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INFLUENCE OF CORPORATE STRATEGIES ON FINANCIAL PERFORMANCE OF OIL MARKETING COMPANIES IN KENYA

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ABSTRACT

Purpose: Strategy is the direction and scope of an organization over the long term, which achieves competitive advantage in a changing environment. Strategic marketing is an organization's process of defining its strategy and making decisions on allocating its resources to pursue this strategy, including its capital and people. The main purpose of the study was to stablish the influence of corporate strategies on financial performance of the oil marketing companies in Kenya

Methodology: This study adopted descriptive survey design. The target population for this study was23 oil companies in the oil industry in Kenya. The study used primary data which was collected through self-administered questionnaires. The researcher utilized mixed method which included qualitative and quantitative techniques in analyzing the data.

Results: The findings showed that all the strategies under study lead to significantly affects financial performance Oil Marketing Companies in Kenya. The greatest variation in performance is led by diversification strategy diversification at 0.398 increase, followed by positioning strategy will lead to 0.376, Mergers and acquisitions strategy, at 0.355 and finally Outsourcing strategy at 0.332. This means that if companies employ these strategies especially diversification and positioning strategies, then their investment opportunities will increase thereby increasing their revenue and financial performance

Unique contribution to theory, practice and policy: In order for Oil marketing Companies to enhance their financial performance through outsourcing strategy, they need to take outsourcing idea a step further to collaborate with competitors so as to find shared solutions. The Oil marketing companies in Kenya also need to train their personnel so as to appreciate the concept of outsourcing strategy, and the best practices and systems that will enhance their financial performance.

Key Words: ***Outsourcing Strategy, Positioning Strategy, Mergers and Acquisitions Strategy, Diversification Strategy and Financial Performance.***

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INTRODUCTION

Background of the study

Strategy is the direction and scope of an organization over the long term, which achieves competitive advantage in a changing environment (Johnson *et al*, 2012). Strategy comes from a Greek word, strategos, which means the art of an army general in deploying forces to defeat an enemy (Yabs 2010). The same tactics can be used to achieve success in business. Strategy is a set of key decisions made to meet objectives. A strategy of a business organization is a comprehensive master plan stating how the organization will achieve its mission and objectives. Universal Strategy refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends (David, 2013). Nations have, in the management of their national policies, found it necessary to evolve strategies that adjust and correlate political, economic, technological, and psychological factors, along with military elements. Be it management of national polices, international relations, or even of a game on the playfield, it provides us with the preferred path that we should take for the journey that we make(Hitt, Freeman & Harrison 2011).

Kudler (2012), views strategic marketing as the systematic process of determining the firm's goals and objectives for at least three years into the future and developing the strategies that will guide the acquisition and use of resources to achieve the set objectives. Strategic marketing as the process of determining the mission, major objectives, strategies and policies that govern the acquisition and allocation of resources to achieve organizational aims. Strategic marketing has come to be "inextricably interwoven into the entire fabric of management", it is not seen as separate and distinct from the process of management. Bradford and Duncan, (2010) argue that strategic marketing is an organization's process of defining its strategy and making decisions on allocating its resources to pursue this strategy, including its capital and people. The outcome is normally a strategic plan which is used as a guide to define functional and divisional plans, technology, and marketing among others.

Statement of the Problem

Kenya currently has over fifty licensed oil marketing companies, but the top six controls over 60% of the market share. The top five oil companies by market share are Total (K) Ltd –21%, KenolKobil –17.5%, Vivo Energy (Shell)–14.5%, Libya Oil(K) Ltd –8.1% and National Oil Corporation of Kenya (NOC) –5%(Petroleum Insight, April –June 2013). Today the Oil industry in Kenya is facing challenges that include reduced profit margins, inadequate infrastructure, increased competition with entrance of small independent dealers, lowering quality standards and official price caps which are forcing big oil marketing firms out of Africa as they shift focus to the more lucrative exploration and production activities (Angela, 2014).

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Despite oil marketing companies being incorporated in Kenya, the Oil sector largely remains oligopolistic. The oil marketing companies in Kenya has over the years generated a lot of public concerns on the overall economic efficiency and rationale of unfettered market mechanisms in the retail petroleum market in Kenya and literally re-kindled agitations for re-introduction of price controls. According to Kieyah (2015), given that petroleum products have no close substitutes, their prices have a major feedback effect in the Kenyan economy. They permeate every aspect of production and distribution in the economy.

Many oil marketing organizations have adopted various strategies such as strategic alliances, diversification, mergers and acquisitions (Hax and Majluf, 2016). Strategies play a pivotal role, since they link market analysis, segment analysis and competitive analysis to internal corporate analysis. The marketing oil companies in Kenya have not been left behind, and they have also adopted various strategies in dealing with challenges brought about by globalization and liberalization. In the competitive oil industry, strategies adopted reflects how consumers perceive the product's/service's or organization's performance on specific attributes relative to that of the competitors. Thus, oil marketing companies have to either reinforce or modify their strategies.

There has been limited research conducted in Kenya regarding the strategies adopted by oil marketing companies in Kenya. Local studies done on the strategies to enhance performance include Nyakondo (2013) who researched on the factors influencing banking industry to adopt strategic positioning on mobile banking and didn't include strategies adopted by oil marketing companies in Kenya to enhance performance. Kasyoka (2014) researched on the use of strategies to achieve sustainable competitive advantage at Safaricom limited. These studies did not address strategies adopted by oil marketing companies in Kenya to enhance financial performance. Muriet (2015) worked on strategic positioning and performance of commercial banks in Kenya. The study didn't address strategies adopted by oil marketing companies in Kenya to enhance performance as well. The researcher has not come across studies that have been conducted on the influence of corporate strategies on financial performance of the oil marketing companies in Kenya, which is a very important area of study in Kenya. Based on this therefore, there is need for a study to identify influence of corporate strategies on financial performance of the oil marketing companies in Kenya

Objectives of the Study

i. To establish the influence of out sourcing strategy on financial performance of Oil Marketing Companies in Kenya.
ii. To assess positioning strategy on financial performance of Oil Marketing Companies in Kenya.
iii. To determine mergers and acquisitions strategy on financial performance of Oil Marketing Companies in Kenya.
iv. To analyze diversification strategy on financial performance of Oil Marketing Companies in Kenya.

LITERATURE REVIEW

Theoretical Review

Core Competencies Theory

Core competency is a concept in management theory originally advocated by CK Prahalad, and Gary Hamel. The concept of core competencies has been developed on the basis of the resource-based theory. Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple stream technologies. The application of core competency concept in outsourcing became very popular among scholars. Which kinds of activities in the firm could be outsourced are still surrounded in controversy. Most of the scholars hold the opinions that the firm's core activities are not proper to be outsourced. (Quinn and Hilmer, 1994; Arnold, 2000) As outsourcing of the core activities may reduce the incentives in firm's innovation, disclose of the critical technologies and increase the potential competitors, thus offset the benefits brought by outsourcing hence, the decision makers prefer to maintain the core activities and outsource the "disposable and core-distinct activities" (Arnold, 2000) to the external providers.

The Competitive Strategy Theory

The competitive strategy view, rooted in industrial organization literature, maintains an outside-in perspective where firm performance is determined primarily by environmental factors such as industry structure. Porter (1991) relaxes this condition, allowing firms to choose their strategic position to gain sustainable rents, although individual firms cannot change industry structure. This change in the assumption allows the firm to be the unit of the analysis. Thus, the outside-in perspective represents a view where a firm performance is primarily determined by outside factors such as industry structure and firms can secure positions to exploit that structure (Fahy & Hooley, 2004). Companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company's position, and by choosing a strategy for competitive balance prior to opponent's movement (Oliver, 1997). Strategic positioning is thus the output of a complex understanding of market structure and conditions that determine the sustainability of firm performance (Petrick *et al*., 2009).

Corporate Control Theory

Corporate control theory postulated by Jensen (1988) and Shleifer and Vishny (1988) argues that takeover is an efficient means to replace inefficient managers of target companies. The target firm may underperform either because its managers pursue their own interests at the expense of owners' interests or because they lack the knowledge and skills to maximize firm value. If managers of acquiring firms are more capable than those of acquired firms, they can improve the efficiency of targets. This theory predicts that poorly performing firms are more likely to be acquired and that the performance of targets will improve after the takeover. Acquiring firms are also expected to gain from the takeover activity if they have the ability to bring operating synergy to the post-takeover entity.

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The Market View Theory

Rooted in industrial economics, the market power view emphasizes the risk of anti-competitive effects of diversification (Montgomery, 1994). Thus, conglomerate companies may exercise market power Edwards (1955); Hill (1985) through e.g. cross-subsidization and predatory pricing activities, the exploitation of cost opportunities due to synergy effects, reciprocity in buying and selling among large diversified firms which creates or raises entry barriers to smaller competitors (Palepu, 1985). Applying the ideas of industrial economics to the individual enterprise, Porter pointed out that industry characteristics might be exploited strategically to increase a firm's performance. Porter (1980), thereby arguing that diversification is positively related with performance if a firm is able to generate opportunities in one business or reduce risk in another by diversifying its activities (Porter & Spence, 1980).Montgomery (1985) argues that market power theory has overemphasized what may be termed as collusive or general market power, and under emphasized the roles of specific skills and specific market power that give firms advantages in individual market settings. Caves (1981) and Montgomery (1985) present a slightly positive relationship between the diversification and corporate growth due to the enjoyment of economies of scope instead of market power. Therefore, not all the firms that have dominant market power will seek to diversify.

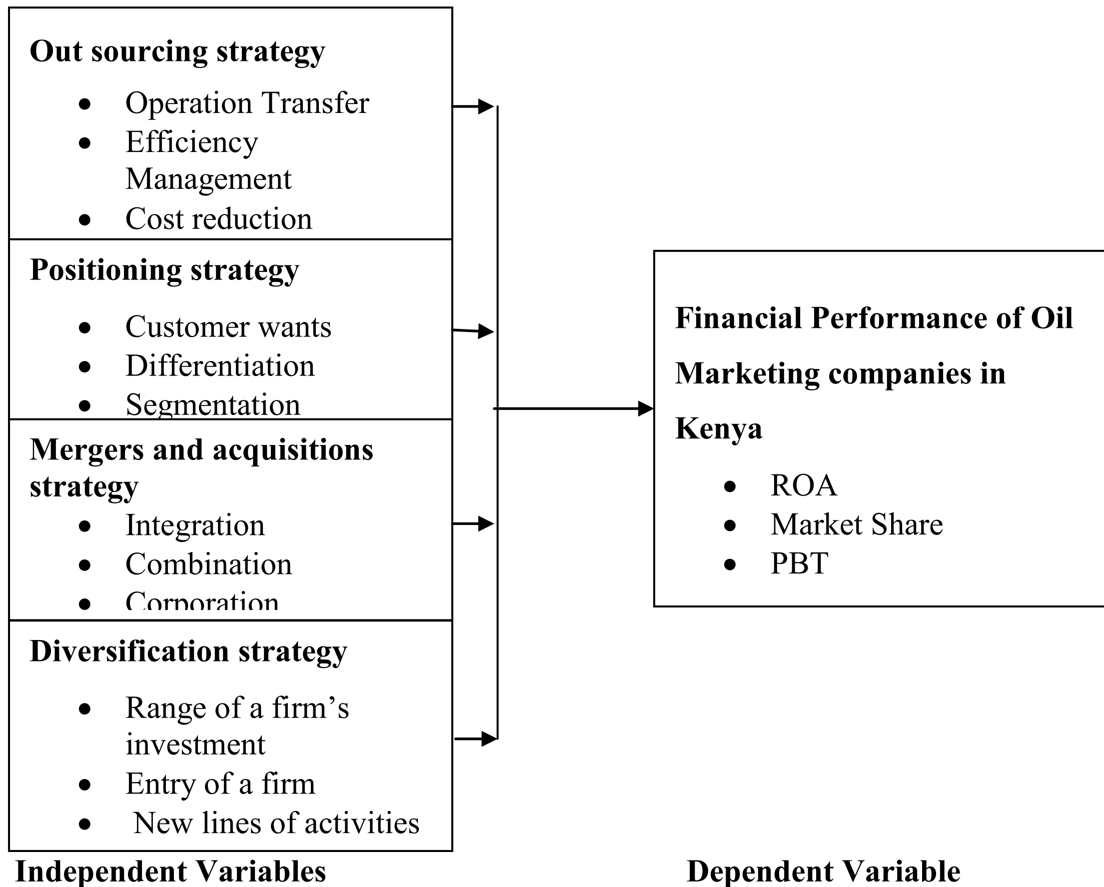

Figure 1: Conceptual Framework

Outsourcing Strategy

Roy and Sivakumar (2012) define outsourcing as the transfer of the production of goods and services that could have been done internally to an external provider who is an expert in that capacity. According to Aksoy and Öztürk, (2012), outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers. Outsourcing strategy is not only meant to reduce operational cost but provide leverage for optimal allocation of resources on essential organizational functions. This means that strategic outsourcing enables companies to engage the services of a third-party provider to manage essential tasks that would otherwise be expensive or demanding to be managed in-house. This, when properly done, allows a business to plan the optimal utilization of its resources and capabilities to achieve the best advantage. It also improves the achievability of an organization's strategic goals. Outsourcing is not limited to big corporates but can be utilized by any company regardless of its financial muscle or market share.

The most traditionally acknowledged driving force for outsourcing is cost reduction (Blumberg, 1998). Some organizations may outsource only for cost reduction and efficiency especially those that are involved in offshore outsourcing to destinations of lower cost (Aksoy & Öztürk, 2012) offered by the service provider and the level of risk borne by the provider are the most important factors in the equation. Another major driver of strategic outsourcing is innovativeness. As the business environment changes, rapidly and customers increasingly modify their demands, organizations must find a way to stay afloat in the market by providing innovative products to the market in proper time and ahead of competition (Calantone & Stanko, 2007). Such organizations may therefore utilize strategic outsourcing with a goal of developing new products faster as they seek increased flexibility for innovation (Gesing, *et al*, 2014).According to Sink *et al* (1997), outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, spread risks, and concentrate on issues critical to survival and further growth. Many companies turned to outsource logistics activities as a way of restructuring their distribution networks and gain competitive advantage. According to Babu (2005), outsourcing provides certain power that is not available within an organization's internal departments. This power may have many dimensions such as; economic of scale, process expertise, access to capital and access to expensive technology.

Positioning Strategy

According to Barney (2015), strategic positioning requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, tools and information. If not done properly, one product configuration can cannibalize another in the marketplace, and launching a new product may not marginally improve the business ROI because it just siphons customers from other products by the same company. Companies use strategic positioning when they consciously decide to expand their business into different market segments than they are in currently. Of course, the best case is when a company produces a unique product or service that is universally desired by all market segments without regard to price or location, so the company doesn't have to worry as much about strategic positioning (Peteraf, 2013).

The term 'strategic positioning' has gained a much broader definition that includes other customer wants, needs and desires (Hill, 2014). People will sometimes buy from companies that are perceived to be more advanced technologically, or more environmentally friendly, or more socially responsible, so that strategically positioning a company in the market has become more complex than just thinking of the four Ps and how they match to market niches. A study by Butt *et al*, (2017) on the Factors Influencing the Development of Positioning Strategy found that development of positioning strategy is influenced more by customer orientation than competitor orientation. They also found that Marketing capability plays an important role in the development of positioning strategy.

A study by Hahn and Powers (2010) had it that formulating and successfully implementing prominent strategies leads to apprehension of grander performance by a firm in comparison to firms that lack to embrace such. Parnell (2011) noticed remarkable researches on business strategies impacts on firm's performance. Conclusion by Spanos and Lioukas (2001), point out

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immaterial affirmative existence of evidence for the rapport amongst business models and strategies on performance. Argyres and McGaha (2002) concurs that disparity and lesser charges were openly linked with cost-effectiveness. However, this research was not conducted in the petroleum industry in Kenyan context hence the study cannot be generalized to the oil marketing companies in Kenya. Hahn and Powers (2010) recognized that high quality strategy design and efficacious application results to realization of performance in comparison to firms not doing so.

Mergers and Acquisitions Strategy

Mergers and Acquisitions (M & A) are a form of business integration and combination. A merger is a combination or integration of two or more existing companies with the combined company adopting the name of one of the companies or taking a completely new one. Roberts *et al* (2010) defines a merger or an acquisition in a company sense can be defined as the combination of two or more companies into one new company or corporation. Proponents of Mergers and Acquisitions like Trautwein (2013) argue that financial synergies through M&A leads to lower costs of capital and hence making companies reduce systematic risk of a company's investment portfolio by investing in different unrelated business ventures. This also leads to increasing the company's size and market share

According to Roberts *et al* (2010), Corporates usually merge or acquire others in order to improve long- term competitive advantage over others competitors or to support of strategic goals. These strategies are mainly required to be assembled in alignment to company objectives to avoid errors that affect the performance of the company since market conditions are known to change significantly during the implementation timescale. This means that a merger requires the explicit approval of those already in control of the corporation. And most statutes require more than a simple majority vote by shareholders to effectuate a merger. In acquisition setup, the acquiring firm retains its name and identity, and it acquires all the assets and liabilities of the acquired firm leading to none existence of the acquired firm. M&As have been popular methods of increasing the size and value of firms in modern times. Compared to the older system of increasing value through organic growth, M & As are faster and in most cases, cheaper.

Diversification Strategy

Diversification can be defined as the entry of a firm into new markets or beginning to produce goods and services from within the company or by acquiring another company to expand their business model. La Rocca, et al. (2009) defined diversification in terms of product. They stated that Product diversification implies the range of products in which the company is operating. This definition encompasses the directions of diversification, which include vertical and horizontal integrations. A diversified firm can therefore be considered to have operations in more than a single industry (Ibrahim and Kaka, 2007). Another definition by Anıl & Yiğit (2011) is that diversification strategy means “expanding or entering in new markets which are different from the firm’s existing product lines or markets. This implies that diversification distributes the existing and future wealth of an organization in optimal manner that guarantees optimal returns and leverage risk which turn impacts on firm size and general performance.

From the above definitions, diversification therefore, implies that the firm's investment opportunities are enhanced and companies take advantage of the more profitable options available in the economy in which it never participated in previously. In other words, diversification strategy is a key ingredient to strategic management which should be studied further by corporate managers and even academics on its economic importance. The volatility of the construction market makes the strategic decision to diversify through knowing the correct combination of a company's strength and business mix very important for a firm to survive and keep up with its competitors (Teo, 2002).

Financial Performance

Gibson *et al*. (2010) argued that organizational performance is the final achievement of an organization and contains a few things, such as the existence of certain targets are achieved, has a period of time in achieving the targets and the realization of efficiency and effectiveness. On the other hand, organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 2003). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization. The performance measurement system employed in an organization must therefore measure the performance of all assets including the human ones.

The Balance Scorecard of Kaplan and Norton (1996) is a mechanism which provides a holistic measure of organizational performance. It is a set of measures that provide managers a fast but comprehensive view of the business. The Balanced Scorecard is not only a measurement system but also a management system, which enables organizations to clarify their vision and strategy and translate them into action (Kaplan and Norton, 1996). It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the Balance Scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise (Norton, 1999). The Balance Scorecard includes both financial measures that tell the results of actions already taken, and operational measures that are the drivers of future financial performance (Kaplan and Norton, 1996).

RESEARCH METHODOLOGY

This study adopted descriptive survey design. This design was appropriate because some information about the phenomenon of the study was already known and thus it was necessary to provide detailed information regarding the key aspects of the phenomenon. The target population comprised of all 23 oil companies in the oil industry in Kenya. A stratified random sampling was adopted in the study and a sample of 66 respondents in managerial positions was acquired. The study used primary data which was collected through self-administered questionnaires.

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A mixture of qualitative and quantitative techniques was used in analyzing data. Descriptive statistics such as mean and standard deviations were used and results presented in form of tables, charts and graphs. Inferential analysis that is correlation and regression analysis were also utilized. The study adopted a multivariate regression model as shown below:

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

Where: Y = Financial Performance of Oil Marketing Companies in Kenya; X_1=Outsourcing Strategy; X_2=Positioning Strategy; X_3=Mergers and Acquisitions Strategy; X_4= Diversification Strategy; β_0=constant term; β_1, β_2, β_3, and β_4 = coefficients of predictor variables (unknown parameters) and ε = error term.

Results

A total of 69 questionnaires were administered to the respondents. Out of these, 51 were filled and returned. This represented a successful response rate of 74%.

Demographic Characteristics

Table 1 Demographic characteristics

Demographic Characteristic	Category	Percentage
Respondents gender	Male	57.89%
	Female	41.13%
Respondents work experience	Less than 5 years	40%
	5-10 years	49%
	Above 10 years	11%
Respondents age distribution	Below 25 years	8%
	26-30 years	15%
	31-35 years	34%
	36-40 years	24%
	41-45 years	10%
	46 years and above	9%
Respondents level of education	Certificate	26%
	Diploma	38%
	Degree	31%
	Postgraduate	5%

Descriptive Findings and Analysis

Descriptive findings of Outsourcing Strategy

From the findings respondents agreed that Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers; that outsourcing is the process of engaging the services of a provider to manage essential tasks that would otherwise be managed by in-house personnel; that outsourcing strategy can be utilized by any organization regardless of its size and has the effect of not only reducing the cost of operation but also providing an opportunity for optimal allocation of resources to the very necessary functions; that Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, spread risks, and concentrate on issues critical to survival and further growth; that Outsourcing provides certain power that is not available within an organization's internal departments as indicated by a mean of 4.11, 4.04, 3.78, 3.72 and 3.63 respectively. This is in relation to Aksoy and Öztürk, (2012), who found that outsourcing, is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers.

Table 2: Descriptive Findings of Outsourcing Strategy

Statements	Mean	Std Dev
Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers	4.11	.80
Outsourcing is the process of engaging the services of a provider to manage essential tasks that would otherwise be managed by in-house personnel.	4.04	1.06
Outsourcing strategy can be utilized by any organization regardless of its size and has the effect of not only reducing the cost of operation but also providing an opportunity for optimal allocation of resources to the very necessary functions	3.78	1.04
Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, spread risks, and concentrate on issues critical to survival and further growth	3.72	1.01
Outsourcing provides certain power that is not available within an organization's internal departments	3.63	1.11

Descriptive Findings of Positioning Strategy

From the findings respondents agreed to the statement that; Companies use strategic positioning when they consciously decide to expand their business into different market segments than they are in currently; Strategically positioning a company in the market has become more complex than just thinking of the four Ps (Product, Price, Promotion & Place), and how they match to market niches; The strategic positioning of a firm reflects the firm's ability to generate competitive advantage; Strategic positioning is the placing of an organization in the future while taking into account the changing environment and putting in mind the organization's weakness and strength; and Positioning strategy based on use or application is useful when introducing new uses of the product that will automatically expand the brand's market as indicated by a mean

of 3.93, 4.37, 3.98, 3.89.3.75 and 3.60 respectively. This collates with literature review by Barney (2015), who found that strategic positioning requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, tools and information.

Table 3: Descriptive Findings of Positioning Strategy

Statements	Mean	Std Dev
Companies use strategic positioning when they consciously decide to expand their business into different market segments than they are in currently	3.93	.78
Strategically positioning a company in the market has become more complex than just thinking of the four Ps and how they match to market niches	4.37	.63
The strategic positioning of a firm reflects the firm's ability to generate competitive advantage.	3.89	.89
Strategic positioning is the placing of an organization in the future while taking into account the changing environment and putting in mind the organization's weakness and strength.	3.75	.84
Positioning strategy based on use or application is useful when introducing new uses of the product that will automatically expand the brand's market.	3.60	.72

Descriptive Findings of Mergers and Acquisitions Strategy

From the findings on level of agreement with statements regarding the effect of mergers and acquisitions strategy, respondents agreed that a merger is a combination or integration of two or more existing companies with the combined company adopting the name of one of the companies or taking a completely new one; that merger and acquisition activity is essential for the development of strong global competitors and confers economic benefits on both parties concerned and the society as a whole; that a merger requires the explicit approval of those already in control of the corporation; that the acquiring firm retains its name and identity, and it acquires all of the assets and liabilities of the acquired firm leading to none existence of the acquired firm; that the key principle behind buying a company is to create shareholder value over and above that of the sum of the two companies; that mergers and acquisitions are understood as a general global trend associated with a global corporate restructuring across industries as indicated by a mean of 3.89, 3.78, 3.63, 4.07, 3.85 and 3.59 respectively. These findings agree with Goldberg and Doz (2015) argued that merger and acquisition activity is essential for the development of strong global competitors and confers economic benefits on both parties concerned and the society as a whole.

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Table 4: Descriptive Findings of Mergers and Acquisitions Strategy

Statements	Mean	Std Dev
A merger is a combination or integration of two or more existing companies with the combined company adopting the name of one of the companies or taking a completely new one	3.78	1.05
Merger and acquisition activity is essential for the development of strong global competitors and confers economic benefits on both parties concerned and the society as a whole	3.89	1.09
A merger requires the explicit approval of those already in control of the corporation.	3.63	1.11
The acquiring firm retains its name and identity, and it acquires all of the assets and liabilities of the acquired firm leading to none existence of the acquired firm.	4.07	.92
The key principle behind buying a company is to create shareholder value over and above that of the sum of the two companies.	3.85	1.13
Mergers and acquisitions are understood as a general global trend associated with a global corporate restructuring across industries.	3.59	1.19

Descriptive Findings of Diversification Strategy

The study descriptive results showed that respondents agreed to the statement that Diversification increases the range of a firm's investment opportunities. This implies that diversification permits a company to take advantage of the more profitable opportunities in sectors of the economy in which it previously had no activities; that A firm diversifies when the benefits of diversification overcome its costs, and it stays focused when the opposite occurs; that A diversified firm can be considered as one having operations in more than a single industry; that Corporate diversification is a value maximization strategy for shareholders communication skills are essential in banking sector; that Diversification has created complacency as many investors do not look past any ideas that differ to what they believe to be the one and only sound investment method as indicated by a mean of 4.07, 3.85, 3.59, 3.89 and 3.89 respectively. Diversification increases the range of a firm's investment opportunities, as it permits a company to take advantage of the more profitable opportunities in sectors of the economy in which it previously had no activities. However, this result contradicts the findings by Iqbal *et al* (2012) which showed that there exists no positive relationship between corporate diversification and firms' performance.

The authors argued that, all firms perform equally in terms of risk and returns regardless of the level. This competing findings means that diversification is a key area that most corporate companies need to explore more to reduce risk and enhance revenue.

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Table 5: Descriptive Findings of Diversification Strategy

Statements	Mean	Std Dev
Diversification increases the range of a firm's investment opportunities, as it permits a company to take advantage of the more profitable opportunities in sectors of the economy in which it previously had no activities	4.07	.92
A firm diversifies when the benefits of diversification overcome its costs, and it stays focused when the opposite occurs.	3.85	1.13
A diversified firm can be considered as one having operations in more than a single industry.	3.59	1.19
Corporate diversification is a value maximization strategy for shareholders communication skills are essential in banking sector	3.89	.85
Diversification has created complacency as many investors do not look past any ideas that differ to what they believe to be the one and only sound investment method;	3.89	.89

Financial Performance

From the findings, respondents agreed with statements that Profitability offers clues about the ability of the Oil Marketing Companies in Kenya to undertake risks and to expand its activity; that the main indicators used in the appreciation of the financial performance are: Return on equity, ROE (Net income / Average Equity), Return on Asset, ROA (Net income /Total assets) and the indicator of financial leverage or (Equity / Total Assets); that financial performance can be measured by the return on a assets (ROA), a ratio of a bank's profits to its total assets; and that A good measure on financial performance is the ratio of pre-tax profits to equity (ROE) to a great extent as indicated by a mean of 4.03 ,3.74 ,3.4, and 3.85.These findings agree with finding by Charles (2014) who found out that there are a number of measures that can be taken into consideration when measuring performance such as using productivity, efficiency, effectiveness, quality and profitability measures.

Table 6: Descriptive Findings of Financial Performance

Statements	Mean	Std Dev
Profitability offers clues about the ability of the oil marketing companies to undertake risks and to expand its activity	4.03	.93
The main indicators used in the appreciation of the oil marketing companies' performance are: Return on equity, ROE (Net income / Average Equity), Return on Asset, ROA (Net income /Total assets) and the indicator of financial leverage or (Equity / Total Assets).	3.74	1.09
Financial performance can be measured by the return on assets (ROA), a ratio of a profits to its total assets	3.4	1.18
A good measure on financial performance is the ratio of pre-tax profits to equity (ROE).	3.85	.86

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Correlation Analysis

The summary of the correlation analysis results shown in Table 7 below showed that outsourcing strategy had a positive and significant relationship with financial performance of oil marketing companies in Kenya as indicated by a Pearson Coefficient of 0.54. This shows utilization of outsourcing strategy in oil companies in Kenya has the effect of reducing the cost of operation and providing an opportunity for optimal allocation of resources to the very necessary functions. Similarly, outsourcing strategy bears viable business opportunities and provides certain power unavailable within an organization's internal departments that leads to increase in financial performance. The findings concur with Aksoy and Öztürk, (2012) findings that outsourcing strategy is not only meant to reduce operational cost but provide leverage for optimal allocation of resources on essential organizational functions.

Additionally, the study findings indicated that positioning strategy had a positive and significant relationship with financial performance of oil marketing companies in Kenya. The results are indicated by a Pearson coefficient of 0.77. The results signify that companies adopt positioning strategy when they want to expand their business to different market sectors and to generate competitive advantage. Similarly, adoption of positioning strategy requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, tools and information. If not done properly, one product configuration can cannibalize another in the marketplace, and launching a new product may not marginally improve the business. The study findings conforms with Hahn and Powers (2010) findings that high quality strategy design and efficacious application results to realization of firm's performance.

Further, the study findings indicated that merging and acquisition strategy had a positive and significant relationship with financial performance of oil companies in Kenya. The results are indicated by a Pearson coefficient of 0.7. The results signifies that merger and acquisition is essential for the development of strong global competitors and confers economic benefits on the merging parties concerned and the society as a whole and requires explicit approval of those already in control of the corporation. Similarly, financial performance of the merging firm is boosted by adopting shares from the company being adopted. The findings concurs with Trautwein (2013) arguments that financial synergies through M&A leads to lower costs of capital and hence making companies reduce systematic risk of a company's investment portfolio by investing in different unrelated business ventures.

Lastly, the study findings indicated that diversification strategy had a strong positive and significant relationship with financial performance of oil companies in Kenya. The results are indicated by a Pearson coefficient of 0.97. The results of the study signifies that diversification strategy increases the range of a firm's investment opportunities, permits a company to take advantage of the more profitable opportunities in sectors of the economy, allows a firm to operations in more than a single industry and creates complacency. These activities culminate into enhancement of financial performance in firms. The findings concurs with Anıl & Yiğit(2011) that diversification distributes the existing and future wealth of an organization in

optimal manner that guarantees optimal returns and leverage risk which turn impacts on firm size and general performance.

Table 7: Correlation Analysis

	Outsourcing	Positioning	M & A	Diversification	Financial Performance
Outsourcing	**1.00**				
Positioning	0.29	**1.00**			
M & A	0.37	0.23	**1.00**		
Diversification	0.46	0.75	0.35	**1.00**	
Financial Performance	0.54	0.77	0.70	0.97	**1.00**

A regression model was used to establish the relationship between the study variables. The model summary findings are presented in Table 8 below. The findings show that Outsourcing strategy, Positioning strategy, Mergers and Acquisitions strategy and Diversification strategy jointly have positive effect on financial performance as shown by R = 0.799. The table also indicates the R square which is 0.638. This shows that Outsourcing strategy, Positioning strategy, Mergers and Acquisitions strategy and Diversification strategy jointly account for up to 63.8% of the variations in financial performance of oil marketing companies in Kenya.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.799	.638	.558	.0042

Table 9 below shows the results of analysis of ANOVA testing the significance of the model. According to the results, the model linking Outsourcing strategy, Positioning strategy, Mergers and Acquisitions strategy and Diversification strategy to financial performance of oil marketing companies in Kenya was significant as shown by a significant F (4, 46) statistic indicated by (0.000) significance level which was less than 0.05 at 5% level of significance. F calculated is 16.478 while *f* critical is 3.56. F calculated is greater than the F critical (16.48>3.56); this indicated that the overall model was statistically significant at 5% significance level.

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Table 9 Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	10.686	4	2.671	16.478	.000[b]
	Residual	81.193	46	3 .56		
1	Total	91.879	50			

a. Predictors: (Constant) Out sourcing strategy, positioning strategy, mergers and acquisitions strategy and diversification strategy.

b. Financial performance of Oil Marketing Companies in Kenya

The results of the model coefficients show that a unit increase in Outsourcing strategy will lead to a 0.332 increase in financial performance of Oil Marketing Companies in Kenya; a unit increase in positioning strategy will lead to a 0.376 increase in financial performance of Oil Marketing Companies in Kenya; a unit increase in Mergers and acquisitions strategy, will lead to a 0.355 increases in financial performance of Oil Marketing Companies in Kenya and a unit increase in Diversification strategy will lead to a 0.398 increase in financial performance of Oil Marketing Companies in Kenya. This means that the most significant variable is Diversification strategy followed by positioning strategy; Mergers and acquisitions strategy and Outsourcing strategy respectively. The results of the model are show in table 10 below:

Table 10: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
	(Constant)	5.674	.984		5.766	.000
	Out sourcing strategy	.332	.117	.272	2.837	.004
	Positioning strategy	.376	.165	.025	2.279	.002
	Mergers and acquisitions strategy	.355	.148	.256	2.399	.003
1	Diversification strategy	.398	.180	.275	1.888	.001

Basing on the coefficients results obtained in Table 10 above, the revised multivariate regression model is as shown below:

Financial performance of oil marketing companies = 5.674 + 0.398 Diversification Strategy + 0.376 Positioning Strategy + 0.355 Mergers and acquisitions strategy + 0.332 Outsourcing strategy.

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CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The study concludes that diversification strategy increases the range of a firm's investment opportunities, as it permits a company to take advantage of the more profitable opportunities in sectors of the economy in which it previously had no activities. The diversification strategy is an important component of the strategic management of a firm, and the relationship between a firm's diversification strategy and its economic performance is an issue of considerable interest to managers and academics. It can also be concluded that positioning strategy requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, tools and information. If not done properly, one product configuration can cannibalize another in the marketplace, and launching a new product may not marginally improve the business. Companies use strategic positioning when they consciously decide to expand their business into different market segments than they are in currently, the best case is when a company produces a unique product or service that is universally desired by all market segments without regard to price or location so that the company doesn't have to worry as much about strategic positioning.

The study findings on merger and acquisition strategy concluded that there is a need for companies to merge to enhance creation of economies of scale, a higher bargaining power, and business expansions. Similarly, employees being an important element in offering the human resources should be accorded top priority during mergers and acquisition through regular updates of the merger and the implications of the merger process in order to avoid uncertainties' and confusion among the employees.

Finally, the study findings concluded that outsourcing strategy can be utilized by any organization regardless of its size and has the effect of not only reducing the cost of operation but also providing an opportunity for optimal allocation of resources to the very necessary functions. Some organizations may outsource only for cost reduction and efficiency especially those that are involved in offshore outsourcing to destinations of lower cost offered by the service provider and the level of risk borne by the provider are the most important factors in the equation.

Recommendations

In order for Oil marketing Companies to enhance their financial performance through outsourcing strategy, they need to take outsourcing idea a step further to collaborate with competitors so as to find shared solutions. The Oil marketing companies in Kenya also need to train their personnel so as to appreciate the concept of outsourcing strategy, and the best practices and systems that will enhance their financial performance. On position strategy, the study finding recommends that the Oil marketing firms need to position themselves in the market and make use of the various positioning strategies as any organization not engaging in strategic positioning is losing an opportunity to build a competitive advantage. Market position can be affected by pricing, distribution and product itself, which is the core around which all positioning strategies revolve. The study recommends that oil marketing firms should have clear positioning

strategy leading to efficiency in operations, focused action and emphasis on value adding products and market segment.

On mergers and acquisition strategy, the study recommends a need for companies to merge to enhance creation of economies of scale, a higher bargaining power, and business expansions. The employees being an important element in offering the human resources should be accorded top priority during mergers and acquisition through regular updates of the merger and the implications of the merger process in order to avoid uncertainties' and confusion among the employees. Finally the study recommends a constant adoption of diversification strategy by Oil marketing companies to improve financial performance. They should have specific staff to keep in constant touch with the market and competition to recommend appropriate strategy to be used.

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