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The Effect of risk management strategies on the organizational performance of oil companies in Kenya.

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THE EFFECT OF RISK MANAGEMENT STRATEGIES ON THE ORGANIZATIONAL PERFORMANCE OF OIL COMPANIES IN KENYA

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A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF COMMERCE AT STRATHMORE UNIVERSITY

SEPTEMBER 2023

DECLARATION

I declare that this research project is my original work and has not been previously published or submitted elsewhere for the award of a master's degree. I also declare that this contains no material written or published by other except where due reference is made and the author duly acknowledged.

SIGN  Date____27/09/2023_____

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

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DEDICATION

This research is dedicated to my mum, Mrs. Lydia Langat my dad, Mr. Wesley Langat and, Brother Caleb Langat whose unwavering love and support made this achievement possible. Your encouragement and belief in me kept me going, even during the toughest moments. I am forever grateful for the sacrifices you made to give me this opportunity. Thank you for being my guiding light and for always reminding me to never give up on my dreams. My affection for you is limitless and unquantifiable.

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ABSTRACT

In recent years, risk management has become a priority for all sectors of the economy, so organizations can protect their interests while achieving their goals. Through risk management, organizations can ensure that it will achieve the desired results, reduce the impact of threats to acceptable levels, and increase opportunities to seize opportunities. The study was carried out to analyze the impact of risk management strategies on the organizational performance of oil companies in Kenya. The specific objectives were; to establish the effects risk acceptance strategies, risk transfer strategies, risk avoidance strategies and risk reduction strategies on performance of oil companies in Kenya. The study was guided by risk compensation theory and resource-based view. The study sampled 166 respondents from a target population of 284 employees. Data collected was analyzed using SPSS version 22.0. Inferential statistics using multiple regression and correlation analysis was applied to test the relationship between the independent variables and the dependent variable. The results of regression model expressed the hypothesized relationship between variables under study. Correlation analysis was used to determine the nature and magnitude of the relationship among the variables. The findings revealed a high positive relationship between risk acceptance, risk transfer, risk avoidance, risk reduction and organizational performance. The research also revealed that there is a high level of correlation between risk management strategies and organizational performance. The study concluded that effective management of risk is essential for any enterprise since it positively affects organizational performance. The study recommendations were as follows; oil companies should develop strategies to improve on risk management strategies and there should be adequate feasibility studies to bring out all the risks involved at any given time to prepare to mitigation. Lack of cooperation, filling of questionnaires within the stipulated and failure to give information were greatest limitation of the study when collecting data.

DEFINITION OF TERMS

Risk; A function of the likelihood of something happening and the degree of losing which arises from a situation or activity.

Risk Management; A process that should seek to eliminate, reduce and control risks, enhance benefits, and avoid detriments from speculative exposures. The objective of risk management is to maximize the potential of success and minimize the probability of future losses. Risk that becomes problematic can negatively affect cost, time, quality and system performance

Organizational performance; The organizational performance comprises the actual output or results of an organization as measured against its intended outputs

VT OMNES
VNVM SINT

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

As a direct result of the economic crisis that hit the world in 2008–2009, enterprise-wide risk management has emerged as a primary area of concern across the globe in recent years. In the wake of the ongoing financial crisis, both regulators and shareholders are concerned about the ability of organizations to manage various forms of risk (McKinsey, 2013). There are many different ways that firms can handle risk management, but the modern approach is more holistic than the silo-based approaches that were once common (Saeidi et al, 2013). In contrast to earlier, organizations are now subject to hazards that are interconnected, smart, and capable of more extensive devastation, which can result in potentially catastrophic outcomes when management fails to recognize and manage risks associated to a firm's day-to-day operations (Fraser and Simkins, 2009).

The economic climate in which the majority of businesses operate is extremely unpredictable and unstable. This is the effect of the globalization of business environments. Internationalization has benefited oil companies in numerous ways as the majority of nations have lowered their trade barriers (Moeller, 2007). These advantages for businesses include the opportunity to expand their consumer base and optimize their operations' cost structure (Hutson and Stevenson, 2010). As a result, organizations face a broad spectrum of sophisticated threats to their operations, data, and personnel.

Despite their increasing susceptibility to the occurrence of risks, many firms continue to view risk management as an issue that is simply related to finances or health, safety, and the environment (HSE). As a consequence of this, the vast majority of companies have a tendency to regard risk as a "cost center," and as a result, they either undervalue or underinvest in methods of risk management. In practice, evaluating total risk can be difficult, and balancing mitigation efforts between risks that have a high probability of occurrence but lower loss and risks that have a large loss but a low chance of occurrence is commonly mishandled. In practice, measuring total risk can be tricky. Risk management (RM) is a new paradigm for managing business risks that is highly strategic in nature and consists of a variety of components assembled through due process within an organization to manage risk over time in an efficient and effective manner. RM is an abbreviation for the term "risk management," which was first coined in the 1960s (Psica, 2008).

Altanashat (2019) carried out a study on the impact of enterprise risk management on institutional performance in the Jordanian public. Based on the ERM COSO (Committee of Sponsoring Organizations) Integration Practices (2004), this study examines the impact of risk management on the organizational performance of listed companies in Jordan. In this study, 313 questionnaires were collected using a questionnaire as the survey method. The resulting data is analyzed by a structural equation modeling tool (Smart-PLS), and based on the analysis, the company's risk management implementation has a significant impact on organizational performance. Analysis of the results showed that the company's risk management practices are important to improve the performance of the Jordan mining company.

Kpodo (2015) conducted a study on the effect of risk management strategies on organizational performance. The population of the study is selected from financial institutions in Ghana. It relied on the financial stability Board's (FSB) risk model. All factors of the two main variables of risk culture and organizational performance were analyzed using descriptive statistical measures. The data was obtained from the 19 banks listed on the Ghana club 100 representing about 70% of the total market share of the Ghanaian banking industry, with both local and foreign origins. Data was gotten from respondents through questionnaires issued. There was a positive correlation between risk management strategies and organizational performance in the banking industry in Ghana.

Increasing levels of uncertainty and severity of unfavorable events have compelled businesses to build effective risk management divisions (Tadesse & Brans, 2012). This has led to a greater understanding of risk within firms, which has enhanced their strategic decision-making. Poor management of risk exposures has negative effects on organizational performance because they have the potential to increase operational costs, alter the existing capital structure, and cause liquidity challenges in addition to negatively impacting the quality of goods and services an organization delivers (Massingham, 2010).

Research has been carried out to investigate the significance of risk management in Kenya. Weru (2008) conducted research to evaluate the information management strategies in place at Practical Action and published their findings. Muchiti and Ongechi (2009) conducted a study on the risk management measures utilized by commercial banks in the process of providing loans to small and medium-sized enterprises (SMEs). An investigation into the methods of risk management utilized by Barclays Bank of Kenya in order to achieve the

highest possible level of performance was carried out by Onzere (2012). On the other hand, the primary emphasis of these research was placed on the firms' financial performance. Second, the majority of these research consisted of surveying (Weru, 2008; Muchiti and Ongechi, 2009). While these studies are of importance to the researcher, none of them was done on the effect of risk management strategies on performance of oil companies in Kenya, hence a knowledge gap

Mohammad (2014) observed that a successful Risk Management adoption needs to be accompanied by a compatible information system that enables organizational information. He emphasized that risk management backed up by an information system improves the performance of an organization. Hashim et al., (2012) revealed that the integration of a risk management system with information technology has a strong relationship in improving the company's performance. Implementing risk management information system in organizations enhance risk management processes (Altaany, 2013).

Several studies have shown that is a strong correlation between organizational performance and the implementation and application of risk management. Therefore, if risk management practices are implemented effectively, the overall performance of the organization will be improved. By propagating a risk management culture within an organization, managers can improve their organization’s performance. The cornerstone of a successful company is having competent staff, especially in light of the weak organizational culture among workers. Key players in the corporate governance process are accountable for managing the different dimensions of financial and other risks. Enterprise risk management itself enables the company to reduce costs through better integration of risk assessment and management by balancing the threats and opportunities from external factors.

1.1.1 Risk Management Strategies

According to Fadun (2013), risk management is a process that deals with hazards in a manner that minimizes the dangers, which are also known as the lower tail outcomes of risk, and optimizes the possibilities, which are also known as the upper tail outcomes. According to Head (2009), risk management is the process of planning, organizing, directing, and regulating resources in order to accomplish predetermined goals in a context in which either favorable or unfavorable outcomes are possible. Vaughan and Vaughan (2001), on the other hand, consider risk management to be a scientific approach to dealing with pure risks. This approach involves anticipating possible accidental losses, designing, and implementing

procedures that minimize either the occurrence of loss or the financial impact of losses that do occur. Hence, risk management for a company of any size refers to the methodical assessment and planned response to threats, which may obstruct the achievement of both short-term and long-term business objectives (Vaughan and Vaughan, 2001).

According to Perera et al. (2014), risk management can be defined as a systematic approach to the identification, assessment, evaluation, and ranking of the associated risks, which is then followed by the allocation of the necessary resources to monitor, control, and minimize any negative effects of undesirable events. Evidence has revealed that many successful firms are aware of the benefits that risk management has to offer to increase project performance and success (Teller, 2013).

Risk management is the process that managers go through in order to identify key risks, obtain consistent and understandable operational risk measures, choose which risks to reduce and which to increase and by what means, and establish procedures to monitor the resulting risk position. Key risks include the following, the ability of management in businesses to obtain sufficient knowledge about changes in market conditions, environmental conditions, technological conditions, political conditions, and consumer wants is an essential component of effective risk management (Shlajamaa, 2017). This should be done in order to avoid the risk of exposure to a drop in profit margins, bad debts accrued from the advancement of credit lines, excessive operational costs, and bankruptcies (Huang, 2014). According to Urciuoli and Crenca (2014), risk management comprises using a variety of tools to prevent an organization's assets from being destroyed. These tools can be found in a variety of settings. According to Raghavan (2015), risk management consists of operations that are targeted at lowering losses in order to increase a company's profitability.

According to Power (2004), the goal of a risk assessment approach is to evaluate and figure out the impact that each risk will have on the operations of the company. The goal of any organization's risk identification strategy is to determine the degree to which it is exposed to unpredictability. This requires an in-depth familiarity with the organization, the market in which it competes, the legal, social, political, and cultural environment in which it exists, as well as the development of a solid understanding of the organization's strategic and operational goals, which should include factors essential to the organization's success as well as threats and opportunities related to the accomplishment of these goals (Venette, 2013).

A method that is aimed to deflect as much danger as possible in the event that it occurs is known as risk avoidance (Ahmadi, Behzadian, Ardeshir & Kapelan, 2017). As is common knowledge in day-to-day life, avoiding risk entails being aware of the locations where dangers can be encountered and taking the appropriate precautions to reduce or eliminate the possibility of doing so (Shlajamaa, 2017). Other scholars, including Dandage, Mantha, Rane, and Bhoola (2018), define risk avoidance in the simple language of keeping off trouble spots or avoiding trouble altogether. However, according to Srivanas (2019), risk avoidance strategy might lead to failure to perform. This can be detected through measures of risk avoidance such as elimination, withdrawal, and non-involvement. Wanyonyi, (2015) in his study sought to find out how the technique of risk avoidance by use of work plans and how it influences project performance. After analyzing the data gathered from the respondents, the results of statistical significance were summarized using Pearson ChiSquare.

Wanyonyi, (2015) wanted to find out how the technique of risk avoidance by use of work plans and how it influences project performance. According to the findings of the study, risk avoidance necessitates modifying the project plan in order to remove the risk itself or the circumstance that gives rise to the risk. This is done with the intention of shielding the project objectives from the potential consequences of the risk. Because there was a statistically significant influence of risk avoidance techniques on project performance, which is the objective of every project manager, this hypothesis appears to be supported by the findings of this study, which indicate that there was a correlation between risk avoidance techniques and improved project performance. The findings of the study made it abundantly clear that there existed a statistically significant relationship between risk avoidance and the performance of projects. This was clearly indicated by the utilization of various techniques in the effort to avoid risks, such as the utilization of contingency plans, the implementation of safety systems, the utilization of work plans in the execution of projects, and the utilization of regular inspections to ensure that no eventuality occurs that may affect the performance of the project.

As Srivanas (2019), notes risk reduction is another risk management method. Also known as a mitigation plan, this is a step adopted to reduce the loss of value, such as financial losses. The plan aims to reduce the number of losses in the event that the risk materializes in the future. According to Jenkins, Surminski, Hall, and Crick (2017), risk reduction is a risk-facing strategy that is a form of preparedness for taking on the risk when and if it comes.

Similarly, the measures for risk reduction including mitigation and optimization are indicators that prepare the owners to face the impending risks with well-calculated measures, creating some form of sustainability in case the risk occurs; many enterprises will calculate this strategy as being the most convenient (Carvalho & Rabechini, 2017).

Risk retention is the calculated strategy of reserving funds to offset a risk when and if it occurs, a saving fund in the form of self-insurance with the possibility of covering many forecast risks for the entity. The risk is not transferred to second parties or fund hedging (Aiyer, Panigrahi & Das,2018). Thus, retention is a risky strategy that takes no action as the risk is anticipated or prepares to take full responsibility through self-insurance. In conclusion, most entities use a combination of these strategies (Maghanga, 2019). Dehkhoda (2016) conducted a study to aid managers in prioritizing, mapping, and early identification of both internal and external hazards. The author described many risk management tactics. However, the framework does not include a risk transfer mitigation method, even though it is one of the most prominent mitigation strategies

Risk acceptance entails being aware of a certain threat and opting to accept the related risk level without taking preventative steps (Goh & Abdul Rahman, 2013). According to Strelnick (2016), when hazards cannot be avoided or transferred, the affected party is compelled to assume the risk and gain the corresponding reward. According to Anca, Cezar, and Adrian (2015), a strategy can be either passive or active.

1.1.2 Organizational Performance of Oil Companies

Oil industry in Kenya is very competitive and capital-intensive venture. The firms operate on the ever-changing oil industry environment. It is due to these environmental pressures that large oil firms in Kenya have come up with different growth strategies on different markets in order to grow their businesses. The growth strategies are informed by the management desire to maximize profits and grow shareholders‟ wealth. Oil industry in Kenya is price regulated by ERC therefore making the firms less effective on using pricing as a marketing and growth strategy. This drives the firms to pursue other strategies such as product development, strategic alliances, diversification and market development which have more impact on the firm’s growth and performance.

A method that aims to improve not just the efficiency of an organization but also the health and happiness of its individual members by means of predetermined interventions is known

as organizational performance Khandekar & Sharma, 2006). The outcome that indicates or reflects the organization's levels of efficiency or inefficiency in terms of its corporate image, competencies, and financial performance is what we mean when we talk about organizational performance. This can be characterized as the outcome (Khandekar & Sharma, 2006).

According to Paul (2003), the most essential aspect of organizational success is maximizing the wealth of shareholders or achieving greater levels of performance. With respect to objectives or standards, performance can also be defined as the capacity of something to generate outcomes according to a particular order of importance (Laitinen, 2002). According to Daft (2008), organizational performance is defined as the capacity of an organization to accomplish its goals through the application of resources in a manner that is both effective and efficient. This indicates that the primary standard or measure by which the organization will determine whether or not it has succeeded in achieving its objectives and goals is its performance.

The performance of an organization is comprised of its strategic planning, operational planning, financial planning, legal planning, and organizational growth (Katou, 2008). When all of the employees in an organization have a clear understanding of the roles and responsibilities they play for the company, the company is more likely to achieve its goals. Additionally, there needs to be consistent communication between management and employees in order to establish appropriate performance standards, effectively manage the program, and produce positive outcomes (Katou, 2008). According to Sriwan (2004), the performance of an organization should be evaluated in relation to a particular goal in order to determine whether or not the goal has been attained. Because it does not have a goal, the corporation does not have any criteria by which it can select various investment strategies and projects. For instance, if the company's goal is to achieve the highest possible return on its investments, it would try to accomplish this by selecting investments that offer higher return on investment ratios than the company's current average return on investment ratio. This would allow the company to achieve its goal (Sriwan, 2004)

Good performance assessment must encompass all components of performance that are crucial to an organization's existence, ensuring its success and growth (Kaplan & Norton, 1996: Hillman & Keim, 2001). The balanced scorecard was established by Kaplan and Norton in 1987. It outlines four viewpoints — financial, customer, innovation and learning, and internal process — that enable managers to analyze corporate performance holistically

and objectively. BSC is based on the premise that learning and development strengthen internal business processes, which in turn increase customer satisfaction, resulting in enhanced financial results and subsequently enhanced organizational performance. However, Hubbard (2009) promoted the Triple Bottom Line, which includes natural environment and social responsibility as crucial performance indicators.

Financial perspectives pertain to metrics of profitability, such as operational income and return on investment (Kaplan & Norton, 1992). From the customer's perspective, managers must define the targeted customer groups in which the company or a specific business unit competes and identify appropriate performance indicators for these targeted customer segments.

The internal business processes perspective focuses primarily on evaluating the efficiency or effectiveness of an organization's internal processes. Internal business processes are the means for achieving performance objectives (Kaplan & Norton 1992). The fourth aspect of the Balanced Scorecard model, learning and growth, focuses on how organizations may build value from human capital, which refers to the availability of skills, talent, and knowledge inside a company (Kaplan & Norton, 1992).

Kaplan & Norton (2001) noted that an effective performance measurement system should provide timely and accurate feedback on the efficiency and effectiveness of operations, the study will utilize a balance score card that includes financial perspective, customer perspective, internal business processes, and learning and growth perspectives. Balancing score card strives to enhance organizational performance by balancing short- and long-term goals, financial and non-financial measures, lagging and leading indicators, and external and internal performance perspectives (Hepworth, 1998).

1.1.3 Oil Companies in Kenya

The Energy and Petroleum Regulatory Authority (EPRA) is the country's independent energy and petroleum regulator. It was established following the Energy Act of 2019 and is tasked with the responsibility of regulating the economic and technical aspects of the petroleum, electricity, and renewable energy sub-sectors. The gathering and upkeep of energy data are the most important responsibilities placed on the Authority by Section 10 of the Energy Act of 2019, which was passed in 2019.

The majority of countries throughout the world owe a significant portion of their economic success to the contributions made by oil companies. It is also essential to keep in mind that the majority of homes in developing nations are extremely reliant on petroleum products as sources of energy for activities like lighting and the operation of small and medium-sized businesses (Kenya Association of Manufacturers, 2014). The majority of nations' economies are significantly impacted, both on a macro and a micro level, by the impact of petroleum products (Kojima, Mathews & Smith, 2010). Following the liberalization of the oil sector in Kenya in 1992, the market structures of the oil business continue to be oligopolistic at both the wholesale and retail levels (Government of Kenya, 2005). Vertical integration exists among the big oil corporations, and they own a combined ownership of 51.4% of the 1,153 retail outlets. The other retail outlets are run by new entrants and independent proprietors (EPRA, 2019).

The Kenyan government's Ministry of Energy and Petroleum is in charge of the country's oil industry. Although indeed, oil prices are typically determined by external variables, there is a widespread belief that cartels and monopolistic tendencies distort the same market dynamics to maintain high prices. The government is typically obliged to act through price regulatory mechanisms from time to time as a result of public outrage. This typically results in the government imposing maximum retail prices for particular oil products that marketing companies are allowed to charge consumers. This measure went into effect in December 2010, intending to remove unhealthier forms of competition and elevate quality standards in this enormous sector. Because of this, the government was able to successfully implement its Controlled Market System in the industry (Katisya, 2011).

There are seventy-one (71) registered oil-marketing companies in Kenya as of 2021 in Nairobi County. These entities market, sell and distribute oil products such as diesel, kerosene, gasoline (petrol), lubricants, and liquefied petroleum gas (LPG). Importation of petroleum products through the OTS allows all the OMCs to access petroleum products at the same price and therefore ensures competition in the petroleum market. The market has proved competitive over the last year (EPRA, 2021).

Because petroleum is seen as such a vital source of energy, Kenya is considered to be a net importer of oil and other goods derived from petroleum, and the country is extremely reliant on imported petroleum products to meet its energy needs (Deloitte, 2014). The mid and downstream structures of the industry in Kenya consist of the processing of imported goods

and their transportation to the interior of the country via railway, road, or pipeline respectively. KPC transports significant volumes of product through pipeline to a number of storage facilities, some of which are located in Mombasa, Nairobi, Nakuru, Eldoret, and Kisumu (MoEP, 2016). Businesses operating in Kenya that source for petroleum products are encountering supply chain interruptions due to a variety of factors, including natural catastrophes, delays in the logistical process, equipment, and communication, and actions taken by labor unions. Moreover, piracy in the Gulf of Aden and the Indian Ocean has caused shipping delays, raised insurance premiums, and on occasion led to a lack of petroleum in Kenya (Osoro, 2015). In order to overcome interruptions in supply chains, the implementation of risk mitigation techniques and investment in research are crucial. This will allow for the development of resilient production functions, which will subsequently assure scalable production (Kangogo et al., 2013).

1.2 Statement of the Problem

Efficient risk management practices have been vital in allowing the phenomenal growth in oil firms. In addition to volatile markets oil companies face challenges also due to their complex supply chains. Oil supply chain is global and is characterized by long lead times and several sources of possible unexpected changes. Further, both volumes and value of product in oil supply chain are massive. The complexity of supply chain, liquid nature of oil, and unexpected events in supply chain make risk management in oil companies highly challenging.

Yakup and Asli (2010) point out in their study that over the last decade the business environment has become more and more global, which has not only enabled companies to gain access to new customers and to additional resource but also forced companies to cope with increased level of international competition and a growing diversity of international business risks as risks of fluctuating currencies, commodity prices and interest rates. This also raises the importance of risk management, financial risk management, and hedging (Yakup and Asli, 2010). However, as Ameer (2010) points out that even though risk management has gained a lot of attention since mid-1970's most of the earlier studies of financial risk management have mostly concentrated on companies' foreign currency risk and only recently market risks such as commodity risk has gained more of attention.

Despite the well-established literature on the conventional financial institutions, studies on the relationship between risk management techniques and performance in oil companies remain scanty. The growing market demand and attention given to the oil companies has escalated the research interest in this area as well.

Erlane et al. (2016) researched the effect of risk management and operational information disclosure practices on public listed firms' financial performance. The population sample studied was 106 listed firms in Bursa Malaysia. 318 annual reports over three years of these firms and content analysis were used as the research instrument. The findings of this study indicate that the amount of risk management and operational information disclosed in the firms' annual reports could influence the firms' performance.

Previous study focused on liquidity risk in oil companies in Kenya for instance Okuto (2011) studied the management of financial risks exposure of fuel price changes in the Airlines while Kairu (2011) carried a study on the impact of risk management on profitability of the Kenya power and lighting companies staff retirement benefits scheme. Despite the oil company's financial environment operate in, no study that has been carried out to determine the impact of risk management techniques adopted by the oil companies on financial performance. This study sought to close the gaps by attempting to establish the effect of risk management strategies on the performance of oil companies in Kenya.

1.3 Research Objectives

The main objective of this study was to establish the effect of risk management strategies on the organizational performance of oil companies in Kenya.

1.3.1 Specific Objectives

The following were the specific objectives of the study.

i. To assess the effects of risk acceptance strategies on the organizational performance of oil companies in Kenya
ii. To examine the effects of risk transfer strategies on the organizational performance of oil companies in Kenya
iii. To analyze the effects of risk avoidance strategies on the organizational performance of oil companies in Kenya
iv. To establish the influence of risk reduction strategies on the organizational performance of oil companies in Kenya

1.3.2 Research Questions

The following research questions guided the study.

i. What is the effect of risk acceptance strategies on the organizational performance of oil companies in Kenya?
v. What is the effect of risk transfer strategies on the organizational performance of oil companies in Kenya?
vi. What is the effect of risk avoidance strategies on the organizational performance of oil companies in Kenya?
vii. what is the effect of risk reduction strategies on the organizational performance of oil companies in Kenya?

1.4 Scope of the Study

In Kenya, there are seventy-one registered oil-marketing companies in Kenya (EPRA,2021). The study targeted 71 oil companies located in Nairobi County. The study focused on four risk management strategies to enhance organization performance which include; risk acceptance strategies, risk transfer strategies, risk avoidance strategies and risk reduction strategies. Primary data was collected through structured questionnaires and the study was done between January and May 2023.

1.5 Significance of the Study

1.5.1 Policy Makers

The study will benefit to oil companies in terms of managing risks. Understanding the various risk management strategies by the management will help the organization improve its performance. The management will be in a position to know the best strategy to adopt when handling risk based on the level of the risk. Policy makers will be able to come up with best strategy when investing in oil sector and making strategic decisions.

1.5.2 Management of Oil Companies

The findings of this study would be important to management staff in oil marketing firms by informing them on different types of risk they are faced with, strategies that they can adopt to manage them, and how the risk management efforts affect the financial performance of their organizations. This would inform the formulation of various strategies to manage risk exposure for improved financial performance.

1.5.3 Academicians

For future researchers, this study would be important in that it would act as an empirical source for their research works besides directing their research by making suggestions on areas requiring further research. This would help grow the literature on risk management and the organizational performance of firms.

1.6 Chapter Summary

This chapter comprised, background of the study, statement of the problem, research objectives, research questions, importance of the study and scope of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides the theoretical foundation of the study, empirical review of the study, summary of research gaps, and the conceptual framework detailing the relationship between the independent and dependent variables.

2.2 Theoretical Framework

This research study was guided by risk compensation theory and Resource Based View Theory

2.2.1 Risk Compensation Theory

The theories of risk homeostasis and risk compensation are well summarized by Gerald Wilde and John Adams. The Risk Compensation Theory suggests that people tend to adjust their behavior in response to perceived change in risk. Their risk perception may be based on changes in environment, added or reduced safety measures, or even rumor. With the introduction of a safety measure, people may take on more risk or become less careful because they think that they are being protected and their increased in risk-taking can be offset by the safety measure. This increase in risk due to behavioral change often outweighs the benefit of the safety measure, leading to a lower net benefit than expected. Safety measures change the environment, and people may change their behavior in response to them. Thus, an appropriate level of promotion and education must be in place to address those who may take on more risk upon the introduction of a safety initiative, in order to realize the full potential of the expected benefit.

2.2.2 Resource-Based View

According to the theory of resource-based view (RBV), which was introduced by Barney (1991), the utilization of an organization's or a company's internal resources that have been thoughtfully planned can lead to the development of a competitive advantage that is maintained over time. To this aim, it means that any entity can start a project as long as it pays careful attention to the components that are present inside itself and does not necessarily look outside itself for the success of its productivity. Instead of looking to the competitive business environment to find a niche in the market or an edge over competition and threats,

the organization should instead look within at the resources and possibilities that are already accessible in the oil firms. This is the central principle of the theory.

The key assumptions in applying the RBV theory are that resources are heterogeneous and that these resources for every entity are immobile. Such characteristics would include the brand of that entity, global positioning, a strong financial base, and strong teamwork or partnerships (Tate& Bals, 2018). When estimating the risks in a project, the decision to retain or share the risk is most likely made regarding the entity's resources (Clarke & MacDonald, 2019).

Any inputs that make it possible for the company to function and carry out its strategies are considered firm resources, in accordance with the Resource Based Theory. Input factors can be generic resources that can be obtained from the market, and logistics input factors can include raw skills such as loading skills, driving skills, picking skills, and computer operating skills factors. There are two types of input factors: generic resources and logistics resources. racking and shelving in the warehouse, forklifts, inventory, and other materials for packaging.

When input elements undergo transformation, they become part of the company's assets and, as a result, contribute to the outputs produced by the company (Grant, 2002). When resources allow a company to implement a product mix strategy that improves performance, capitalizes on market possibilities, or mitigates risks, only then are those resources regarded valuable to the company (Barney, 2001). According to the theory, when insurance companies make use of the organization's resources, they will be in a position to assess the value of their assets and the extent of their financial capacity, and then they will be able to produce a product that is tailored to meet the requirements of the target market.

2.3 Empirical Review

This section presents past studies on the effect of risk management strategies on the organizational performance of oil companies in Kenya

2.3.1 Risk Acceptance and Organizational Performance

Risk acceptance is a reactive method of risk management in which the risk is retained without any action being taken by risk management other than the establishment of contingency plans and budgeting plans to deal with the loss or ramifications in the event that a catastrophic event occurs (Sodhi & Tang, 2012). According to Herrera (2013), this method is implemented in situations in which the cost of pursuing alternative strategies and actions is

more than the cost of the risk itself or the impact it would have. It's possible for a business to apply the risk acceptance strategy by cutting its budget or avoiding spending money on other risk mitigation techniques, particularly for potential dangers that are regarded as having a low probability of occurring (Herrera, 2013). According to Herrera (2013), companies will keep some risk exposures if they believe that the losses that will be incurred as a result of the occurrence of a negative event will be minor in comparison to the returns that would be generated by the project or commercial activities. The only thing that is necessary for enterprises to do in order to control their risk exposure is to monitor the situation. The key risk acceptance mitigation strategies are risk awareness and monitoring, as well as contingency planning (Sodhi and Tang, 2012).

The oil and gas industry thrive in a project-based environment, where one large project comprises multiple small projects. The oil and gas industry's efficiency depend on completing numerous smaller projects (Suda et al., 2015). The management needs to manage risks through a comprehensive risk management framework to ensure the success of an oil and gas project. However, despite its capital-intensive nature, risk management is an under researched area in the oil and gas industry. Most of the studies conducted have focused on Oil and gas projects identifying the risks affecting the oil and gas projects in the Middle East region. However, the findings of these studies cannot be entirely applied to other areas or countries. There is a need to adopt or apply more extensive theories, models and risk management frameworks because of the complex nature of the oil and gas business and complicated risk factors (Suda et al., 2015). Oil and gas projects are large and complex, use state-of-the-art technology, involve multiple stakeholders and require analysis from various aspects, including sustainable development and risk management (Rodhi et al., 2017; Dey, 2012)

Ali, Musawir, and Ali (2018) investigated Pakistan's oil project-based organizations to see how the governance and sharing of information impacted the organizations. The purpose of the study was to design a template for the implementation of knowledge-sharing apps within the framework of project-based environments found in Pakistani organizations. Using a method known as cross-sectional surveying, data was gathered from 133 different information technology and software companies. In order to verify whether or not their hypothesis was correct, they analyzed the data using the partial least squares structural equation modeling (PLS-SEM) and the asymmetric approach. According to their findings,

proper governance and sharing of information are essential to the successful completion of projects. Ali et al., (2018) also suggested including stakeholders in the process of information exchange in order to divide up risks among project-based organizations.

2.3.2 Risk Transfer and Organizational Performance

A risk transfer is the process of shifting a risk to another party or transferring the obligations of risk management to a third party who is better prepared to handle the risk (Alfred, 2013). Risk transfer would need either contractual arrangements or the subcontracting of specific operations, and the implementation of this strategy would necessitate the acquisition of insurance against the relevant risks (Ignacio, 2016). To shift the responsibility of risk management to third parties, risk transfer can be accomplished through the use of strategies such as outsourcing, hedging, and the formation of partnerships (Herrera, 2013). For instance, some companies choose to outsource the management of their payroll and customer service, which can be beneficial for the company in question so long as the dangerous part that is being outsourced is not the company's primary area of expertise. In addition to this, it can be used to assist a company in concentrating more on the fundamental aspects of its operations (Herrera, 2013). The Risk Transfer method of mitigating risk includes the practices of outsourcing and insurance, as well as partnerships, joint ventures, and mergers (Urciuoli et al., 2014).

According to Yakup and Asli (2010) increased risk exposures and increased hedging activity are consequences of internalization in of business environments. Yakup and Asli (2010) point out companies that have foreign sales, foreign income, and foreign assets are exposed to exchange rate risk (due to more of foreign currencies) and interest rate risk (due to higher leverage and lower quick ratios). Oil companies are also more likely to be exposed to commodity price risk as their market prices become more volatile (Yakup and Asli, 2010).

Osabutey, Obro- Adibo, Agbodohu and Kumi (2013) did an analysis of risk management practices in the oil and gas industry in Ghana using a case study of Tema Oil Refinery (Tor). The study identified risks confronting Tema Oil Refinery (TOR) as instability in global oil prices, depreciation of the cedi against major currencies, health and safety, political interference, environmental pollution, brain drain, shortage of crude oil, huge debts as a result of subsidizing of petroleum products by government and default on the part of oil marketing companies to pay for products and high operational risks .Other challenges as apathy on the part of staff to abide by safety rules was identified. TOR incorporates risk management in

their strategic plan and have operations and Audit risk department but have been battling with effective implementation. Made recommendations to government and management of TOR on how to overcome the problems in implementing risk management in order to achieve the goals of the only refinery in Ghana.

The transfer of risk can also be done through the formation of partnerships. According to Urciuoli et al. (2014), productive collaborations should involve the transfer of critical information and the completion of joint projects. Those who work together to form partnerships contribute both their time and resources to the development of joint projects. Nonetheless, even large companies can benefit from combining their efforts and resources to participate in joint ventures for the purpose of mutually reducing the costs of particular product lines in order to boost their total profitability (Urciuoli et al., 2014). The oil sector makes investments in a diverse range of partnerships, alliances, and joint ventures in order to facilitate risk sharing and resilience (World Economic Forum, 2013).

Dehkhoda (2016) conducted a study to aid managers in prioritizing, mapping, and early identification of both internal and external hazards. The author described many risk management tactics. However, the framework does not include a risk transfer mitigation method, even though it is one of the most prominent mitigation strategies discovered in the literature.

Otieno (2013) carried out research in order to evaluate the different kinds of competitive strategies that oil marketing companies in Kenya use. 35 of the 53 oil marketers that were asked to participate in the census survey actually did so. The questionnaire for the study was prepared and sent out to oil merchants. This was how the research was carried out. It was discovered that oil marketers utilized a low-cost strategy that encompassed a broad range of activities, including globalization, vertical integration, outsourcing, and strategic alliances. Also, it was found that the industry utilized partnerships as a technique to gain operational efficiency and obtain access to places that they could not reach on their own. This was a conclusion that was reached after it was revealed that the industry utilized partnerships.

Among the many academic articles, there is still a notable gap in this research study that has been undertaken to date in the context of financial risk management which will help firm to improve on financial performance. This study therefore aims at investigating and widening their scope on the impact of financial risk management to the financial performance of oil companies. The study will provide scholars with useful information on how to avert the

exposure in their research. It will also be of use to financial managers who have the responsibility of managing the risk associated with foreign exchange exposure, credit risks and other transactional risks. To this end most research on the impact of risk management practices on performance has focused on the exposure of multinational companies and most of the focus has been financial institutions. This body of research has found mixed results regarding significant impact of risk management on performance of organizations. This will study seek to fill the existing research gap by determining the impact of risk management strategies on performance of oil companies in Kenya.

2.3.3 Risk Avoidance and Organizational Performance

The strategy of risk avoidance comprises getting rid of risk by stepping away from potentially hazardous activities in such a way that the likelihood of suffering a loss is reduced to zero by the removal of the factor that poses the risk (Hajmohammad & Vachon, 2015). Risk avoidance refers to the process of modifying or moving a course of action in order to minimize a risk situation and the potential consequences that it may produce; as a result, risk avoidance can be an astute strategy provided that it is carried out with caution (Turbide, 2014). According to Behdani (2013), certain risk exposure may be so high that even after taking steps to limit it, some partial exposure remains, and the repercussions may be so severe that it is prudent to fully avoid the risky occurrence. This is because certain risk exposure may be so high that even after taking steps to limit it, some partial exposure remains.

For all aspects of the oil and gas industry to run smoothly and safely, highly complex and financially intensive infrastructures need to be built and maintained (Oduro Appiah et al., 2020). Examples of these critical infrastructures include “exploration submersibles and oil production platforms to refineries, depots, and transportation pipelines” (Gorkowienko, 2019). Constructing these infrastructures involve risks which can be catastrophic to the economy and the environment if they occur (Vilardo et al., 2020). For example, in 2020 alone, there have been several oil spills caused by infrastructure damage and collapse in Mauritius, Canada, Russia and the United States with thousands of tonnes of oil being deposited into various water bodies with potential devastating effects for the economy and the environment (Bankes et al., 2020). It can thus be argued that one of the most important tasks for the top management of oil and gas companies is ensuring that their organizations invest in the best risk avoidance strategies available to ensure that infrastructure projects

being developed are of the highest quality possible, with a close to zero chance of infrastructure failure (Yan et al., 2020). These strategies typically revolve around ensuring the safety of employees at all times, developing holistic and robust quality control systems, investing in the latest and most efficient technology for project execution, and hiring the most competent employees available in the industry (Jennings, 2020).

Bjerga and Aven (2016) used the In Amenas gas hostage situation that occurred in 2013 where at least 67 people lost their lives as a case study. The objective of the study was to learn from the security lapses that allowed such a tragedy to happen so that recommendations on risk avoidance strategies could be provided to ensure that such an event never occurred again. The primary recommendation for oil and gas companies was that managers had to adopt a 'prevention is better than cure' approach to ensure that all safety protocols and technologies were integrated into every sector of the company's operations with regular updates and advancements regularly adopted; the health and safety of all workers must be the most important priority for all oil and gas companies.

Khadem et al., (2018) adopted a case study design to investigate the extent to which an oil and gas company in Oman integrated risk avoidance strategies into its daily operations. Field visits and interviews with management executives revealed that the risk avoidance strategies adopted by the company were not as robust as was required to enable them to deliver projects on time and within budget. This was confirmed via a project simulation which indicated that the company's relatively weak risk avoidance and mitigation strategy meant that the simulated project would have been completed two years behind schedule, and with an 8% chance of exceeding the budget. Al Mhdwai (2020) "developed an integrated decision support methodology for managing the risk factors in oil and gas construction projects in Iraq". The methodology is supposed to enable decision makers in oil and gas industries to make the optimal decisions when executing projects so as to ensure value for money as well as a high-quality standard.

Hameed and Ali (2020) introduced a more advanced method of ensuring the integrity of petroleum pipelines to minimize the risk of oils spills due to weakened and faulty pipelines. This new Risk-Based Inspection (RIB) methodology is argued to provide oil and gas companies a better ability to monitor and inspect steel and flexible pipelines. The studies in this section highlighted the importance of oil and gas companies integrating robust risk avoidance strategies into their operations (Khadem et al., 2018) to ensure that managers are

able to make the best decisions regarding the integrity and quality of the equipment which are crucial for successful project execution (Al Mhdawi, 2020); An example of such a strategy being the regular inspection and monitoring of pipelines to ensure their structural integrity (Hamed & Ali, 2020).

Meidell and Kaarboe (2017) conducted a historical case study of a large international oil and gas company in order to understand the increased importance the company placed on investing in risk avoidance technology over time. The investigation revealed that over time, the company became more and more willing to invest in technology that would improve its ability to avoid risks and consequently improve the quality of projects it executed over time.

According to Osoro's (2015) research on the problems of organizational performance in the Petroleum Industries of Kenya, it was found that both intrinsic and extrinsic characteristics were shown to be predictors of service delivery through organization systems. This was the case for both internal and external factors. According to the findings of the study, despite the fact that international businesses were increasing their level of competition, which led to the emigration of skilled people, oil companies continued to rely on their personnel for success and sustainability. A survey was used as the basis for this research, and the results showed that there were 73 registered oil enterprises. The information required for the study was gathered through the use of questionnaires with a semi-structured format. Using SPSS, a number of different statistics, including descriptive and inferential statistics, were computed from the aforementioned data. According to the findings of the report, registered oil companies do not make extensive use of modern practices such as timely forecasting, proactive stock level management, information technology (IT), just-in-time delivery, or electronic procurement. In addition to this, the research highlighted the necessity of placing an emphasis on the significance of e-sourcing across the entirety of the supply chain systems in order to attain competitiveness in commercial marketplaces.

Tsiga and Tsiga (2018) in their study risk management practice in the Nigerian petroleum industry using descriptive research design and multiple regressions established out that lack of skilled workers, supply demand, price risk, risk operation cost and interference of military groups on oil are the major risks and prefer to use risk threat avoidance method, reduction of threat probability and insurance as their preferred choice of answering to risk.

2.3.4 Risk Reduction and Organizational Performance

Risk reduction can refer to either absolute or relative risk reduction, as stated by Spacey (2015). It is possible to lower the risk of disruption by lowering the probability that it will occur through the execution of appropriate operations, hence reducing the overall level of disruption (Behdani, 2013). Risk reduction entails taking preventative actions to lessen the likelihood of an unfavorable occurrence by eliminating the possibility of its happening. This method is favored over attempting to repair the damage caused by a risky event after it has already taken place because it saves time and resources. Vertical integration of businesses is one component of the approach for reducing risk; another component is capacity or inventory redundancy (Kwak, 2014). Collaboration throughout the supply chain, buffering, redundancy, and adaptability are some examples of common strategic activities for risk mitigation (Behdani, 2013).

Mwangi and Muriuki (2013) examined Risk Management Practices by Oil Companies in Kenya. The study had two objectives including: establishing the practices applied by oil companies in management and determining factors affecting the choice of credit management approach within the oil industry. The study applied a census study to facilitate comparison of data from different respondents. The target population was all the oil firms in Kenya which were 26 operational oil marketers and since they were few no sampling was undertaken. Questionnaires consisting of open-ended, structured and unstructured questions were administered to obtain primary data. Secondary data from in-house credit management publications, reports and brochures was used to supplement primary data. On analyzing the data collected the study concluded that the oil industry just like any industry dealing with credit was affected by adverse effects of credit risks. The study also concluded that it was critical to analyze all the prevailing factors and conditions in order to design appropriate risk management processes so that risk exposure can be minimized to an optimal level.

Collaboration gives businesses the ability to cooperate effectively with other companies, which boosts their agility in turbulent environments and enables them to meet a wider range of customer requirements in a shorter amount of time (Pettitt et al., 2013; Arani et al. 2015). Partnership with customers is vital for correct demand forecasting, which may be achieved through evaluating market perception, trends, and risk profiles. Collaboration with customers is essential for accurate demand forecasting (Leat & Revoredo, 2013). Knowledge of demand and supply projections, as well as procurement strategies, is necessary for achieving high levels of visibility. this includes knowledge of both upstream and downstream stocks (Kwak,

2014). Visibility makes it possible to watch and monitor trends of supply and demand, which ensures the proactive implementation of relevant measures (Deloitte, 2012).

Redundancy, often known as buffering, is a backup capability or service that reduces the risk of a single point of failure by avoiding obstacles in the network (Tech & Cole, 2016). The use of buffers reduces the risk that downstream activities will be disrupted, which results in increased revenue and decreased levels of customer dissatisfaction (Kathryn, Marley, Ward & Hill, 2014). Buffering can be illustrated by the supply of extra inventory, a backup source, and overcapacity, among other things (Kathryn et al., 2014). The development of such redundancy methods is essential for ensuring the existence of spare capacity that is capable of handling shortage issues. This spare capacity can be easily attained by having additional supplies, additional facilities, and different suppliers, which in turn strengthens the company's resilience (Saenz & Revilla, 2014; Kristianto et al., 2014). It is possible to deploy redundancy strategies in the event that there is an increase in demand or a scarcity of supplies (Wang, Herty & Zhao, 2015).

Elliott et al. (2013) discovered that redundancy increases the adaptability of a company, permits higher response rates, and makes the business more flexible in the deployment of its resources. As a result, buffering makes it possible to minimize or do away with delays, which in turn boosts the performance of the organization (Elliott et al., 2013).

Hanggraeni (2019) researched the impact of internal, external, and enterprise risk management on the performance of micro, small and medium enterprises. The population of this study was 5 provinces which include 14 cities in Indonesia-East Java, West Sumatra, North Sumatra, West Nusa Tenggara, and East Nusa Tenggara which are underdeveloped regions. The resource-based view and market-based view methods were chosen to measure 1,401 data of MSMEs. Questionnaires were administered to collect data from primary sources, then processed using SPSS. The findings of this study were that the activity of the enterprises in identifying and managing risk would bring up a significant effect on operational business performance

2.4 Summary of Research Gaps

Among the many academic articles, there is still a notable gap in this research study that has been undertaken to date in the context of risk management which would assist the firm to improve on performance oil companies. This study therefore aims at investigating and widening their scope on the impact of risk management to the performance of oil companies.

Mwangi and Muriuki (2013) carried a study on risk management practices by oil companies in Kenya. The study had two objectives including: establishing the practices applied by oil companies in management and determining factors affecting the choice of credit management approach within the oil industry. The study applied a census study to facilitate comparison of data from different respondents. The target population was all the oil firms in Kenya which were 26 operational oil marketers and since they were few no sampling was undertaken. The study concentrated on two objectives while this study was carried with four objectives which were risk acceptance, risk avoidance, risk transfer and risk reduction.

Tsiga and Tsiga (2018) in their study risk management practice in the Nigerian petroleum industry using descriptive research design and multiple regressions established out that lack of skilled workers, supply demand, price risk, risk operation cost and interference of military groups on oil are the major risks and prefer to use risk threat avoidance method, reduction of threat probability and insurance as their preferred choice of answering to risk. The study was conducted in Nigerian petroleum industry while this study was carried in Kenya to fill the gaps.

Erlane et al. (2016) researched the effect of risk management and operational information disclosure practices on public listed firms' financial performance. The population sample studied was 106 listed firms in Bursa Malaysia. 318 annual reports over three years of these firms and content analysis were used as the research instrument. The findings of this study indicate that the amount of risk management and operational information disclosed in the firms' annual reports could influence the firms' performance. The study was conducted in public listed firms and this study would be conducted in oil companies to fill the identified gaps.

Dehkhoda (2016) conducted a study to aid managers in prioritizing, mapping, and early identification of both internal and external hazards. The author described many risk management tactics. However, the framework does not include a risk transfer mitigation method, even though it is one of the most prominent mitigation strategies discovered in the literature. The study included risk transfer mitigation to come up with comprehensive findings and fill the gaps. To this end most research on the impact of risk management practices on performance has focused on the exposure of multinational companies and most of the focus has been financial institutions. This body of research has found mixed results regarding significant impact of risk management on performance of organizations. This study

sought to fill the existing research gap by determining the effect of risk management on performance of oil companies in Kenya.

Table 2.1 Research Gaps

Author	Focus of the Study	Findings	Research Gaps	Focus of Current Study
Hoyt Robert (2006)	The Value of Enterprise Risk Management: Evidence from the U.S. Insurance Industry	The use of ERM is positively related to firm size and institutional ownership and negatively related to reinsurance use and leverage. A positive relation was found between firm value and the use of ERM	The study concentrated on enterprise risk management	This study will focus on risk management strategies employed by oil companies in Nairobi County
Muli (2003)	Management of property risks in Kenya using a case study of the insurance sector	The study found that although risk management is consciously present in the Kenyan insurance business, there still lacks a clear understanding of the discipline in the industry.	The study was limited to insurance industries	The study will be conducted on oil companies
Kinyua (2010))	Assessment of risks as a component of corporate strategy in selected life insurance firms in Kenya	The findings of the study indicated that the top three risks faced by insurance firms were competitor risk, regulation and de-regulation risk, and industry economics risk respectively	The study was conducted in insurance companies	This study will concentrate on risk management strategies and organizational performance.

Yusuwan et al., (2008)	identifying the level of awareness of risk management in their study on the risk management practices on construction project companies in Klang Valley, Malaysia.	Their studies concluded that risk management positively contributes to productivity and financial performance.	The study was conducted in Malaysia	This study will concentrate on organizational performance
Hakim & Neamie (2001)	Effect of risk management practices on the performance of banks	The results reveal that variables of credits and profitability positively correlate whereas variables of liquidity had no impact on profitability for all the institutions.	The study was based on banks' performances	This research will be based on risk management strategies and organizational performance
Kalui & Kiawa (2015)	Effects of risk management procedures on performance among microfinance institutions (MFIs) in Kenya	The study established that (risk identification, risks monitoring, risk assessment, and risk analysis) were important as they ensured that the task of managing risk was established in the entire entity	This research only concentrated on risk management procedures	This study will focus on risk management strategies

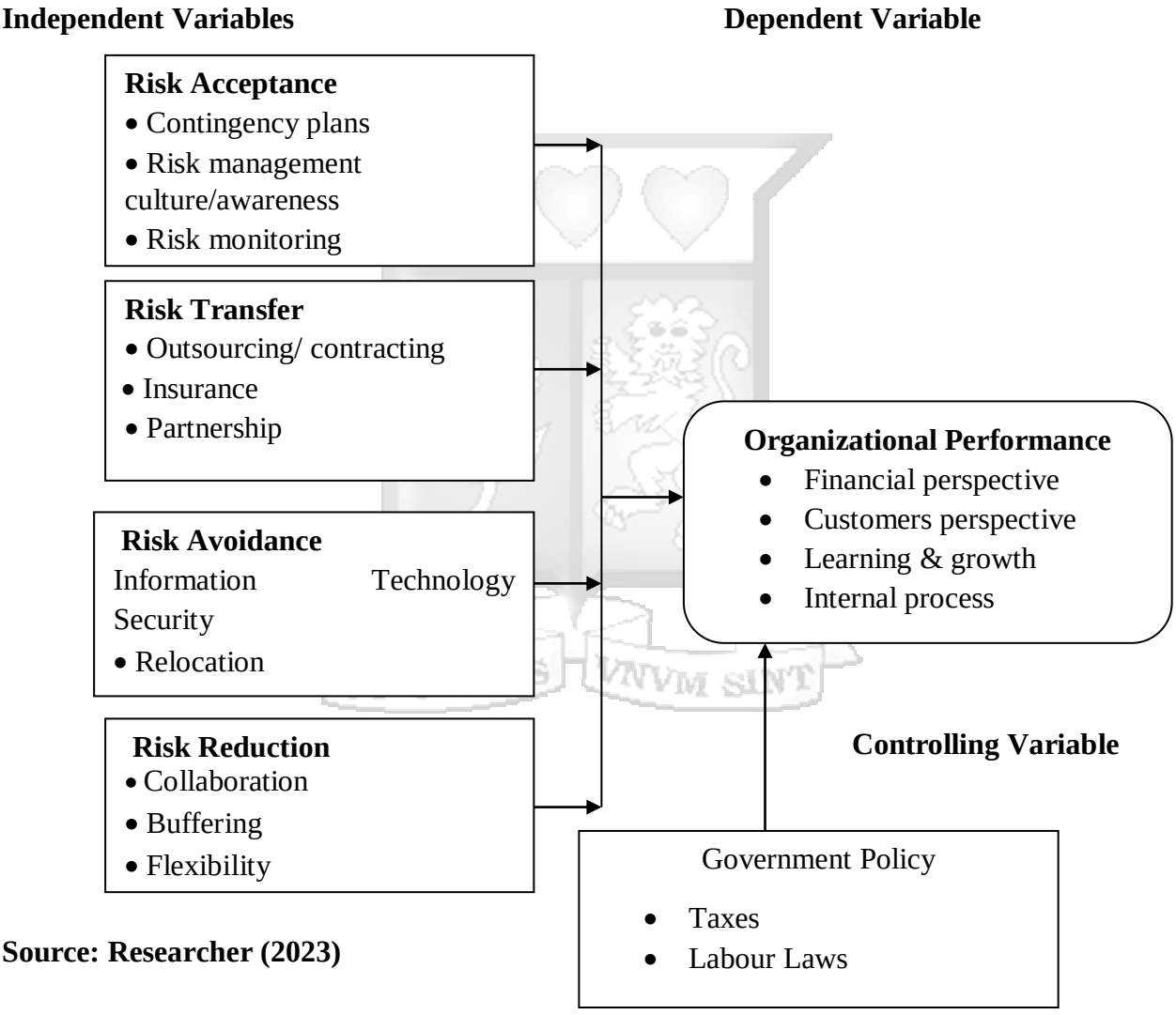
Matere (2013)	Outcomes of practices of risk management on the performance of private hospitals in Kenya	Outcomes of practices of risk management on the performance of private hospitals in Kenya	The finding from this research was that risk management procedures can be used to influence the profitability of private hospitals.	This study will focus on risk management strategies and performance of Oil Companies
Kiplimo & Kalio (2012	Effect of risk management practices on loan performance by MFIs in Baringo count	The study findings established that there is a positive relationship between client appraisals and performance of loans.	This study was carried out to build up the relationship between risk management practices and performance of loans	This research will be conducted to establish how risk management strategies influence organizational performance
Kinyua (2010)	Assessment of risks as a component of corporate strategy in selected life insurance firms in Kenya	The findings of the study indicated that the top three risks faced by insurance firms were competitor risk, regulation and de-regulation risk, and industry economics risk respectively.	The study dwelled on listed financial firms and the risks that they face and how they manage them and attain better financial performance.	The study will be conducted to evaluate the relationship between risk management strategies and organizational performance

Source: Researcher (2023)

2.5 Conceptual Framework

According to Kombo and Tromp's (2009), a conceptual framework is an overarching concept that has been conceived as a result of particular instances or conditions. Kombo and Tromp (2009) continue to say that, a conceptual framework is a collection of overarching concepts and values acquired from relevant fields of study and used to structure a subsequent presentation. This definition was derived from their work. The study's conceptual framework is depicted in Figure 2.1.

Figure 2.1 Conceptual Framework



Source: Researcher (2023)

2.6 Operationalization of Variables

Table 2.2 Operationalization of Variables

Variable	Constructs	Operational Definition	Measurement Scales	Source(s)
Independent Variable (Risk Management Strategies)	Risk acceptance strategies	Risk acceptance involves being aware that a certain threat exists and deciding to embrace the associated risk level without taking any measures to curb it	Five-point Likert scale 5.Strongly Disagree 4Disagree 3- Neutral 2Agree 1Strongly Agree	(Goh & Abdul Rahman, 2013).
	Risk transfer Strategies	Risk transfer is the calculated strategy of reserving funds to offset a risk when and if it occurs.	Five-point Likert scale 5.Strongly Disagree 4Disagree 3- Neutral 2Agree 1Strongly Agree	(Aiyer, Panigrahi & Das,2018).
	Risk avoidance Strategies	Risk avoidance technique entails eliminating risk by withdrawing from a risky event in such a way that the probability of incurring a loss is decreased to zero by eliminating the risk source	Five-point Likert scale 5.Strongly Disagree 4Disagree 3- Neutral 2Agree 1Strongly Agree	(Hajmohammad & Vachon, 2015)

	Risk reduction Strategies	This is a measure undertaken to reduce the value loss, such as the financial losses incurred. The strategy works to minimize the number of losses if that hazard occurs in the future	Five-point Likert scale 5.Strongly Disagree 4Disagree 3- Neutral 2Agree 1Strongly Agree	Srivanas (2019).
Dependent variable (Organizational Performance)	Customers	Service, convenience, and a quick response are examples of customer relationship qualities.	Five-point Likert scale 5.Strongly Disagree 4Disagree 3- Neutral 2Agree 1Strongly Agree	Kaplan & Norton, 2006).
	Internal business process	Internal process measurement refers to how well a company distributes value to its consumers.	Five-point Likert scale 5.Strongly Disagree 4Disagree 3- Neutral 2Agree 1Strongly Agree	Kaplan & Norton, 2006).
	Learning and growth	The financial aim must be linked to the business plan, which depicts the strategy's financial outcomes: revenue, profit, total assets, outstanding debt, and bad debt rate.	Five-point Likert scale 5.Strongly Disagree 4Disagree 3- Neutral	Kaplan & Norton, 2006).

			2Agree 1Strongly Agree	

Source: Researcher (2023)

2.7 Chapter Summary

This chapter has explored the theories on which the study is based, as well as the empirical research conducted by scholars on the effect of risk management strategies on organizational performance of Oil Companies. Summarized are the research gaps resulting from prior investigations. The conceptual framework is developed by illustrating the interrelationships between variables, and the operationalization table summarizes the variables' descriptions and measures.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology, data collection, and data analysis procedures that were used. It includes information about the study's research philosophy, design, population, data collecting, data analysis, and ethical considerations.

3.2 Research Philosophy

Research philosophy centers on the development and nature of knowledge, in addition to the presumptions that researchers make regarding how they understand the world (Saunders et al., 2007). The two fundamental epistemological research theories that support social science research are positivism and interpretivism (Saunders, 2007). Interpretivism holds that reality can only be comprehended by subjective interpretations of interventions and that various interpretations of reality exist as part of the scientific knowledge being pursued (Saunders, 2007). Acquired knowledge, according to the notion, is socially produced rather than objectively determined or perceived. Rather than generalizing and predicting causes and effects, its purpose is to analyze and explain meaning in human behavior (Saunders, 2007). Interviews and observations are common data-gathering methods in interpretivism, and data is significantly influenced by personal viewpoints and values (Cooper & Schindler, 2006). The philosophy permits qualitative research projects (Cooper & Schindler, 2006).

According to Uddin and Hamiduzzaman (200), positivism is predicated on the notion that the observer is independent of what is being observed and that measurement should be conducted using objective criteria. It seeks to generate predictive and explanatory knowledge of the world by determining cause and effect in relationships and is founded on verifiable facts, neutrality, measurements, and the reliability of results (Uddin & Hamiduzzaman, 2009).

Positivists argue that knowledge can and must be developed in an objective manner, without the researchers' or participants' values having any bearing on how the information is developed. Positivist research has as one of its key goals the generation of explanatory linkages or causal relationships that, in the end, lead to the prediction and control of the phenomena that are under investigation (Sciarra, 1993)

This study adhered to the positivist methodology. It entails conducting tests of hypotheses in an objective manner with the goal of disproving theory. Positivism is the recommended

philosophical approach for research that require testing of hypotheses, such as the one that is now being conducted, and it has been utilized in earlier studies that were relevant (Njeru, 2013, Adede, 2017). The study focused on oil companies since they encounter a lot of risk when conducting their operations.

3.3 Research Design

Information that has been evaluated in order to expose the fundamental characteristics of data collected or used in a study is what is meant when people talk about descriptive statistics (Fowler, 2013). The research adopted descriptive correlation. Research studies that aim to present static depictions of circumstances as well as illustrate the relationship between multiple variables typically employ a descriptive correlational strategy (McBurney & White, 2009). When conducting correlational research, two variables are examined to determine how closely they are related. The study was conducted in the month January 2023 to May 2023.

3.4 Population of the Study

A target population is a well-defined set of people, elements, or events that are investigated for the goal of generalization (Kerlinger & Lee, 2007). The study population was oil companies in Nairobi County. According to Energy & Petroleum Statistics Report (2020) there are 71 registered oil companies in Nairobi county (Appendix II). The target population comprised one operational manager, one finance manager, one director and one risk manager from the 71 companies which totaled to 284 respondents. This category of respondents was selected since they had adequate knowledge on risks factors which affects the oil companies and they are involved in day to day running of the business.

3.5 Sampling Design

According to Mugenda and Mugenda (2003), judgmental sampling is a non-probability sampling technique in which the researcher relies on his or her own discretion while selecting study participants from the public. Through judgement sampling, three managers responsible for finance, operations and risk management in the oil companies was targeted for this study. The three managers are chosen as they are deemed knowledgeable of the risk management strategies used and the performance of the oil companies due to the strategic positions, they hold in the company based on their job positions. From the target population of 284 the study adopted Yamane formula (1967) to calculate the optimal sample size (n) based on the population size (N).

$$n = \frac{N}{1 + N(e)2}$$

Where ：

n= sample size required

N = number in the population

e = the level of significance (5%)

n= 284

1+284 (0.05)2

=166

The sample size was 166 respondents as calculated using Yamane formula 1967.

3.6 Data Collection Method

Questionnaire with closed-ended questions made it possible to acquire the required data. Due to their relative ease and affordability, questionnaires are a common data collection tool (Mugenda & Mugenda, 2003). On the questionnaire, a Likert scale with five points was utilized to rate different aspects of the variables that were investigated. The questionnaire was broken up into three sections: section A enquired about the respondent's profile, section B about the respondent's risk management, and section C inquired about the respondent's organizational performance.

The questionnaires were self-administered where the drop and pick-later method was applied. Research assistants helped with the collecting of data and were instructed how to properly administer questionnaires and maintain contact with respondents to achieve a higher overall response rate.

3.7 Data Analysis

The information collected was categorized and revised to guarantee its completeness and consistency. The acquired data was evaluated using descriptive statistics, inferential statistics, and a social sciences-specific statistical package (SPSS version 22.0). The descriptive statistics include both the mean and the standard deviation. This study made use of both correlation and multi regression analysis. The correlation analysis was used to assess if the research variables are eligible for future study, while the regression analysis was used to identify the relationship between the study variables.

The study adopted the following regression model

$Y = \beta_{0+} \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_{3+\varepsilon}$

Y = Organizational performance

X_1 =Risk Acceptance Strategies

X_2 = Risk Transfer Strategies

X_3 = Risk Avoidance Strategies

X_4 = Risk Reduction Strategies

β0 = Constant

β1- β3 = Regression coefficients

ε = Error Term.

3.8 Validity and Reliability Tests

This section presents the validity and reliability test of the study.

3.8.1 Validity Test

Validity focuses on the actual relation of the analyzed data being a true representation of the explained phenomenon set out for study and investigation (Cooper & Schindler, 2014). This study applied content and face validity. Content validity checks are undertaken to ascertain whether the questionnaire's content is appropriate and relevant to the study objectives. This was carried out by discussing the questionnaire with Strathmore University supervisor to guide on the validity of the questionnaire. Pilot testing of the questionnaire was done to ensure that the final questionnaire has a capability of eliciting relevant information for the study

3.8.2 Reliability Test

According to Cresswell's (2009) reliability is defined as the consistency of a measure that implies the expectation of similar outcomes between administrations of an instrument. The consistency of measurement, as shown by the expectation of similar outcomes between different administrations of an instrument, is referred to as reliability (Cresswell, 2009). The reliability of the internal consistency was evaluated with the help of Cronbach's alpha, which has a range that goes from 0 to 1. The closer the coefficient is to one, the higher the level of dependability. Cooper and Schindler consider Cronbach's alpha coefficients of 0.7 to 0.9 to be 'good' for reliability tests (2006). According to Gliem & Gliem (2003), a Cronbach value of 0.7 is considered reliable, however, Asikhia (2009) proposes a reliability threshold of 0.6. In contrast, Bagozzi and Yi (2012) suggest a reliability value of 0.5. In this study, an alpha coefficient of 0.6 or higher was satisfactory and acceptable reliability. Similar research by

Adede (2017) used a Cronbach's Alpha coefficient of 0.6. Table 3.1 shows the results.

Table 3.1 Summary of Reliability Results for the Study

Variable	Component	Cronbach's Alpha Coefficient	Number of Items	Interpretation for the study
Risk Acceptance	• Contingency plans • Risk management culture/awareness • Risk monitoring	0.806	7	Reliable
Risk Transfer	• Outsourcing/ contracting • Insurance • Partnership	0.757	7	Reliable
Risk Avoidance	Information Technology Security • Relocation •Knowledge management	0.706	7	Reliable
Risk Reduction	• Collaboration • Buffering • Flexibility	0.908	7	Reliable
Organizational Performance	Financial perspective Financial perspective Customers perspective Learning & growth Internal process	0.752	7	Reliable

3.8 Diagnostic Tests

Shapiro Wilks tests for normality was utilized to compare the sample distribution shape to that of a normal curve, whereas Durbin Watson tests was utilized to test for autocorrelation. Tolerance and Variance Inflation Factor (VIF) was utilized to analyze multicollinearity, with Tolerance > 0.1 suggesting multicollinearity (Saunders et al., 2011).

3.10 Ethical Considerations

The researcher was responsible for ensuring that the research was carried out ethically. As part of the study's preparation, participants were educated on the objectives and informed that the information provided was to be utilized for academic purposes.

In order to carry out the research, an application for a license from NACOSTI and clearance from the ethics committee at Strathmore University was required. The questionnaires were accompanied by a cover letter that explained the purpose of the data collection and emphasized the need of maintaining the privacy of the information that was gathered.

Any individual who opts to participate in a research is entitled to privacy as an ethical consideration (Kothari, 2008). The questionnaires were administered in the respondents' place of work or private areas of preference. During the administration of the questionnaires, it was anticipated that there would be no influence or interference from other people.

According to Tamariz et al. (2013), the research should collect information from the study subjects without revealing the identify or contact information. The respondents' anonymity was protected for the purposes of this study, as they were not compelled to reveal their identity. In publishing the findings, the researcher would be careful to accurately portray what was actually witnessed or said by respondents, without revealing their identities, and the data collected would be utilized exclusively for the purposes of this study.

3.11 Chapter Summary

The research philosophy and design, the study's demographic, the sample design, the data collection method, and the analysis have been covered in this chapter. Ethical considerations, as well as a validity and reliability test are covered in this chapter.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents the results and findings of the study with regards to the research objectives. It presents the respondent demographics and findings on effect of risk management strategies on the performance of oil companies in Kenya.

4.2 Response rate

Out of the 166 questionnaires distributed, 119 questionnaires were returned representing 72 percent response rate. This rate was enough for drawing conclusions from the study because it was representative. According to Mugenda and Mugenda (1999), a response rate of 50% percent is considered sufficient for the purposes of analysis and reporting, however a response rate of 60% percent or higher is considered exceptional. According to this line the percentage of people who responded was astounding. The approach of "drop-off and pick-up" with an additional visit boosted the response rate. The questionnaire return rate results are shown in Table 4.1.

Table 4.1: Response Rate

	Questionnaires issued	**Questionnaires Received**	**Percentage response**
Total	166	119	72%

4.2.1 Gender

The researcher aimed at examining the response based on gender. Table 4.2 presents the findings of the study.

Table 4.2 Gender of the Respondents

Category	**Frequency**	**Percentage**
Male	77	64.5
Female	42	35.5
Total	**119**	**100.0**

Source: Researcher (2023)

According to the data, the majority of respondents who took part in the study were male, accounting for 64.5 percent of the total, while female respondents made up 35.5 percent of the total. The study indicated that both genders participated in the study and had different opinion on risk management which assisted the researcher to make proper conclusion.

4.2.2 Age of the Respondents

The analysis aimed to determine the age bracket of respondents who participated in the study. The results are shown in figure in table 4.3

Table 4.3 Age of the Respondents

Category	Frequency	Percentage (%)
18-25 Years	13	10.9
26-33 Years	19	15.9
34-41 Years	58	48.7
42 Years and above	29	24.3
Total	**119**	**100.0**

Source: Researcher (2023)

It was indicated that 10.9 percent had the age of 18-25 years, 15.9 percent represented 26-33 years, 48.7 percent represented 34-41 years while 24.3 percent represented 42 years and above. According to the findings of the study's analysis, the majority of respondents were between the age of 34 -41 years. As a result, the information that was gathered was reliable because the majority of respondents had been working in the industry for a considerable amount of time and, as a result, have sufficient experience regarding risk management in Oil industry. The respondents age maturity also contributed to more reliable information concerning the topic in discussion.

4.2.3 Highest level of education

The study intended to determine the highest level of education for the respondents. The results are shown in table 4.4

Table 4.4 Highest level of education

Category	Frequency	Percentage (%)
Secondary	13	10.9
College	80	67.2
Undergraduate	26	21.8
Total	**119**	**100.0**

Source: Researcher (2023)

The study established that 10.9 percent had secondary education, and 67.2% had college level of education while undergraduate and above was represented by 21.8%. Most of the respondent had college level of education and thus possessed adequate skills to fill the questionnaires with the stipulated time.

4.1.4 Years of Operation

The study intended to establish how long the business had been in operation. The results are indicated in table 4.5

Table 4.5 Years of Operation

Category	Frequency	Percentage (%)
1-5 Years	3	2.5
6-11 Years	45	37.8
12 Years and above	71	59.6
Total	**119**	**100.0**

Source: Researcher (2023)

The analysis indicated that 2.5 percent had been in business for 1-5 years which was represented by, 2.5%, 37.8% represented 6-11 years while 12 years and above was represented by 59.6%. Majority of the business had been in operation for 12 years and above years indicated that the owners had adequate knowledge regarding their business operation based on risk management which assisted the researcher to get reliable information.

4.1.5 Business Operation

The study aimed to find out how the business operated. The results are shown in table 4.6

Table 4.6 Business Operation

Category	Frequency	Percentage (%)
Limited Company	79	66.4
Partnership	21	17.6
Sole proprietorship	19	15.9
Total	**119**	**100.0**

Source: Researcher (2023)

The study showed that 66.4 percent of the business were limited company, 17.6 percent were partnership while sole proprietorship was represented by 15.3 percent. From the study majority of the business was limited company and thus assisted to get more information since most of them had two or more managers and thus took shorter time to collect data.

4.3 Descriptive Statistics

The study used descriptive statistics, which include frequencies, percentages, mean and Standard deviation.

4.3.1 Risk Acceptance and Performance of Oil Companies in Kenya

The study aimed at analyzing how cost leadership affect operational performance of medium and small enterprises. The results are presented in table 4.7

Table 4. 7 Descriptive Statistics on Risk Acceptance Strategies

Statement	N	Mean	Std. Deviation
Organization employs measures to manage risk exposure by merely monitoring the situation	119	3.08	1.59
Developing excellent risk management culture entails encouraging employees to embrace risk management practices	119	3.27	1.47
The organization effectively communicates the risk to the employees or stakeholders	119	3.31	1.49
The organization has established contingency plan	119	3.57	1.39
The organization management should monitor risk acceptance on regular basis	119	3.01	1.42
Average Mean		**3.25**	**1.47**

Source: Researcher (2023)

The analysis indicated that, organization has established contingency plan to manage risk in the organization was represented by a mean of 3.57 who strongly agreed with the statement, the organization effectively communicates the risk to the employees or stakeholders was represented by a mean of 3.31 who strongly agreed with the statement while developing excellent risk management culture entails encouraging employees to embrace risk management practices was represented by a mean of 3.27 who agreed with the statement. Organization employs measures to manage risk exposure by merely monitoring the situation was represented by a mean of 3.08 and the organization management should monitor risk acceptance on regular basis was represented by a mean of 3.01. Based on average mean score it can be concluded oil companies had put in place contingency plan which assist manage the risk before it causes damages and thus improve organization performance. Majority of the respondents indicated most organization adopted risk acceptance strategies since organizations were able to achieve their desired goals within the stipulated time.

4.3.2 Risk Transfer Strategies and Performance of Oil Companies in Kenya

The study aimed at analyzing how risk transfer strategies affect performance of oil companies. The results are presented in table 4.8

Table 4. 8 Descriptive Statistics on Risk Transfer Strategies

Statement	N	Mean	Std. Deviation
Insurance has increased organization capacity to manage risks of losses	119	3.26	1.40
Insurance has enhanced company's disaster management capabilities during disruptions	119	3.46	3.11
Contracting to third parties has reduced many non- core functional responsibilities from the organization	119	3.21	1.62
Risk transfer enables an organization to be more productive	119	3.40	1.50
Risk transfer enhances timely calculation of operational risks	119	3.27	1.46
Average Mean		**3.32**	**1.82**

Source: Researcher (2023)

The study analysis indicated that insurance has enhanced company's disaster management capabilities during disruptions which was represented by a mean of 3.46, risk transfer enables an organization to be more productive and risk transfer enhances timely calculation of operational risks was represented by a mean of 3.40 and 3.27 respectively. Insurance has increased organization capacity to manage risks of losses was represented by a mean of 3.26 while contracting to third parties has reduced many non- core functional responsibilities from the organization was represented by a mean of 3.21. Based on average mean of 3.32 it can be concluded that majority of firms had contracted insurance companies as a mean of risk diversification when they occurred. The respondents indicated that risk transfer strategy was adopted when the risk was not too high to have any negative impact on performance of oil companies.

4.3.3 Risk Avoidance Strategies and Performance of Oil Companies in Kenya

The study intended to analyze how risk avoidance affect performance of oil companies. The results are presented in table 4.9

Table 4. 9 Descriptive Statistics on Risk Avoidance Strategies

Statement	N	Mean	Std. Deviation
Employees are trained on risk avoidance	119	3.68	1.31

The company has a reliable profiling method	119	3.26	1.38
The organization has carefully developed contracts design strategy	119	3.33	1.36
The organization often avoids working with some suppliers	119	3.52	3.11
The organization often uses available company resources to meet customer demands	119	3.08	1.59
Average Mean		**3.37**	**1.75**

Source: Researcher (2023)

The analyses in table 4.9 revealed majority of the respondents strongly agreed that employees are trained on risk avoidance which was represented by 3.68, the organization often avoids working with some suppliers was represented by a mean of 3.52. The organization has carefully developed contracts design strategy was represented by a mean 3.33, the company has a reliable profiling method while the organization often uses available company resources to meet customer demands was represented by a mean of 3.08. Based on average mean of 3.37 it can be concluded that most of the firms had trained their employees with various skills on how to handle risk management.

4.3.4 Risk Reduction Strategies and Performance of Oil Companies in Kenya

The study intended to analyze how risk reduction affect performance of oil companies. The results are presented in table 4.10

Table 4. 10 Descriptive Statistics on Risk Reduction Strategies

Statement	N	Mean	Std. Deviation
The organization advocates use of alternative plan or contingency plan to avoid any circumstances that result to performance delay	119	3.31	1.49
The company has a plan in place for dealing with big risks that could hurt its performance	119	3.57	1.39
The employees communicate risk tolerance thresholds or limits for all-important risk categories.	119	3.07	1.47
The company has established procedures for assessing significant risks and opportunities.	119	3.26	1.40

The organization has a way to record, update, and communicate important risk information in the best way and at the right time.	119	3.19	1.50
Average Mean		**3.28**	**1.45**

Source: Researcher (2023)

The study revealed that majority of the respondents agreed that the company usually has a plan in place for dealing with big risks that could hurt its performance which was represented by a mean of 3.57, the organization advocates use of alternative plan or contingency plan to avoid any circumstances that result to performance delay which was indicated by a mean of 3.31. The company has established procedures for assessing significant risks and opportunities and the organization has a way to record, update, and communicate important risk information in the best way and at the right time was represented by a mean of 3.26 and 3.19 respectively. The findings also revealed that the employees communicate risk tolerance thresholds or limits for all-important risk categories which was represented by a mean of 3.07. Based on the average mean it can be concluded that the firms have adopted strategies to deal with risks that could interfere with the organizations achieving its goals.

4.3.4 Government Policy and Performance of Oil Companies in Kenya

The study intended to analyze how government policy influence performance of oil companies. The results are presented in table 4.12

Table 4.12 Descriptive Statistics on Government Policy

Statement	N	Mean	Std Dev
Taxes implemented by the government are high	119	3.08	1.59
There are no clear guidelines on labour laws	119	3.27	1.47
Safety of the workers are not properly implemented	119	3.31	1.49
The government should conduct education and seminars for traders	119	3.57	1.39
Average Mean		**3.38**	**1.45**

Source: Researcher (2023)

The study revealed that the government should conduct education and seminars for traders which was represented by a mean of 3.57, there are no clear guidelines on labour was

represented by a mean of 3.27, safety of the workers is not properly implemented was represented by 3.31. The respondents indicated that government play a crucial role in ensuring oil companies have a conducive environment to conduct their business.

4.3.5 Operational performance

The researcher sought to find out the impact of operational performance in oil companies. Table 4.13 indicates the results obtained

Table 4.13 Descriptive Statistics for Operational Performance

Statement	N	mean	Std. Deviation
Increased revenue has boosted the organization's growth and capacity expansion performance	119	3.17	1.59
The performance of the organization has been enhanced through the management of funds and reduction of operating expenses	119	3.31	1.48
Customers are stakeholders who directly profit from the services and goods of a firm.	119	3.22	1.50
Customer satisfaction improves organizational performance	119	3.53	1.37
Utilizing consumer feedback and complaints in decision-making improves business performance.	119	3.13	1.33
Continuous enhancement of internal business processes improves efficiency, effectiveness, and, consequently, organizational performance	119	3.28	1.33
Internal and external monitoring and evaluation of internal business processes	119	3.43	2.28
Safety is taken seriously by the organization in order to mitigate risks and improve performance	119	3.25	1.49
Innovation enables an organization to align its human resources with internal business processes	119	3.59	1.29
The company provide employees with opportunities to grow and learn though training	119	3.18	1.31
Every employee participates in the Balanced Scorecard management system	119	3.28	1.31

Average Mean	**3.31**	**1.48**

Source: Researcher (2023)

The findings in table 4.13 indicated that innovation enables an organization to align its human resources with internal business processes which was represented by a mean of 3.59, customer satisfaction improves organizational performance was represented by a mean of 3.53, internal and external monitoring and evaluation of internal business processes was represented by a mean of 3.43. The performance of the organization has been enhanced through the management of funds and reduction of operating expenses was represented by a mean of was represented by a mean of 3.31.

The findings also revealed that safety is taken seriously by the organization in order to mitigate risks and improve performance which was represented by a mean of 3.25, continuous enhancement of internal business processes improves efficiency, effectiveness, and, consequently, organizational performance was represented by a mean of 3.28, the company provide employees with opportunities to grow and learn though training was represented by a mean of 3.18. Every employee participates in the Balanced Scorecard management system was represented by a mean of 3.28, utilizing consumer feedback and complaints in decision-making improves business performance and Customers are stakeholders who directly profit from the services and goods of a firm were represented by a mean of 3.13 and 3.22 respectively. Increased revenue has boosted the organization's growth and capacity expansion performance was represented by a mean of 3.17. Based on average mean the study indicated that innovation was the key in ensuring the firms came up with adequate strategies in management of risks.

Table 4. 14 Summary of Descriptive Statistics

Area of Focus	Item Description	N	Mean Score	Standard Deviation
Risk Management strategies	Risk Acceptance strategies	119	3.62	1.49
	Risk Transfer Strategies	119	3.51	1.44
	Risk Avoidance Strategies	119	3.14	1.48
	Risk Reduction Strategies	119	3.37	1.42
Average Score			**3.41**	**1.45**

Performance of oil companies		**119**	**3.15**	**1.45**

Source: Researcher (2023)

From the scores in table 4.12, risk acceptance strategies had a mean of 3.62 indicating it had the most impact on performance of oil companies. Contingency plans, risk management culture and risk monitoring were deemed crucial in ensuring the organization achieved it goals. Risk transfer strategies had a mean of 3.51 which indicated that in influenced performance of oil companies. Risk transfer strategies involved insurance and partnership contracting. Risk avoidance strategies had a mean of 3.14 which indicated that most of the respondents were neutral about risk avoidance strategies. The study indicated that the firm should focus more on investing in information technology and knowledge management. Risk reduction was represented by a mean of 3.37 which proved it affected the performance of oil industries. Based on the overall mean risk management strategies had a mean of 3.15 which indicated that it influenced performance of oil companies.

4.4 Diagnostic Tests

The study adopted Shapiro -Wilk's W test of Normality in testing the normality of the dependent variable.

Table 4.15 Shapiro -Wilk's W test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Organization Performance	.278	119	.069	.835	119	.069

a. Lilliefors Significance Correction

Since the sig. or p value of the Shapiro-Wilk test of normality is more than 0.05 for an organization performance of 0.068, the researcher did not reject H0 (the data do not vary from a normal distribution). Conventional wisdom offered by Shapiro & Wilk (1965) and Razali & Wah (2011) guided the interpretation.

Table 4.16 Durbin Watson Test for Auto Correlation

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.992[a]	.983	.982	.106	1.890

a. Predictors: (Constant), risk acceptance, risk transfer, risk avoidance and risk reduction.
b. Dependent variable: Organization performance

The researcher made an assumption that there was no first order linear auto-correlation in the multiple linear regression data since Durbin-Watson in the model summary, d = 1.890 lies between the two critical values of 1.5<d<2.5. This was guided by conventional wisdom by Durbin & Watson (1971).

Table 4.17 Test for Multi Collinearity Using Tolerance and VIF

Model		**Collinearity Statistics**	
1	(Constant)	**Tolerance**	**VIF**
	Risk Acceptance strategies	0.136	7.93
	Risk transfer strategies	0.155	5.71
	Risk Avoidance strategies	0.167	6.82
	Risk reduction strategies	0.157	8.32
a.	Dependent Variable: Organization Performance		

Source: Researcher (2023)

Predictors that have extremely small values are considered redundant, as stated by Liu, Kuang, Gong, and Hou (2003). According to this those that are lower than 0.1 signal the need for further investigation. The Variance Inflation Factor, abbreviated VIF, falls below the threshold value of 10 set as the highest possible. This suggests that the researcher came to a conclusion about the data set did not have multicollinearity.

4.5 Inferential Statistics

The relationship between the variables was established using correlation and regression analysis.

4.5.1 Correlation Analysis

The results of correlation analysis were utilized to assess the relationship between the variables employed in the study.

Table 4. 18 Correlation of independent and dependent variables

		Risk Acceptance	The Risk Transfer	Risk Avoidance	Risk Reduction	Organizational Performance
Risk Acceptance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	119				
Risk Transfer	Pearson Correlation	.689**	1			
	Sig. (2-tailed)	.001				
	N	119	119			
Risk Avoidance	Pearson Correlation	.746**	.905**	1		

	Sig. (2-tailed)	.007	.000			
	N	119	119	119		
Risk Reduction	Pearson Correlation	.335**	.356**	.226*	1	
	Sig. (2-tailed)	.000	.000	.013		
	N	119	119	119	119	
Organizational performance	Pearson Correlation	.636**	.833**	.832**	.777**	1
	Sig. (2-tailed)	.010	.000	.000	.002	
	N	119	119	119	119	119

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

From the findings on table 4.16 there is a strong positive correlation between risk acceptance, risk transfer, risk avoidance and risk reduction which had a correlation coefficient of 0.636, 0.833, 0.832 and 0.777. From the study analysis all the independent variables influence organizational performance in Oil companies. The study indicated that all the variable had a positive relationship on performance of oil companies in Kenya..

4.5.2 Regression Analysis

In order to investigate the relationship that exists between the dependent variable and the independent factors, a multiple regression analysis was carried out.

4.5.3 Regression Analysis for Risk Management Strategies and Organizational performance

A multiple regression analysis was conducted determine the relationship between the dependent and independent variables. The table below shows the results

Table 4.19 Regression Analysis for Risk Management Strategies and Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.982[a]	.965	.964	.26587

a. Predictors: (Constant), Risk Acceptance, risk transfer, risk avoidance and risk reduction

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	221.084	4	55.271	781.902	.000[b]
	Residual	8.058	114	.071		
	Total	229.143	118			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Risk Acceptance, risk transfer, risk avoidance and risk reduction)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.012	.074		.156	.876
Risk Acceptance	.967	.063	.975	15.416	.000
Risk Transfer	.047	.034	.051	1.387	.168
Risk Avoidance	.771	.040	.723	19.073	.000
Risk Reduction	.772	.062	.754	12.396	.000

a. Dependent Variable: Risk Management Strategies

Table 4.20 showed the relationship between dependent and independent variables. From the analysis a strong coefficient of determination between risk management strategies and organizational performance exists (R=0.982). The coefficient of determination was strong and significant (R Square= 0.965, $p<0.05$). This indicated that 96.5 percent of variation in organizational performance is as a result of risk acceptance, risk transfer, risk avoidance and risk reduction

Analysis of Variance (ANOVA) was conducted to test the significance of the regression, F=782.902 and p=0.000. From the analysis the significance value is 0.000 which is less than

the p value of 0.05 indicating the model is statistically significance in predicting how risk management strategies influence organizational performance in oil companies.

The standardized coefficients indicate the corresponding change in the dependent variable when a change of one unit is affected by independent variable. One unit increase in risk management strategies would result to 0.967 percent increase in organizational performance, a unit increase in risk transfer strategy would result in 0.047 percent increase in organizational performance, 0.771 percent increase in risk avoidance would result in unit change in organizational performance while a unit increase in risk reduction strategies would increase organizational performance by 0.772 percent.

The regression equation is shown below;

$Y = 0.012 + 0.967\ X_1 + 0.047\ X_2 + 0.771X_3 + 0.772X_4$

Y=Operational performance (Dependent variable)

Independent Variables

X_1 =Risk Acceptance Strategies

X_2 = Risk Transfer Strategies

X_3 = Risk Avoidance Strategies

X_4 = Risk Reduction Strategies

4.6 Chapter Summary

The chapter presented results obtained from the data collected based on research questions. Descriptive statistics, correlation and regression analysis have been presented in this chapter

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains a summary of the findings, discussion and conclusion from the study findings. The study also presents recommendations on further studies about the topic which would guide to fill in the gaps left out as a result of the scope limitations of this study.

5.2 Discussion of Findings

This study aimed to investigate the effect of risk management strategies on the performance of oil companies in Kenya. The finding of the study was as follows.

The presence of people of all genders within an organization is a rich source of intangible and socially complicated assets that can give a business an advantage in the long run over its competitors. Gender diversity is equal representation of male and female. Workplace diversity does not mean only to bring the different workforce to an organization. It also involves diversified talent to the organization (Bibi & Naima, 2015). As females are working in a male dominated society and their set of procedure and practices will differ. Most of the times female face too many hurdles that minimize their space towards upper level. Success of an organization depends upon utilization of talented employees at best, irrespective of male or female (Bibi & Naima, 2015). The most common gender stereotypes are related to communal and agentic associations. Women are generally associated with communal characteristics, while males are associated with agentic characteristics (Berkery, & Tiernan 2013). Lack of similarities between men and women perceptions relate to their receptivity of gender diversity and diversity management. There is an increased organizational performance by women when compared to men (Herd, Boyce & M, 2013).

Age as a component of diversity in the workplace has also received much attention in progressive organizations. Age diversity refers to the different generations of workers with different behaviors, attitude and values (Wangombe, Wambui, Muthura,Kamau, & Jackson, 2013). Age diversity refers to the involvement of different age personnel in workgroup, as age is the important factor for organizations but both younger and older employees face challenges in organization. However older employee's vast experience and youth energy can bring new ideas to organizations. There should be a balance regarding age in organization. Workers of all ages add tremendous value to the organizations, because of various skills like

problem solving and creativity, knowledge sharing and team working these are the important components in the diverse workforce of the future.

Today it is not even debatable that the most profitable investment is the one in education and that it pays off to the investor in the span of a couple of years, ensuring capital and profit. People as their organization's potential are its biggest driving and creative power. They have the decisive role and importance in the production process, they are the bearers of change implementation, additional value creation, business efficiency advancement, and the driving force behind its future performance. The realization of the organization's set goals and mission ultimately depends on the degree of the employees' competence for the job, state of their work habits, creativity and motivation

The length of business operation in the study assisted the researcher in ensuring the information collected was reliable. The size of the organization is related to both the resources it has access to as well as the costs associated with the operations of a firm of a particular size. Firm size can be measured by number of employees.

5.2.1 Effect of Risk Acceptance on Organizational Performance

The purpose of this study was to investigate how adopting risk management strategies can be adopted to improve the organizational performance in oil companies. Majority of the respondents indicated that they considered risk acceptance as efficient strategies to deal with risk management. The regression analysis indicated that there is a positive relationship between risk acceptance and organizational performance. The respondents stated that the adopted this strategy when the risk was not high and cost effective. The statement was in agreement with Herrera (2013) who stated that this method is implemented in situations in which the cost of pursuing alternative strategies and actions is more than the cost of the risk itself or the impact it would have. It's possible for a business to apply the risk acceptance strategy by cutting its budget or avoiding spending money on other risk mitigation techniques, particularly for potential dangers that are regarded as having a low probability of occurring. According to Herrera (2013), companies will keep some risk exposures if they believe that the losses that will be incurred as a result of the occurrence of a negative event will be minor in comparison to the returns that would be generated by the project or commercial activities.

The study disagreed with Pott (2008) that contended that risk can be transferred to parties who can manage it properly. According to him, risk can be transferred to various actors

which include, the client, subcontractor, contractor, designer and insurer depending on characteristics of risks.

5.2.2 Effect of Risk Transfer Strategy on Organizational Performance

The purpose of this study was to investigate the impact that risk transfer has on the organizational performance in oil industries. According to the findings risk transfer in the oil companies was considered as one of the strategies to reduce organization operational cost. The regression analysis revealed that there is a significant relationship between risk transfer and organizational performance. Majority of the respondents were of the opinion that when the risk which was considered high the management preferred transferring it to the third party. The respondents also indicated that not all risk should be transferred and the management should be measured in place to handle some of the risks. This statement concurs with Caleb & Macharia (2018) who contended that risks can be transferred to parties who can manage it properly. According to them, risks can be transferred to various actors which include; the client, subcontractor, contractor, designer and insurer depending on characteristics of risks. The author also indicated that this could result in additional work and higher cost usually referred to as the premium. This strategy of risk transfer can only work after a critical analysis of the party receiving the risk since it may come with the consequence of losing the client, subcontractor, contractor designer and insurer.

The study disagreed with Gorkowienko (2019) who stated that shifting risks is the only alternative in the organization. Sometimes the situation consists unpredictable calamities which are rare in certain conditions. Unpredictable calamities should be transferred through insurance policies since they are beyond environmental control.

Pott (2008) contended that that risk can be transferred to parties who can manage it properly. According to him, risk can be transferred to various actors which include, the client, subcontractor, contractor, designer and insurer depending on characteristics of risks.

5.2.3 Effect of Risk Avoidance on Organizational Performance

The study indicated that risk avoidance influence organization performance in oil companies. There is a positive relation which exist between risk avoidance and organizational performance as indicated by regression analysis. The respondents indicated that organizations invested in activities which were lesser prone to risk and sometimes trained employees on how to avoid risks

The statement agreed with the findings of Snyder (2014), that project risk is an uncertain event or condition that, if it occurs, has a positive or negative effect on one or more project objectives such as scope, schedule or cost, these calls for strategies such as training to enhance the success of the projects. The results also supported the findings of Wagner & Bode (2009) who noted that avoidance and mitigation can be achieved through policy and procedure, training and education and technology implementations.

Dandage et al., (2018) suggest that risk avoidance is distorted through lack of top management support, inadequate training and failure to address cultural differences that could have helped in risk mitigation, thus necessitating risk avoidance. Their recommendations point to various risk management strategies, including clarity of mission and goals, inculcation of risk management into the entity culture, early identification of risks, management and majority stakeholders' training on risk management.

The study contradicts with Nturanu and Mundia (2019) who did a study on risk avoidance strategies in construction companies. The Study based in County of Narok County sought to examine how avoidance of risk as a strategy related to performance of projects. The study used a descriptive study design, and data was collected using a questionnaire from 45 respondents involved in two court construction projects and data analyzed using regression correlation. From the results, Nturanu and Mundia established that risk avoidance did not significantly affect organizational performance in construction industries.

5.2.5 Effect of Risk Reduction on Organizational Performance

The study analysis indicated that risk reduction affects organizational performance in oil companies. There is a positive relationship on risk reduction and organizational performance as indicated by regression analysis. The respondents indicated that the organization trained their employees on how to handle risk and minimize the risks. The respondents were the opinion that risk reduction was essential in ensuring the organizations achieved their goals. The statement concurs with Osoro's (2015) who researched on the problems of organizational performance in the Petroleum Industries of Kenya, it was found that both intrinsic and extrinsic characteristics were shown to be predictors of service delivery through organization systems. This was the case for both internal and external factors. According to the findings of the study, despite the fact that international businesses were increasing their level of competition, which led to the emigration of skilled people, oil companies continued to rely on their personnel for success and sustainability.

The study is also in agreement with Kiragu (2014) who asserted that risk reduction practice positively affects the organizational performance of an organization through loss control, risk mitigation, and risk transfer to insurance firms. Kiragu indicated that risk reduction practices significantly improve the return on assets of the firm.

5.3 Conclusion

The study concluded that the use of various methods of risk management strategies influence performance of oil companies. There is a positive relationship between risk management strategies and organizational performance of firms. The study findings are consistent with Erlane et al. (2016) who researched on the effect of risk management and operational information disclosure practices on public listed firms' financial performance. The population sample studied was 106 listed firms in Bursa Malaysia. 318 annual reports over three years of these firms and content analysis were used as the research instrument. The findings of this study indicate that the amount of risk management and operational information disclosed in the firms' annual reports could influence the firms' performance.

Bhatia and Ingolf, (2016), Kinyua, Ogolla and Mburu, (2015) and Nyang' au, (2017)) using descriptive research design and multiple regression investigated the influence between risk avoidance and performance and established that there exists a positive relationship between risk avoidance and performance (P) of firms, small medium enterprises and processing firms respectively. In comparison to the aforesaid opinions, some studies found negative relationship between the risk avoidance and performance (Papanikolaou and Wolff, (2015); and Verbaarendse et al., (2016). However, a few studies established that there is no difference between risk avoidance and performance (Thuku, 2011)

The study contradicts with Hanggraeni (2019) who researched on the impact of internal, external, and enterprise risk management on the performance of micro, small and medium enterprises. The population of this study was 5 provinces which include 14 cities in Indonesia-East Java, West Sumatra, North Sumatra, West Nusa Tenggara, and East Nusa Tenggara which are underdeveloped regions. The resource-based view and market-based view methods were chosen to measure 1,401 data of MSMEs. Questionnaires were administered to collect data from primary sources, then processed using SPSS. The findings of this study were that the activity of the enterprises in identifying and managing risk would bring up a significant effect on operational business performance.

Pimchangthong and Boonjing (2017) investigated the effect of risk management practices on performance of IT projects. The study adopted a descriptive research design and a total of 200 project managers, IT managers and IT analysts working in IT firms were interviewed. The researcher successfully administered questionnaires consisting of both open ended and closed ended questions to the study respondents. Data collected was then analyzed using descriptive statistics. Findings of the study revealed that risk transfer strategies such as highrisk premiums, signing of legal agreements and outsourcing influenced the performance of the firm's IT projects

Kolo (2015) investigated the influence of project risk management practices in construction projects in Abuja Nigeria. The study adopted a descriptive research design and a total of 12 construction firms in Yola were the study' target population. Questionnaires were successfully administered to project managers, supervisors and general managers of the firms. Data collected was then analyzed using descriptive analysis and findings of the study revealed that the construction firm adopted risk transfer strategies such as insurance policy and risk premiums influenced performance of the projects in terms of cost time and quality.

Kpodo (2015) conducted a study on the effect of risk culture on organizational performance. The population of the study is selected from financial institutions in Ghana. It relied on the financial stability Board's (FSB) risk culture model. All factors of the two main variables of risk culture and organizational performance were analyzed using descriptive statistical measures. The data was obtained from the 19 banks listed on the Ghana club 100 representing about 70% of the total market share of the Ghanaian banking industry, with both local and foreign origins. Data was gotten from respondents through questionnaires issued. There was a positive correlation between risk culture and organizational performance in the banking industry in Ghana. The study differs with a study by Nturanu and Mundia (2019) in Kenya contextualizes risk avoidance strategies in construction companies. The Study based in County of Narok County sought to examine how avoidance of risk as a strategy related to performance of projects. The study used a descriptive study design, and data was collected using a questionnaire from 45 respondents involved in two court construction projects and data analyzed using regression correlation. From the results, Nturanu and Mundia established that risk avoidance did not significantly affect organizational performance.

Memba (2015) evaluated the impact of risk management practices on financial performance of life assurance firms in Kenya. The study found that adaptation of premium valuation should be considered by the management on insurance firms to enable organizational performance of life assurance firms in Kenya.

The researcher concludes from the findings that effective management of risk is essential for any enterprise since it positively affects financial performance. This is in agreement with arguments presented by Nocco, and Stulz (2006) who argued that risk management activities could be value increasing to the shareholders. Therefore, the proactive management of risk is essential to creating and nurturing core business value.

5.4 Implications of Research

5.4.1 Policy Implication

The policymakers will get an understanding of the various strategies which can be used to manage risk in oil companies in order to achieve organizational performance. The stakeholder will be able to plan for the future on the various based on the various risk management strategies discussed in this paper.

This study's findings can serve as a reference for both current and future scholars. This study's findings can be compared on risk management strategies in other industries to make conclusions about how the organizations can handle various risks.

5.4.2 Managerial Implications

The management of the firms will be able to know the various risk management strategies which can be adopted to improve organizational performance. Companies can predict potential losses and manage risk well. If the management can implement and manage the potential losses, the mitigations used will be more appropriate and the company will benefit more from risk management efforts. Basically, this means that management need to adopt a comprehensive risk management framework and get more out of risk management

5.5 Recommendation of the Study

Effective risk management is critical for the success of all oil companies in Kenya in the face of stiff competition and restrictive policies. The study recommends that the management of the oil companies should ensure the risk management practices strategies are implemented at the right time when risks occurs.

The study therefore recommends that risk management should be made a core business process by oil companies and should be planned systematically and accordingly, as the study has established that there exists a positive relationship between risk management strategies and organizational performance.

5.6 Study Limitations and Suggestions for Further Studies

The researcher encountered quite a number of challenges related to the research and most particularly during the process of data collection. Some respondents were biased while giving information due to reasons such as victimization in the event the research findings turned sour.

Lack of cooperation is undoubtedly the greatest challenge that was witnessed by the researcher. Respondents were naturally suspicious and uneasy when directed to cooperate in a study that they were not aware of its consequence. To further calm and set at ease the respondents, the researcher explained the nature of the study and its intended purpose and that it was purely an academic undertaking and that information divulged would be held in confidentiality by the researcher. In addition, an introductory letter from the school and an application from NACOSTI were requested as part of the research in order to reassure the respondents that the information they provided would only be used for academic purposes.

The study also faced a time challenge; particularly where the respondent delayed in filling the questionnaire and the time spend travelling to collect the filled questionnaire given that the sampling units were scattered and the distance between them was quite far. The researcher overcame this challenge by requesting the respondents to email back the filled questionnaire.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya.
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Email: info@sbs.ac.ke or visit **www.sbs.strathmore.edu**

Strathmore UNIVERSITY
BUSINESS SCHOOL

27th March 2023

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – GIDEON MUTAI.

This is to introduce Gideon Mutai who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/99851. As part of our MCOM Programme, Gideon is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Gideon would like to request appropriate data from your organization.

Gideon is undertaking a research paper on "**THE EFFECT OF RISK MANAGEMENT STRATEGIES ON THE PERFORMANCE OF OIL COMPANIES IN KENYA."** The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

Njoki Kiagiri
Manager – Graduate Programmes
Strathmore University Business School.

VT OMNES
VNVM SINT

APPENDIX II: QUESTIONNAIRE

Instructions:

This questionnaire is a data collection instrument for the study entitled "effect of risk management strategies on the performance of oil companies in Kenya"

Please respond to the questions by placing a tick () in the corresponding box or by writing in the area provided.

Confidentiality

All data will be treated with utmost confidentiality and for academic purposes only. In addition, no reference will be made to any institution or respondent

SECTION A: RESPONDENT'S PROFILE

1. **What is your Gender?**
   - Male [ ]
   - Female [ ]
2. Age of the Respondents
   - 18-25 years [ ]
   - 26-33 year [ ]
   - 34-41 years [ ]
   - 42 years and above [ ]
3. What is your highest level of education?
   - Secondary School [ ]
   - College Diploma [ ]
   - Undergraduate Degree [ ]
4. How long have you been in the business?
   - Less than 1 Year [ ]
   - 2-5 years [ ]
   - 6-9 years [ ]
   - 10 years and above [ ]
5. How do you operate your business?
   - Limited Company [ ]
   - Partnership [ ]
   - Sole proprietorship [ ]

SECTION B: RISK MANAGEMENT STRATEGIES

6. Kindly tick in the box by answering the questions. 1-Strongly Disagree (SD); 2- Disagree (D); 3-Neutral (N); 4-Agree (A) ,5- Strongly Agree (SA).

Statement	**SD**	**D**	**N**	**A**	**SA**
	1	**2**	**3**	**4**	**5**
Risk Acceptance					
Organization employs measures to manage risk exposure by merely monitoring the situation.					
Developing excellent risk management culture entails encouraging employees to embrace risk management practices					
The organization effectively communicates the risk to the employees or stakeholders					
The organization has established contingency plan					
The organization management should monitor risk acceptance on regular basis					
Risk Transfer					
Insurance has increased organization capacity to manage risks of losses					
Insurance has enhanced company's disaster management capabilities during disruptions					
Contracting to third parties has reduced many non-core functional responsibilities from the organization.					
Risk transfer enables an organization to be more productive.					
Risk transfer enhances timely calculation of operational risks					
Risk Avoidance					
Employees are trained on risk avoidance					
The company has a reliable profiling method					

The organization has carefully developed contracts design strategy					
The organization often avoids working with some suppliers					
The organization often uses available company resources to meet customer demands					
The organization encourages use of detailed work plans so as to limit occurrence of anything that may delay organizational performance					
Risk Reduction					
The organization advocates use of alternative plan or contingency plan to avoid any circumstances that result to performance delay					
The company has a plan in place for dealing with big risks that could hurt its performance.					
The employees communicate risk tolerance thresholds or limits for all-important risk categories.					
The company has established procedures for assessing significant risks and opportunities.					
The organization has a way to record, update, and communicate important risk information in the best way and at the right time.					
Government Policy					
Taxes implemented by the government are high					
There are no clear outlines of labour laws					
Safety of the workers are not properly implemented					
The government should conduct education and seminars for traders					

SECTION C: PERFORMANCE

Statement	**SD**	**D**	**N**	**A**	**SA**
	1	**2**	**3**	**4**	**5**
Financial perspective					
Increased revenue has boosted the organization's growth and capacity expansion performance.					
The performance of the organization has been enhanced through the management of funds and reduction of operating expenses.					
Customer perspective					
Customers are stakeholders who directly profit from the services and goods of a firm.					
Customer satisfaction improves organizational performance					
Utilizing consumer feedback and complaints in decision-making improves business performance.					
Internal Process					
Continuous enhancement of internal business processes improves efficiency, effectiveness, and, consequently, organizational performance.					
Internal and external monitoring and evaluation of internal business processes					
Safety is taken seriously by the organization in order to mitigate risks and improve performance.					
Learning & growth					
Innovation enables an organization to align its human resources with internal business processes					

The company provide employees with opportunities to grow and learn though training					
Every employee participates in the Balanced Scorecard management system.					

Thank for your response

APPENDIX III: ETHICAL LETTER

Strathmore UNIVERSITY

8th May 2023

Mr Mutai Gideon Kipyegon,
gideon.mutai@strathmore.edu

Dear Mr Mutai,

RE: The Effect of Risk Management Strategies on the Performance of Oil Companies in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** research proposal. Your application reference number is **SU-ISERC1719/23.** The approval period is from **8th May 2023 to 7th May 2024.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

for: **Mr Ambrose Rachier,**
Chairperson; SU-ISERC

STRATHMORE UNIVERSITY INSTITUTIONAL SCIENTIFIC AND ETHICAL REVIEW COMMITTEE
(SU-ISERC)
08-May-2023
Email:ethicsreview@strathmore.edu
P.O BOX 59857-00200
NAIROBI-KENYA

APPENDIX IV: NACOSTI PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **245193**

Date of Issue: **24/May/2023**

RESEARCH LICENSE

This is to Certify that Mr.. Gideon Mutai of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: The Effect of Risk Management Strategies on the Performance of Oil Companies in Kenya for the period ending : 24/May/2024.

License No: **NACOSTI/P/23/26001**

245193

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

APPENDIX V: LIST OF OIL COMPANIES

1. Kobil Petroleum (K) Ltd
2. Vivo Energy Kenya
3. Total Kenya Limited
4. Libya Oil (K) Ltd
5. Kenya Oil Limited
6. National Oil Kenya Limited
7. Engen Kenya Limited
8. Gapco (K) Limited
9. Mafuta Limited
10. Petro Oil (K) Ltd
11. Kamkis Trading Ltd
12. Dalbit Petroleum (K) Ltd
13. Moil Petroleum (K) Ltd
14. Metro Petroleum (K) Ltd
15. Hashi Energy (K) Ltd
16. Hass Petroleum
17. Galana Oil (K) Ltd
18. Addax Petroleum (K) Ltd
19. Fossil Fuels Ltd
20. Oilcom (K) Limited
21. Global Petroleum
22. Mogas Kenya Limited
23. Bakri Petroleum (K) Ltd
24. Gulf Energy
25. Oilcity Petroleum (K) Ltd
26. Royal Energy (K) Ltd
27. Riva Petroleum (K) Ltd
28. Jade Petroleum Limited
29. Muloil (K) Ltd
30. Riva Petroleum Dealers Limited
31. Hared Petroleum (K) Ltd
32. Trojan International Ltd

33. Premium Petroleum (K) Ltd
34. Al-Leyl Petroleum Limited
35. Banoda Oil Ltd
36. Ranway Traders Ltd
37. Tosha Petroleum LTD
38. Nafton Petroleum Limited
39. Keroka Petroleum Limited
40. Pj Petroleum Equipment Limited
41. Olympic Petroleum Limited
42. Samhar Petroleum Products Co.
43. Ainushamsi Energy Limited
44. Fast Energy Limited
45. Topaz Petroleum Limited
46. Essar Petroleum (East Africa) Ltd
47. Regnol Oil Kenya Ltd
48. East Africa Gasoil Ltd
49. One Petroleum Limited
50. Millenium Dealers Limited
51. Rubis Kenya
52. Heller Petroleum Limited
53. Petro Oil Kenya Limited
54. Oilpoint Kenya Limited
55. Oryx Energies Kenya Limited
56. Link Oil Ltd
57. Orch Energy Ltd
58. Tiba Oil Company Limited
59. Alfoss Energy Limited
60. Dalbit Petroleum Limited
61. Meridian Energy Limited
62. Jumbo Energy Limited
63. Kensom energy limited
64. Patex energy
65. Gas oil petrol station

66. Octavia energy limited
67. Nsen energy limited
68. Towfiq petrol station
69. City oil petrol station
70. Petroken company limited
71. Box energy ltd