RELATIONSHIP BETWEEN COMPETITIVE STRATEGIES AND ORGANIZATIONAL PERFORMANCE OF PETROLEUM COMPANIES IN KENYA

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ABSTRACT

The business environment in the last three decades has been faced with numerous changes due to factors such as globalization, adoption of technology, fragmented markets and liberalization of industry rules. Petroleum companies that seek to survive must be fast enough to respond to the pressures to compete on levels unrivalled in the past. The main objective of this study was to determine the relationship between competitive strategies and organizational performance of Petroleum companies in Kenya. The specific objectives of the study were to determine the effect of differentiation, focus and cost leadership strategies on business competitive strategies of Petroleum companies in Kenya and to determine business competitiveness challenges affecting facing Petroleum companies in Kenya. The study adopted a descriptive research design because of the nature of the data to be collected. This study was a survey of fifty-nine petroleum companies in Kenya. The target population consisted of all the 59 petroleum companies in Kenya. Structured questionnaire with open ended questions was used to collect primary data. The data was analyzed using content analysis and descriptive statistics. The findings indicate that competitive strategies of differentiation, focus strategy and cost leadership enhance business competitiveness. The study sampled52 respondents who constituted top level, middle level and junior management at the Petroleum companies in Kenya.46questionnaires were dully filled and returned to the researcher and gave a response rate of 88%. Variables had a significant effect on cost leadership on relationship between competitive strategies and organizational performance of petroleum companies in Kenya. The independent variables that were studied explain a substantial 89.8% of competitive strategies for performance of as represented by adjusted R2 (0.898). Therefore, the independent variables contribute 84.3% of the business performance. The study concludes that competitive strategies positively influence organization business performance. On the same, the study concludes that strategy implementation improves corporate image, business excellence and operations management, strategy formulation and implementation influence organization performance positively to a great extent resulting to increased organization profitability, business turnover and volumes of sale. The study further concludes that organizations should focus on evolutionary strategic changes, reconstruction strategic changes, adaptation reconstruction changes and revolutionary strategic changes as they enhance growth to a great extent. The study recommends that organizations should focus on adopting competitive strategies so as to improve organizational performance through increasing customer base, asset quality, quality of service and increased market share. Organization should perform effectively on its financial performance clear strategies that guides it operation should be formulated and guidelines be provided to all the concerned departments in order to eradicate occurrence of compromise and there should be effective strategies that cater for the customer needs, organization goals and environmental changes.

Key Words: *competitive strategies, organizational performance, petroleum companies, Kenya*

INTRODUCTION

The business environment in the last three decades has been faced with numerous changes due to factors such as globalization, adoption of technology, fragmented markets and liberalization of industry rules. Petroleum companies that seek to survive must be fast enough to respond to the pressures to compete on levels unrivalled in the past. Therefore, businesses that survive the turbulent business are those that incorporate a strategy in their long-term plan. Companies' main objective is not only to survive but adopting globalization, move in new directions and take advantage of the changes to grow. Companies that seek to outperform their business rivals must adopt competitive strategies that would create a competitive advantage. Competitive strategy is very essential for the smooth running of a business and determines the policies, activities and decision of every business (Hill & Jones, 2001). In the petroleum industry, companies respond to changes in the business environment by improving product quality, improved customer service and advertising. These responses are aimed at enabling the firm to gain competitive advantage over their rivals in the market and to enhance long-term performance and profitability. A competitive advantage exists when an organization deliver its product and services at a lower cost or deliver benefits that exceed those of competing products (Porter, 1985).

Spanos, Zaralis and Lioukas (2004) refer to competitive strategies as a direction and scope in the long term an organization use to achieve a competitive advantage over its competitors. According to Walsh et al. (2008), by gaining competitive advantage, an organization is able to increase its production and supply the produced goods in an effective manner compared with its rivals. Business entities in most cases come up with business strategies as a way of maintaining competitive position in the market relative to other firms offering similar products in the market. Business strategies should be based on its ability to gain competitive advantage. Business managers develop flexible competitive strategies to deal with challenges external environmental. Bakunda (2001) identified sources of competitive strategy as use of continuous innovation, superior technology, and scale of operation, superior quality products, and high value for money and high degree of performance and reliability. According to Salavou (2013), the key feature in competitive strategies of most businesses is flexibility. Competitive strategies are adopted by firms in response to the ever-changing business environment.

Porter (1998) suggested that all firms in a given industry must have competitive strategies in order to main successful in the market. This competitive strategy can either be explicit or implicit. The relative position of a firm in its industry is a key determinant of overall profitability. Profitability of an entity in its industry can either above or below the industry average performance. In long run, there exists three key types of competitive strategies that can accrue to a firm; service/product differentiation, niche strategies and cost leadership strategies. In service or product differentiation strategy a firm seeks to make its products or services valuable and unique to its buyers in the industry. The unique attributes of a product should have a combination of performance and conformance to quality, reliability and durability of the product. Products can be differentiated through shape, physical structure and size (Porter, 1998).

With cost leadership strategy, firms set out to be produce goods/offer services at a relative low cost compared to other rivals. A firm gains competitive advantage through controlled costs, cheap raw materials, proprietary technology and efficient operations to create value to customers. Low costs can be achieved through years of experience in production, reduction of incentives offered to customers and relying on offshore manufacturing. In a niche strategy, a business identifies and focuses on a particular product. Market niche is defined as the features of the product designed to satisfy the specified needs of customers on the market (Porter, 1998). Bakunda (2001) argues that buyers would normally pay a premium for more reliable products. In the oil industry context, customers consider to pay a higher price for petroleum products, which they consider genuine, and of high quality. However, when it is perceived that the fuel is adulterated; customers may avoid buying it altogether.

Performance of an organization is measured by established measures of efficiency and effectiveness and compliance with rules and regulation. It also entails measures to safeguard and conserve environment. Performance can further be defined as a metric that relates to how an organization handles a given request or acts resulting in successful thing or practical application and use of knowledge as opposed to merely accumulating and possessing it. Performance is what comes out of the strategies and operations of an organization (Venkatraman & Ramanujam, 2011). It refers to the degree at which an organization attains its expectations. According to Oakland (2009), performance is a sum total of actions of people in line with roles of an organization.

According to www.erc.go.ke (2017), Kenya's petroleum industry has grown significantly in the last two decades. Competition has increased since the petroleum sector was liberalized in October 1994 which attracted new petroleum companies both regional and global. It attracted new petroleum companies and authorized dealers who carry out any business activities on behalf of the respective companies. Prior to liberalization of the industry, the main player was the government and a correspondingly low level of private sector involvement. The government was represented by Kenya Pipeline Company Limited, Kenya Railways Corporation, the Petroleum Refineries Limited and National Oil Corporation of Kenya. The liberalization of the sector has seen many new companies licensed by the government to trade in petroleum. The new entrants increased the level of industry rivalry and competition. Competition is a situation of striving to win against competitors or achieve something. Competition is both complex and sophisticated (Pettinger& Richard, 1996).

The petroleum industry is dominated by the Major oil companies, the smaller oil companies commonly referred to as Independents and private importers. Petroleum industry sales based on 2015 figures represented annual sales of 40,048,404 m3, with 23 players accounting for 99.1% of the market share (Petroleum Insight, 2016). Softkenya.com (2017) notes that there are fifty-nine (59) petroleum companies in Kenya. However, there are five key firms in this industry including Shell Ltd, Kenol-Kobil Ltd, Oil Libya Ltd and Chevron Ltd. Other upcoming oil marketing companies include the National Oil Corporation of Kenya (NOCK) owned by the government (www.erc.go.ke, 2017).

The petroleum industry is doing relatively well with high prospects of going global. Common global firms including Exxon Mobil, Shell, BP, and Chevron are continually expanding their sizes such that they account for a sizeable share of the global market share of lubricant entities. This was estimated at 38.5 % million tones in the year 2006. Majority of these suppliers have also opted to globally manage their lubricant businesses. Specifically, significant levels of performance have accrued to some regions as other regions have witnessed a decline. For instance, most robust performance is expected to prevail in Asia-Pacific region compared to other areas.

Petroleum is either sourced locally or through direct importation. Local manufacturing of lubes is concentrated in three blending plants situated in Mombasa and owned by Kenya Shell, Total and Oil Libya. It is estimated that locally blended lubricants account for 80% of the total country sales. The lubricants industry in Kenya is divided into major marketing fronts namely retail, commercial, aviation, marine and resellers. Thus, marketers want to position their products on the key benefits relative to competing brands.

PROBLEM STATEMENT

It is difficult to visualize how an economy would operate and survive without the critical service offered by petroleum companies. Petroleum is a profitable performance industry and the advent of liberalization in October 1994 has resulted into an increase in players and participants in the industry. This has led to stiff competition, as the fight for customers seems to be a never-ending war. Intense industry competition fueled by the nature of the product in the industry has led to closures of business by some companies, while many others have merged. Price-based competition in the oil industry is unsustainable and oil companies are opting for differentiation strategies, which provide unique value proposition, guarantee firms an edge against coping by rival firms and offer sustainable and distinctive competitive advantages. Companies that are successful in differentiation gain higher competitiveness and this helps in out performing competitors in an industry. This helps them to gain dominance in the market that they compete in (Hill & Jones, 2004). In the oil industry, Njoroge (2006) studied competitive strategies adopted by liquefied petroleum gas and focused on the dominant players in the market who were then the major oil companies. Kinoko (2008) examined strategies used by oil marketing firms to gain competitiveness in the industry. In his study, he recommended further research to include all Importers and traders of lubricants who are not captured in the Ministry of Energy sales statistics. A study by Kasera (2006) sought to establish how companies involved in bottling of water differentiated their products. The study was carried out among water bottling companies based in Nairobi. No research has been conducted on competitive strategies and organizational performance of Petroleum companies in Kenya. A knowledge gap therefore exists regarding competitive strategies and organizational performance of Petroleum companies in Kenya. Therefore, the research question was; what is relationship between competitive strategies and organizational performance of Petroleum companies in Kenya?

GENERAL OBJECTIVE

The main objective of this study was to determine the relationship between competitive strategies and organizational performance of Petroleum companies in Kenya.

SPECIFIC OBJECTIVES

1. To establish the effect of pricing of petroleum products on performance of petroleum companies in Kenya
2. To determine the effect of differentiated products on performance of petroleum companies in Kenya
3. To ascertain the effect of customer focus on the performance of petroleum companies in Kenya

THEORETICAL REVIEW

The Industrial Organization Theory (IO)

The Industrial organization-based theory was mainly developed by introduced by Chamberlin, 1933; Mason, 1939; Clark, 1940; Bain, 1956) and most recently (Caves, 2007). This theory is best illustrated in the principle of consistency or contingency which holds that a fit between the environment and the business is critical towards performance of an organization (De Jong & Shepherd, 2007). This theory holds that organizations need to carry out scanning of both external and internal forces of environment to come up with opportunities d threats. It is however important that internal capabilities of the firm are matched with the identifies strengths and weakness so as to meet the environmental threats.

It is conceived that the ability of a firm to quickly respond to market and industry dynamics results into competitive advantage to an organization. For a business to effectively adapt to these changes in environment and gain sustainable competitive advantage, effective and efficient competitive strategies should be formulated. Additionally, the formulated competitive strategies should be aligned with the overall objectives of an organization and the changing environmental forces (Carlton & Perloff, 2005). By emphasizing on external forces of the environment, this theory has strengthened the environmental aspects and dimensions of the environment (Andrews, 1971). This theory indicates that organizations gain competitiveness through implementation of strategies that exploits internal capabilities and strengths while strategically responding to opportunities in an environment. This theory therefore postulates that effective competitive strategies s enhances organizational performance and hence forms the basis for this study.

Dynamic Capabilities Theory (DCT)

The theory of dynamic capabilities was pioneered by Teece (1989). Other scholars include Gary Pisano and Amy Shuen, in their 1997 paper Dynamic Capabilities and Strategy Management. A dynamic capability describes the ability of a firm to intentionally formulate, establish or carry out a modification to its resources in response to the ever changing forces in an environment (Teece, Pisano & Shuen, 1997). Successful companies in the international/ global market place achieve competitive advantage by having a timely response to market dynamics and speedy service/ product innovation and are in position to timely schedule and deploy their external and internal competences (Teece, et. al., 1997).

Helfat et al., (2007) explained the term dynamic in reference to capacity and ability to renew competences so as to be strategically fit in view of the ever-changing business environment. Capability is the core role in competitive strategies including both external and internal skills set of am organization. In response to changing environment, an organization needs to integrate and reconfigure its competences and capabilities in order to gain competitive advantage.

This theory suggests three factors that help in explaining competitive advantage of an organization. These factors include; processes showing how activities and operations are done, positions that show assets categories and relations within an organization and lastly paths that describe the strategic direction of an organization. In general, processes within an organization, various positions of assets and the presents and future paths of an organization form the basis of competitiveness under DC theory (Teece et al., 1997). According to Bowman and Véronique (2009), position falls into two broad categories; external and internal. Internal position is related with the internal assets of an organization including institutional and reputational assets while external position refers to the external environment of a firm. The current position of the firm is influenced by boundaries and market assets of a firm.

Resource Dependence Theory

The theory on business strategy has also been dominated resource dependency theory and is also part of the theoretical foundation of this study; the theory how the highlights how resources of organizations affect the behavior of the organization. The whole idea behind this Resource Dependence Theory is that organizations rely on resources and the environment that an organization operates on supply these resources. The business environment is dynamic. In regard to the changing business forces, organizations need to come up with sound strategies for competitive position in the market (Armstrong, 2010).

In this theory, an organization comprised of a bundle of resources including human capital that can help a firm to gain competitive advantage (Miller, 2006). In Resource Based View theory, the concepts of strategic management (Barney, 1991) and organizational economics (Penrose, 1959) are blended. The theory indicates that a firm gains its economic value through production of more beneficial goods at the same or lower lower cost that competitors.

Sustainable competitive advantage is attained by using the same resources under different circumstances which result in economies of scope and quasi rents. In particular, unique path dependent resources, which are in short supply in the marketplace, can be leveraged across related product lines and provide higher rents. Value is created since these strategic assets are very difficult to imitate or to substitute by other resources (Markides & Williamson, 2006). Strategic planning therefore strongly depends on the resource specificity of the company. (Chatterjee & Wernerfelt, 2001)

EMPIRICAL REVIEW

There are numerous researches on the relationship between competitive strategies and organizational performance petroleum companies in Kenya. Some of the studies on competitive strategies done in other industries in Kenya have supported the existence of these strategies. Okoth (2005) while studying the sugar manufacturing firms found that competitive strategies of cost leadership, differentiation and focus were employed to different degrees.

Several scholars have examined and provided insights considered useful on research directions in the field of competitive forces management. Askarany and Yazdifar (2012) investigation of how firms either or not in the manufacturing sectors grow in relation to adoption of competitive strategies s in New Zealand, found out that, the relationship was significantly positive. Gichunge (2007) examination of formal strategic management of change impact on medium sized manufacturing firm performance in Nairobi, showed competitive forces had little or no impact and organizational performance. Kibwana (2012) looked at practices involving change in strategy in Coast Province of Kenya, examining the extent to which management change strategy seen as formal was adopted. It also did not leave out in its study, how factors in the legal or administration level affect competitive forces management adoption. Results showed that competitive forces had been adapted to a very great extent while administrative/legal factors negatively influenced competitive forces adoption.

Mbogo (2003) study of the process of management competitive forces in Hybrid private public firms on Kenya Commercial Bank and found that banks ensured defined objectives, assessed formulation strategies both exterior and interior, implemented the strategy, evaluated the progress, and made vital adjustments so as to be in line with competitive forces management process. Marangu (2012) looked at employee perception on the impact of practices involving management of competitive forces and performance at Kenya Power and Lighting Company Limited. Results showed that competitive forces had significantly enhanced organizational performance.

Mwangi (2008) studied the relationship between competitive strategies and performance of independent oil companies in Kenya but the product of focus was motor oil fuel which is a homogenous product. His recommendation was for that competitive strategies like focus and cost leadership should be tried by independents and at that time most were using segmentation strategy. Wairegi (2009) studied the influence of competitive strategies on performance of oil firms in Kenya with a focus on motor fuel and the major oil companies. The study found out that most of the companies employed the competitive strategies to cope with the competitive environment. The most commonly used strategies were differentiation, market focus, diversification, product development and mergers and acquisitions. Cost leadership was also in use but to a limited extent.

Kinoko (2008) studied competitive strategies adopted by Primary lubricant marketers in Kenya. His focus was again on the Major oil companies and he found that broad differentiation strategies and hybrid strategies were in use. Offering lubricants recommended by original equipment manufacturers and offering a wide selection of lubricants for customers were the most important strategies in product offering at that time. Some of these majors have either exited or are in the process of exiting the market. Ngeera (2003) while studying the pharmaceutical industry observed that when firms are faced with competition, they develop strategies to help them achieve competitive advantage. He found that most retail pharmacies used cost leadership while good customer service was used to attract and retain customers.

A Nigerian conceptual study, recently done (Ujunwa&Modebe, 2014) investigated how in economic development, the capital market pivotal role affected competitive strategies s using a range of reviewed measures from regulations considered effective to macroeconomic environment that are favorable. The findings indicated the adoption of competitive strategies s ensured capital market efficiency and leveraged that capital market played a role in economic performance promotion. Askarany and Yazdifar (2012), investigated how the six proposed tools of strategic management diffuses via organizational change theory. They tried to find out an association between technique adoption and performance in entity both the manufacturing and the non-manufacturing one in New Zealand. According to findings, an entity performance was significantly related to new strategic management tools diffused

Gichunge (2007) looked at medium sized manufacturing firm in Nairobi, Kenya, to examine how formal strategies affected performance, ensuring he checked the extent to which the firm adopted the strategy and a further analysis of other factors such as the legal one and the extent of their effect on the adopted formal strategy. Results showed that adoption of any formal strategy enhanced organizational performance and that Organizations with formal strategy perform better than those without formal strategy.

A study by Pearce II and Zahra (1991) involving 139 of 500 fortune firms, found a positive relationship between competitive forces. In another study, Rhyne (2005) noted that by adopting competitive strategies, a firm was in position to gain superior and unique position in the market and industry. According to (Rhyne, 2005), the responses of the firm to forces of an environment need to be undertaken by use of strategic choices and options. It was noted that forces of competition shaped the future direction of an organization.

In the Nigerian context, a study on management of strategy impact on performance was done to explore how the both were linked. Survey research design methodology was adopted. Findings showed a relationship between firm performance and strategic management which was positive (Lawal, Elizabeth & Oludayo, 2012). Another Nigerian study by Backook University sought to determine whether strategic planning affected corporate performance in university education. The university was used the case study also looking into finding out impact of strategic planning on management efficiency and effectiveness. A survey design was adopted with 283 being the sample size who were handed over questionnaires. From analysis of this study, with effective strategic planning was improved performance and performance.

A third study from Nigeria concerning strategic management impacted on performance and development was conducted in a manufacturing firm named Anambra state. Survey design was the methodology used, where the population samples was 63 who were selected from 21 firms surrounding Anambra site. The study showed that strategic management was not in the list of business practices among Anambra States. However, the tool was viewed as significant for use; improvement of competition, level of performance and development of structures (Muogbo, 2013).

RESEARCH METHODOLOGY

Research Design

This study adopted a descriptive research design because of the nature of the data to be collected. According to Saunders and Lewis (2000), descriptive research design is undertaken in order to portray an accurate profile of persons, situations and events by describing the features of the variable of interest situation. The design provides the researcher with relevant information to describe the relevant aspects of the variables of interest. This type of design is used to present data in a manner that is meaningful. Descriptive research design can include two or more variables for analysis, unlike other methods require one variable.

Target Population

Tromp and Kombo (2006) defined a population as a collection of items or individuals with related features. The population of interest consists of all the managing directors the petroleum companies in Kenya. There are fifty-nine (59) petroleum companies in Kenya with the following management cadres: Top Level Management (34); Middle Level Management (60); Junior Level Management (80).

Sampling Procedure

Stratified random sampling design was used in the study. The study took the population and used Mugenda and Mugenda, (2003) sampling formula to arrive at the sample size of those to be interviewed samples of the study: Mugenda and Mugenda (2003) recommend that the sample size suitable for use of descriptive statistics should be 30% of the target population.

For this study, purposive sampling was used to construct the sample hence the sample size was 18 petroleum companies and 52 respondents was established

Instrumentation

The process of developing research instruments ensures the reliability and validity of such research instruments. Development of research instruments involves the definition and elaboration of the construct intended to be targeted, choice of lengths, highlighting and formulating ideas like response options, instructions and choosing an appropriate recall period as well as scoring issues (Van den Brink & Mellenbergh, 1998). A pilot test is usually conducted prior to the actual study. It helps in identifying possible challenges likely to be encountered in readiness for the study (Mugenda & Mugenda, 2003). The research instrument was spread equally to the highlighted respondents in order to gain a varied sectional feel of the response. A certainty of the strength of the instruments is hence reached. Out of the targeted populations, the 2 respondents were used to pilot test the data collection tools. The 2 respondents were administered with questionnaires and analysis was done to verify if the data collection tool can be adopted or needs to be adjusted.

Methods of Data Collection

Semi structured questionnaire (see Appendix I) was used to collect primary data. The questionnaire consisted of; part A that collected respondent's General information, part B provided data on the challenges in the petroleum industry and part C gathered data about strategic. The questionnaire was administered by the "drop and pick later" method. In every organization, the respondents were the general managers and. The top managers were targeted because the study focused on respondents who were able to give an overall understanding of the strategic decisions, functions, and procedures.

Data Analysis and Reporting

Data analysis is processing of the collected statistics to make relevant conclusions and recommendations (Kothari, 2004). The data analysis procedure firstly, involved adequately checking for reliability and verification. Secondly, the raw data was then edited, coded and tabulated. The analysis was done using descriptive and inferential statistics. Descriptive statistics involved mean and standard deviation, inferential statistics involved use of correlation and regression analysis. The adopted regression model was in the following form;

$$\mathbf{Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\varepsilon}$$

Where: Y=Performance, X_1 = Cost leadership, X_2=Différentiation and X_3=Focus; β_0=Constant; β_1, β_2 and $\beta_3$represents regression coefficients

RESEARCH RESULTS

The purpose of this study was to determine the effect of competitive strategies on growth of petroleum companies in Kenya. The specific objectives of the study were; determine the relationship between competitive strategies and organizational performance of Petroleum companies in Kenya. To establish the effect of pricing of petroleum products on performance. To determine the effect of differentiated products on performance. To ascertain the effect of customer focus on the performance of petroleum companies in Kenya. To establish the challenges affecting the effectiveness of competitive strategies in petroleum companies. The study adopted descriptive and inferential research design. There was an 88% response rate to the questionnaires which was 46 out of 52 targeted respondents.

Cost Leadership Strategy

From inferential statistics, cost leadership had positive relationship with organizational performance. The p value of cost leadership was less than 0.05. This can be interpreted to that costs leadership significantly affected organizational performance. From descriptive statistics, cost cutting strategies of economies of scale was attained resulting in lower prices charged and higher profit margins with mean of 4.43 and standard deviation of 0.987. The company enjoyed economies of scale due to its large-scale operations (low unit costs). Price charged is lower than other companies with a mean of 3.95 and standard deviation of 0.987. The company had introduced cost cutting measures that enhanced efficiency in the organization with a mean of 4.06 and standard deviation of 0.952 and company emphasized efficiency in operations with a mean of 4.06 and standard deviation of 1.08. According to Porter (1980), the industry structure firms the basis of cost advantage among firms. A firm may gain competitive advantage through ownership and control of specific raw material and exploitation of current technology to produce goods.

Differentiation Strategy

The findings of both correlation and regression analysis indicated that differentiation had positive relationship and effect on organizational performance. The p value of differentiation was less than 0.05, which indicates that differentiation had significant effect on organizational performance. The findings of descriptive statistics indicated that petroleum companies offered unique market driven products and services with a mean of 4.47 and standard deviation of 1.07. Grant (1998) indicated that differentiation is not about pursuing uniqueness for the sake of being different but it's about understanding the product or service and the customer. Petroleum companies improved services to customers compared to competitors with a mean of 4.32 and standard deviation of 0.895. Campbell-Hunt (2000) posits that firms differentiate their goods and services to meet the needs of their customers by gaining a competitive advantage. This gives room for firms to concentrate on value that generates higher margins compared to its competitors.

Petroleum companies offered a wide range of products with a mean of 3.95 and standard deviation of 0.941 and petroleum companies developed new products after every 2 years depending on market needs with a mean of 4.00 and standard deviation of 1.03. Petroleum companies improved product branding with a mean of 4.02 and standard deviation of 1.03. Sadoulet (2005) states that differentiation can easily be copied by competitors. It is imperative to offer incentives to research and development to continuously improve. The study established that petroleum companies had royal customers with a mean of 4.02 and standard deviation of 0.774. Petroleum companies had heavy investment in R&D with a mean of 4.50 and standard deviation of 0.691. Petroleum companies invested highly in product design with a mean of 4.54 and standard deviation of 0.656 these costs involved in differentiation should be recovered from revenue generated sales (Jacome et al. 2002) and petroleum companies strongly marketed products as unique offerings with a mean of 4.39 and standard deviation of 0.829.

Focus Strategy

Correlation and regression results indicated that focus strategy had positive and significant relationship with organizational performance. The relationship was significant because the p value was less than 0.05. Descriptive statistics indicated that petroleum companies concentrated on products not offered by other petroleum companies with a mean of 4.52 and standard deviation of 0.690. Thompson and Strickland (1989) said that the distinguishing feature of focus strategy is that a firm specializes in serving only a portion of the total markets. Products were tailored to the market needs with a mean of 4.41 and standard deviation of 0.747, petroleum companies served a specific niche in the market with a mean of 4.32 and standard deviation of 0.790.

The study established that petroleum companies concentrated in one market segment with a mean of 4.34 and standard deviation of 0.794. Petroleum companies segmented markets to better serve customers with a mean of 4.50 and standard deviation of 0.752. Petroleum companies improved product branding with a mean of 4.50 and standard deviation of 0.836. Thompson and Strickland (2007) argues that a firm’s strategy based on the above two variants become increasingly attractive if industry has many different niches and segments thereby allowing a focuser to pick competitively attractive niche best suited on its resources, strengths and capabilities and fourth the focuser can compete effectively against challenges based on its capabilities and resources.

CORRELATION ANALYSIS

The researcher conducted a Pearson correlation analysis to determine the relationship of the variables. The findings are indicated in the Table 1. The findings of correlation analysis are established in Table 1. From the findings, cost leadership had a person correlation of 0.935 and p value $p=0.000<0.05$ an indication of positive and significant relationship between costs leadership and organizational performance. According to Walsh et al. (2008), competitive strategies enable the organization to produce and sell goods more effectively than another business.

Differentiation had a Pearson correlation of 0.903 and p value $p=0.00< 0.05$. It can be inferred from this finding that differentiation had a positive and significant relationship with organizational performance. Focus strategy had a Pearson correlation of 0.863 and p value $p=0.00<0.05$. It can be deduced from this finding that focus strategy had a positive and significant relationship with organizational performance. Scholes (2015) argues in oil industry context, customers consider to pay a higher price for petroleum products, which they consider genuine, and of high quality.

Table 1: Correlation Analysis

		Performance	Cost	Differentiation	Focus
Performance	Pearson Correlation	1			
	Sig. (2-Tailed)				
	N	46			
Cost	Pearson Correlation	.935**	1		
	Sig. (2-Tailed)	.000			
	N	46	46		
Differentiation	Pearson Correlation	.903**	.893**	1	
	Sig. (2-Tailed)	.000	.000		
	N	46	46	46	
Focus	Pearson Correlation	.863**	.878**	.866**	1
	Sig. (2-Tailed)	.000	.000	.000	
	N	46	46	46	46

From the findings, cost had the strongest relationship with organization performance, followed by differentiation and focus strategy consecutively. Therefore, all the variables had a significant effect on organizational performance of petroleum companies in Kenya. Kahiri, Waiganjo and Mukulu (2013) examined relationship between strategic human resource management and firm performance of Kenya's corporate organizations and established that the use of teams and decentralization had a strong and positive association with firm performance.

REGRESSION ANALYSIS

In order to determine relationship between competitive strategies and organizational performance of petroleum companies in Kenya, the researcher conducted regression analysis. The findings of Model Summary, ANOVA and Regression Coefficient are indicated. The coefficient of correlation R and coefficient of determination R2 are indicated in Table 2.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.948[a]	.898	.891	1.03805

a.Predictors: (Constant), Cost, Focus Strategy and Differentiation

From the model summary above, the coefficient of correlation R is 0.948, an indication of strong positive correlation between variables. The coefficient of determination, R2 is 0.898, this indicates that 89.8% change in organization performance in petroleum companies is explained by focus strategy, control strategy and differentiation affecting petroleum business. Therefore, 10.2% explains factors affecting organizational performance in petroleum companies in Kenya that were not covered in the current study. An ANOVA was conducted at 5% level of significance. A comparison of F Calculated and F Critical is shown in the Table 3.

Table 3: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	399.178	3	133.059	123.483	.000[b]
Residual	45.257	42	1.078		
Total	444.435	45			

a. Dependent Variable: Organization Performance
b. Predictors: (Constant), Cost, Focus Strategy, Differentiation

From the findings, $F_{Calculated}$ is 123.483 and $F_{(3, 42)}$ is 2.82704872. Since the value of $F_{Calculated}$ is greater than $F_{Critical,}$ this indicates the overall regression was significant for the study. The p value p=0.00 is less than 0.05 an indication that at least one variable significantly influenced the study. The Beta coefficients and the P values of the study are indicated in the Table 4.

Table 4: Regression Coefficient

	Unstandardized Coefficients		**Standardized Coefficients**		
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	-5.902	1.180		-5.003	.000
Cost	.283	.059	.596	4.816	.000
Differentiation	.122	.047	.307	2.593	.013
Focus	.065	.024	.074	2.708	.002

Dependent Variable: Performance

The resultant equation becomes

$$\mathbf{Y = -5.902+0.283X_1+0.122X_2+0.065X_3}$$

Where: Y=Performance; X_1 = Cost leadership; X_2=Différentiation ; X_3=Focus

The regression equation above established that holding all other factors constant, performance would be at -5.902 this indicates that there is an inverse relationship between competitive strategies and performance. Generally, therefore, as competitive strategies decrease, organizational performance of Petroleum companies. The findings contradict with Kahiri et al (2013) who established that the use of teams and decentralization had a strong and positive association with firm performance.

In view of significance of individual independent variables, cost leadership strategy had p value (p=0.000) which is less than 0.05. The beta coefficient (0.283) is positive. Based on this finding, it can be deduced that cost leadership significantly influenced organizational performance. It can further be deduced that cost leadership positively influenced organizational performance. This finding is consistent with the correlation results in Table 4.8. According to Porter (1985), a competitive advantage exists when an organization deliver its product and services at a lower cost or deliver benefits that exceed those of competing products.

Differentiation strategy had p value (p=0.013) which is less than 0.05. The beta coefficient (0.122) is positive. It can be inferred from this finding that differentiation had significant effect on organizational performance. Therefore, differentiation has a positive effect on organizational performance. This finding is in tandem with the earlier results in Table 4.8 on correlation analysis. The findings are consistent with Hill and Jones (2004) who indicated that successful differentiators obtain a competitive advantage, outperform their competitors and can dominate the market or market segment in which they compete.

However, the p value of focus (p=0.002) is less than 0.05. The beta coefficient is (0.065). In view of this finding, focus strategy therefore had positive but significant effect on organizational performance. According to Porter (1980), focus strategy can be achieved through either cost or differentiation strategies.

CONCLUSIONS

Cost Leadership Strategy

The study concludes that cost cutting significantly influences organization performance, companies had embraced technology to minimize cost. Company had introduced cost cutting measures that enhanced efficiency in the organization and the company emphasized efficiency in operations. The researcher concludes that cost cutting strategies of economies of scale was attained and price charged was lower than other companies. Company advertising costs were on the decrease.

Differentiation Strategy

The study further concludes that differentiation significantly influences organization performance, petroleum companies offers unique market driven products and services. Petroleum companies improved services to customers compared to competitors, petroleum companies developed new unique products and petroleum companies offered a wide range of products. Petroleum companies developed new products after every 2 years depending on market needs. Petroleum companies improved product branding. Petroleum companies used technology to offer superior services and petroleum companies had royal customers.

Focus Strategy

The study concludes that focus strategy negatively influenced performance of petroleum companies. Petroleum companies concentrated on products not offered by other petroleum companies, products were tailored to the market needs. Petroleum companies served a specific niche in the market, petroleum companies concentrated in one market segment and petroleum companies segmented markets to better serve customers. Petroleum companies improved product branding.

RECOMMENDATIONS

Cost Leadership Strategy

The study recommends that the top management of petroleum companies should embrace cost cutting strategies in order to significantly influence their organization performance. Companies should embrace technology to minimize cost. Company should introduce cost cutting measures to enhance efficiency in the organization and the company should emphasize on efficiency in operations. Cost cutting strategies of economies of scale should be attained and price charged should be higher than other companies. Company advertising costs should be minimized for more returns.

Differentiation Strategy

The study recommends that differentiation should be adopted among oil marketing firms to significantly influence performance. Petroleum companies should offer unique market driven products and services. Petroleum companies should improve services offered to customers compared to competitors. Petroleum companies should develop new unique products. Petroleum companies should offer a wide range of products. Petroleum companies should develop new products after every 2 years depending on market needs. Petroleum companies should improve their product branding. Petroleum companies should use technology to offer superior services and petroleum companies should have royal customers.

Focus Strategy

Petroleum companies should concentrate on products not offered by other petroleum companies. Products should be tailored to the market needs. Petroleum companies should serve a specific niche in the market. Petroleum companies should concentrate in one market segment. Petroleum companies should segment markets to better serve customers. Petroleum companies should improve product branding.

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