategic responses improved the firm effectiveness. Further, Mokua and Muturi (2015) found a positive correlation between strategic responses and performance of Pharmaceutical firms. On the other-hand, some studies show the existence of either an inverse relationship or no relationship on the link between strategic responses and performance. Bidley (2011) observed the existence of an inverse relationship between strategic responses and performance. He noted that adoption of strategic responses was not sustainable due to competition from other players. Odhiambo (2014) found that use of strategic responses by firms did not necessarily lower costs. From these studies, it is evident that strategic response is a way in which firms opt to respond to environmental challenges.

Nevertheless, the approach applied by the firm is influential of the success or failure of a strategic response. It is worth noting that there are other strategies that an organisation can apply to respond to challenges in the environment apart from the one discussed above. Example includes allocating huge funds to research and development and modern technology. This approach enables the firm to easily understand its customers. Thus, the firm can tailor its services and products to suit customer wants. This improves satisfaction while it might attract new customers. Through investing in modern technologies, a firm can produce superior goods and services that are difficult to imitate by rivals.

2.4 Research Gaps

Strategic responses have been implemented widely in the developed countries such as U.S, U.K, and Asia as compared to the developing countries. Although developing nations are still reluctant to adopt strategic responses as a way of dealing with environmental challenges, few local researches that have investigated this area have found contradicting results.

Some show a positive linkage between strategic response and performance, other show a negative link between the two variables while others show no relationship. Still, strategic responses are instrumental in assisting firms to realize set strategic goals through survival and keeping up with the pace of a dynamic environment. Although differentiation of products and services enable the firm to meet its customer needs and widen the scope of the market, some firms that adopt differentiation have failed in widening the scope of their market segments.

Through strategic responses firms can merge, form alliances to create synergy by increasing resources and diversifying their product lines. This is not always the case, since a firm that was previous performing well can acquire a smaller firm that performs poorly and affect its performance negatively. Organizations can also outsource some of its functions to a third party who is a specialist in that area (Grant, 2005). This will assist the firm to access quality services at a cheaper cost and to focus its core functions. Hence, such a firm is able to deliver quality products and services at a cheaper price. On the contrary, a firm may outsource services, incur high costs and get poor quality services. This might attract losses to the firm and affect its performance (Munyasya, 2014).

III. RESEARCH METHODOLOGY

According to Sekaran, (2006), a research design is an overall strategy chosen by a researcher to combine various components of a study in a consistent and logical manner through ensuring that the research questions are addressed. It is a blueprint that guides the process of data collection and analysis. This study adopted a descriptive research design. This kind of design was useful in establishing the nature of existing situation and current conditions and also in analysing such situations and conditions.

A population comprises of a collection of objects those posses' similar traits that can be used to make inference (Kothari, 2011). A population is classified into two; the study population and the target population. A small population is drawn from the target population. The study population is a smaller population studied in the research (Cooper and Schindler, 2008). The target population for this study included 36 OMCs in Kenya. The decision to choose OMCs was driven by the nature of their operations and the uniqueness of their products and services.

Sampling frame is defined as a list of objects in which a sample is drawn. It consists of all the elements in a study population (Cooper and Schindler, 2008). The sampling frame was 216 employees who worked in operations, marketing and finance departments (ERC, 2015). This category of employees was perceived to be involved highly in matters of strategy implementation and decision particular on strategy and organisational performance.

A sample is a small portion of a target population. Sampling means selecting a given number of subjects from a defined population as a representative of that population. A stratified sampling technique was used to select the respondents from different departments to get a representative sample. According to Kothari (2005) defines stratification as the process of dividing members of the population into homogeneous subgroups before sampling. The stratum was found to be mutually exclusive since every element of the population was assigned to a single stratum. A mathematical formula will be used to determine the sample size. The formula was advanced by Cochran (1975) as follows:

$n_0 = Z^2 pq / (e^2)$

n_0= is the sample size

Z= is the area of the normal curve which cuts off an area α at the tails. Where α is the level of significance and 1-α is the confidence level of 95% Z was arrived at as follows:

0.5-0.025=0.475 is the area that gives the Z value/Z-score in the normal distribution tables.

This value is ±1.96

P= is the estimated level of variability in the population and
q=1-p.
e= is the level of significance
N= target population
p=0.2, this percentage was adopted based on the recommendations made by Cochran (1975), the less variable (more homogeneous) a population is, the smaller the expected sample size. A proportion of 20% shows less variability in the population.
q=0.8
n= is a more reduced sample size
$=1.96^2(0.2)(0.8)/(0.05)^2$
$n_0= 245.86$
To get a more reduced sample size, this formula is adopted;
$n= n_0/1+(n_0-1)/N$
=245.86/1+ (245.86-1)/216
=115 employees

Questionnaires were utilized for data collection purposes. These questionnaires comprised of both structure and unstructured questions. Structured questions were useful since they are easy to use and comprehend. Unstructured questions were used to collect first-hand information on the thoughts and opinion of the respondents. This was achieved through interviews. The advantage of using questionnaires was because it was easier and faster to collect information as compared to interviews.

The book for appointments with the operations and finance managers and explain to them the objective for this study. After getting the consent from the respondents, the researcher together with assistants used a 'drop and pick' later method at a time when the two parties agreed. The questionnaires were picked in duration of two weeks to give the respondents an ample time to go through all the questions and seek assistance from research assistants on the questions which they did not understand. This aided in enhancing the response rate and ensuring that the information gathered was accurate and reliable.

The piloting exercise involved ten respondents who were picked randomly from ten OMCs. The main reason of conducting the pilot study was to predict the warnings and risks about the research project especially when the proposed approaches or instruments were inappropriate or too complex. The findings of this study were validated in consultation with the supervision by randomly choosing the target population and conducting a pilot study. The respondents in the pilot study were not included in the actual study.

Cooper and Schindler (2008) validity is the degree to which the instrument measures the constructs under investigation. There are three types of validity tests; content, criterion and related construct validity. This study used content validity because it measured the degree to which the sample of the items represented the content that the test was designed to measure. At the same time, the validity of the instruments was subjected to scrutiny of the research supervisor.

Kothari (2011) defines instrument reliability as the ability to measure an instrument and produce consistent results. It is the measure to which reliability as a measure of research instrument yields constant results after repeated trials. The researcher selected a pilot group to a few individuals from the target population to test the reliability of the research instruments. The study used Test-retest method to establish the reliability which assessed the degree to which test scores were consistent from one test administration to the next.

Measurements were gathered from a single rater who used similar methods or instruments and similar testing conditions. If the correlation between separate administrations of the test was 0.7 or higher, then it was presumed to have good test-retest reliability.

Data analysis was done using Statistical Package for Social Sciences. Quantitative data was analyzed using descriptive statistics and qualitative data was analyzed using content analysis. Descriptive statistics consisted of mean and standard deviation. Quantitative data was analyzed using descriptive statistics such as mean, standard deviation and measures of central tendency which were presented inform of tables. Frankfort-Nachmias and Nachmias (2008) posit that descriptive statistics allow meaningful description of scores and measurement using indices and statistics. A regression model was adopted to establish the relationship between strategic responses and performance. Performance was regressed against four variables: strategic alliances, strategic outsourcing mergers and differentiation.

$Y=b_0+b_1X_1 +b_2X_2 +b_3X_3+b_4X_4 + \varepsilon$
Where;
Y= Organizational Performance (dependent variable)
b_0= constant
$b_1......b_5$ =coefficients
X_1= Strategic Alliances
X_2 = Strategic Outsourcing
X_3= Strategic Mergers
X_4 =Differentiation Strategy
ε = error term

Presentation of data was done inform of quantitative and qualitative reports which will be presented inform of tables and essay form. For the quantitative reports, the tables consisted of mean and standard deviation values that were used to make interpretation of the analysis. Percentage, mean and standard deviation were used to show the frequency of responses. Tables were used to display the rate of responses and to facilitate comparison. Qualitative reports were presented in inform of essay which were discussed as per the study objectives aligned with the theories and empirical studies.

IV. RESEARCH FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND AREAS FOR FURTHER RESEARCH

4.1Summary of Major Findings

This section consists of the major findings for this study. These findings have been aligned to the study objectives as provided below:

4.1.1 Strategic Alliance

OMCs shared resources by working together with their counterparts. To achieve this, OMCs formed strategic alliances to expand their product lines and distribution channels and effectively diversify their product lines. Through formation of

strategic alliances OMCs achieved their set goals and targets. Each OMC was able to identify its roles since they were clearly defined; this was one of the main reasons why these firms came together. Shareholders and partners came together and shared common goals and vision.

4.1.2 Strategic Outsourcing

OMCs actively outsourced service providers to perform specialized roles and consequently got professional services from experts. This enabled OMCs to focus on their core activities and maximize on their competencies. OMCs negotiated for better deals and quality services from their vendors and this ensured on-time delivery of products and quality services and this resulted to improved value and customer satisfaction. While OMCs outsourced some services, it was revealed that that did not warrant them quality services since in some instances the cost of outsourcing was higher compared to the value that was realized.

4.1.3 Strategic Mergers

OMCs merged with their counterparts to form one company through integrating their businesses processes and procedures. OMCs enhanced work-force diversity by bringing employees from different cultural backgrounds together, to combine their skills, ideas and develop creativity to boost productivity. OMCs were able to grow and expand their businesses and product lines by broadening their market segments and targeting more customers. Through merging, OMCs pooled resources together making it easier for them to invest in modern technologies such as information communication technology for improved efficiency and reduced operational costs. Also, the firms penetrated into new markets and product categories.

4.1.4 Strategic Differentiation

OMCs implemented differentiation as a strategy to remain competitive in the market. They provided products and services with distinctive attributes to serve and target diverse customer needs, in different classes and segments for improved value and customer satisfaction. OMCs designed and packaged their products to suite different customer needs. Most of the products purchased from OMCs were not standard hence it was easy to find alternative suppliers implying that suppliers had adequate capacity and capabilities to offer unique products. The oil market was sensitive and knowledgeable about the market trends and pricing and this forced OMCs to respond to such needs efficiently through partnering with strategic suppliers. Effective product differentiation improved OMCs reputation by practicing continuous innovation that ensured that any unmet customer needs were addressed consistently. Product differentiation by OMCs impacted on marketing and distribution channels through targeting new markets, introducing new products or addressing unique needs. The firms also built good relationships with the suppliers making it easy for OMCs to distribute their products.

4.2 Conclusion

There are a number of conclusions that can be made in relation to the influence of strategic responses on performance of OMCs in Kenya. To begin with it came out clearly that the most popular strategic responses adopted by OMCs were strategic differentiation, strategic mergers and strategic alliances. The study went on to demonstrate that OMCs adopted these strategies to counter stiff competition in the oil sector and to remain competitive in the market. This is attributable to the fact that some OMCs have a higher commanding market share than others making the competition to be stiffer. Some of the OMCs particularly those that commanded a higher market share such as Total, Vivo Energy and Kobil did outsourcing of their core activities to minimize their operational costs and improve the quality of their services. As such, this impacted greatly on their performance. This is clearly depicted by the relationship between strategic responses and performance of OMCs in the regression model adopted by this study.

4.3 Recommendations

OMCs should form more alliances to expand and diversify their product lines. This will enable them to minimize risk, attract more customers, work closely with their alliance partners, share resources and work towards achieving corporate goals. Moreover, OMCs will be able to define their roles and set their strategic direction which is critical for planning.

The study recommends that OMCs should only outsource those services in which they lack expertise and specialized skills and are critical to the company operations. This will help OMCs to save on huge costs from outsourcing services which do not impact on the business and overall performance of the firm. Outsourcing should be aimed at relieving the firm from the burden of not concentrating on its core activities.

ERC should provide a conducive environment for OMCs to easily merge and widen the scope of their operations. In so doing, OMCs will invest in modern technology and research and development resulting into improved quality of products and services. This will also promote free and fair competition since smaller OMCs can merge with large OMCs and compete alongside their rivals competitively.

The study further recommends OMCs should align their strategic differentiation with innovation in order to come up with products that aim to satisfy specific needs. To accomplish this, oil marketers should involve all their stakeholders in strategic differentiation plans and decisions to ensure that all unmet customer needs have been addressed. This will lead to increased sales and profitability and eventually improve performance.

The study recommends that further studies should be undertaken to incorporate other strategic responses such as product innovation, downsizing and divesting in order to find out their impact on performance of OMCs. This will provide a basis of comparison to find out the strategic responses that impact greatly on performance after which a conclusion can be drawn on the basis of the basis of solid facts.

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REFERENCE TABLES AND CHARTS ON FINDINGS

Table 4:1: Return Rate

Target Respondents	Actual Respondents	Response rate (%)
115	105	91%

Table 4.2: Age brackets of the Respondents

Age	Frequency	Percentage
Below 25 years	0	0
30-35 years	26	25
36-45 years	40	38
46-55 years	32	31
55 years and above	7	06
	105	**100.0**

Table 4.3: Position of the Respondents

Position	Frequency	Percentage
Operations Manager	52	50
Marketing Manager	29	27
Finance Manager	24	23
	105	**100.0**

Table 4.4: Length of Service in the Organisation

	Frequency	Percentage
Less than 5 years	30	29
5-20 years	65	62
20 years and Above	10	09
	105	**100**

Table 4.5: Strategic Alliances

Strategic Alliances	N	Mean	Std. Deviation
The company has agreed formally to share resources by working together with other oil firms	105	3.881	0.792
The company has a wide distribution channel and many product lines	105	3.561	0.997
The strategic alliances adopted contributes to the mission and vision of the firm	105	3.911	0.873
The role of each firm is clearly identified	105	3.920	0.717
The stakeholders (investing companies) shared in the same goals	105	3.654	0.844
Total	**105**	**3.7854**	**0.8446**

Table 4.6: Outsourcing

	Frequency	Percentage
Yes	84	80
No	21	20
	105	**100**

Table 4.7: Effect of Strategic Outsourcing

Strategic Outsourcing	N	Mean	Std Deviation
The firm engages a service provider to perform certain role	105	4.122	0.794
The firm gains access to professionals and expertise	105	4.001	0.877
The firm negotiates the contract agreement with the vendor	105	3.364	0.687
The firm has full concentration on its core activities	105	3.421	0.552
The firm has access to more specialized services	105	2.393	0.591
Total	**105**	**3.928**	**0.840**

Table 4.8: Mergers

	Frequency	Percentage
Yes	58	55
No	47	45
	105	**100**

Table 4.9: Effect of Strategic Mergers

Strategic Mergers	N	Mean	Std Deviation
The firm has combined with other firms into a single corporate entity with a new name	105	2.451	0.894
The firms has expanded its business and product lines	105	3.951	0.677
The firm has ventured into new markets	105	3.654	0.537
The firm has improved workforce diversity	105	3.104	0.652
The firm has improved access to modern technology	105	3.811	0.791
Total	**105**	**3.942**	**0.710**

Table 4.10: Effect of Strategic Differentiation

	N	Mean	Std Deviation
The firm targets all classes of customers	105	3.943	0.774
The firm offers products and services with specific attributes to meet customer expectations	105	3.951	0.785
The firm offers value adding products and services	105	3.792	0.754
The firm has a great reputation for innovative products and services	105	3.290	0.598
The firm has perfected its marketing and distribution systems	105	2.465	0.805
Total	**105**	**3.4882**	**0.7432**

Table 4.11: Performance Levels of OMCs

	N	Mean	Std Deviation
The firm has increased its sales turnover	105	3.711	0.781
The firm has improved its level of customer satisfaction	105	3.394	0.631
The firm has improved its level of efficiency	105	3.781	0.652
The firm has minimized its operational costs	105	3.601	0.732
The firm has improved its return on investment	105	3.815	0.510
The firm has improved its level of profitability	105	3.910	0.725
The firm has improved its corporate image and reputation	105	2.910	0.543
	105	3.589	0.653

4.10.2 Model Summary

Table 4.12: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854[a]	.729	.701	.03311

a. Predictors: (Constant), alliances, outsourcing, mergers , differentiation

Table 4.13: Analysis of Variance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.110	4	.0275	91.667	.000[b]
	Residual	.037	100	.0003		
	Total	.147	104			

a. Dependent Variable:

b. Predictors: (Constant), alliances, outsourcing, mergers , differentiation

The regression mode adopted for this study was found to be significant since the probability value was less than 5%, 0.000.

Table 4.14: Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.030	.022		1.337	.061
	Alliances= X_1	.022	.005	.186	2.041	.050
	Outsourcing= X_2	-.011	.005	-.017	-.193	.104
	Mergers= X_3	.000	.004	-.001	-.031	.354
	Differentiation= X_4	-.070	.008	-.821	-8.956	.000

a. Dependent Variable: performance

Since some variables lack significant t-test values Pearson Correlation is deemed to be redundant hence this test was not carried out.