



The Strategic  
**JOURNAL** *of* **Business & Change**  
**MANAGEMENT**



[www.strategicjournals.com](http://www.strategicjournals.com)

*Volume 2, Number 1*

**INFLUENCE OF REGULATORY PRACTICES ON FUEL PRICES IN KENYA:**

**A CASE OF VIVO ENERGY KENYA LTD**

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Accepted June 6, 2014

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**ABSTRACT**

Fuel is widely used across all sectors of Kenyan economy with no effective cost-beneficial substitute available. The industry was liberalized in 1994 which resulted in increase in number of independent oil distribution companies in Kenya. Kenya imports all its fuel through the Open Tender System, whereby petroleum products are purchased by a single company for the entire market on the basis of a public tender and shared among all marketing companies in proportion to their share of the market. Over the years, fuel price dynamics became relatively volatile which resulted into the regulation of fuel through the ERC in December 2010. The study was carried out at Vivo Energy Kenya Ltd. This study seeks to establish the influence of regulatory practices on fuel prices and add to the body of knowledge relating regulatory practices by governments. The study was a descriptive research and adopted a case study design. Questionnaires were the main data collection instruments. Descriptive analysis was used; this included the use of standard deviation, relative frequencies and percentages. The data is presented using tables. The study findings show that Organizational Structure plays a major role in fuel prices in Kenya. The study concludes that for any regulatory practices on fuel prices to succeed key considerations must be put in place. These key factors are both internal and external factors to the organization. The key internal factors include organizational structure with the appropriate expertise and management team with the right skills, experience to succeed; the change management must be in place to communicate the strategy to all stakeholders. External factors include government regulations, cost of capital, and nature of ownership.

**Key Words:** *Fuel Regulations, Government Practices, Change Management, External Factors*

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## INTRODUCTION

On average, the international spot prices of crude oil jumped from an annual average of \$12 per barrel in 1998 to \$94 in 2008, a phenomenal 780% increase in just 10 years (Energy Information Administration (EIA), 2008). Among factors that contributed to the hike will an unabated strong demand in the emerging economies and continuous tension in Middle-East region, the largest oil supplying region.

Causes for the rapid rise in the price of oil between 2004 and the summer of 2006 are the subject of debate. Some of the debate focuses on changes in the so-called downstream sector; especially the refining sector. The number of refineries in the United States has not increased since 1981 Annual Energy Review, (2006), and in the spring of 2007, a significant fraction of refining capacity will closed due to unscheduled maintenance New York Times, (2007). Under these conditions, a lack of spare refining capacity is seen as one cause for the ongoing rise in the price of motor gasoline and oil. Other factors proposed to explain the sharp rise in oil prices include the lack of sufficient spare production capacity and a non-linear relationship between oil prices and supply. Finally, expectations of shortages in the long-run may also influence oil prices.

While causal relationships in the US oil supply chain indicate that the price of oil is exogenous and that downstream factors such as refinery utilization rates have no effect on the price of oil (Kaufmann *et al.*, in review), statistical models used to estimate the causal relationships do not contain many of the factors that are known to affect oil prices, such as capacity utilization, production quotas, and production levels Kaufmann *et al.*, (2004); Wirl and Kujundzic, (2005). Moreover, the existence of non-linearity in the relationship between oil prices and the quantity delivered to the market might affect the determination of fuel prices. Although a linear relationship could be a reasonable approximation under normal circumstances, extreme events may shift the market equilibrium

between Supplies and demand towards different.

Berument and Tasc1 (2002) investigated effects of oil prices in Turkey and found that when wages and other three factors of income (profit, interest and rent) are adjusted to the general price level that includes the oil price increases, the inflationary effect of oil prices becomes significant. LeBlanc and Chinn (2004) estimating the effects of oil price changes on inflation for the United States, United Kingdom, France, Germany and Japan using an augmented Phillips curve framework. Statistical estimates suggest current oil price increases are likely to have only a modest effect on inflation in the U.S, Japan and Europe. Oil price increases of as much as 10 percentage points will lead to direct inflationary increases of about 0.1-0.8 percentage points in the U.S and E.U. Inflation in Europe, traditionally thought to be more sensitive to oil prices than in the U.S is unlikely to show any significant difference in sensitivity from that in the United States. Using a dynamic stochastic general equilibrium model, which is tailored to reflect the characteristics of African economies, to quantify the effect of the increase in the price of oil on the main macroeconomic variables, Bouakez (2007) argues that high oil prices would lead to an increase in inflation by a much greater magnitude under managed than under a fixed exchange rate regime.

Petroleum is Kenya's major source of commercial energy and has, over the years, accounted for about 80% of the Country's commercial energy requirements Wanjiku, (2011). According to Vision 2030, petroleum and electricity are the prime movers of the modern sector of the Kenyan economy. The domestic demand for various petroleum fuels on average stands at 2.5 million tons per year, all of it imported from the Gulf region, either as crude oil for processing at the Kenya Petroleum Refineries Limited or as refined petroleum products. Prior to liberalization in October 1994, a significant feature of Kenya's oil industry will a relatively high level of government direct participation, and a correspondingly low level of

private sector involvement? Seven marketing and distribution companies were responsible for procuring and importing their own oil. The National Oil Corporation of Kenya (NOCK) will be mandated to supply 30% of the crude oil requirement into the country.

According to Mwirichia (2011), ERC is a single sector regulatory agency with responsibility for economic and technical regulation of electric power, renewable energy and downstream petroleum sub-sectors including tariff setting and review; licensing; enforcement of compliance; dispute settlement and approval of power purchase and network service contracts. This is supported by the Energy Act No. 12 of 2006 which states in Section 5(a) (ii) that the objects and functions of ERC include regulating the importation, exportation, transportation, refining, storage and sale of petroleum and petroleum products. Section 102 of the Act empowers the Minister to make regulations upon recommendation by the Commission on petroleum related activities including determination of retail prices for petroleum products (Katisya-Njoroge, 2010).

On December 15, 2010 the Government of Kenya enacted a new legislation, the Energy (Petroleum Pricing) Regulations, 2010 which was aimed at preserving availability of specified petroleum products in all parts of Kenya; stabilizing prices of specified petroleum products in Kenya and minimizing the variances in prices of specified petroleum products across the country Katisya-Njoroge, (2010). The new regulations effectively re-introduced government control on the maximum prices of petroleum products based on a formula decided upon by the Energy Regulation Commission (ERC). This formula is, however, still being contested by the Oil Marketing Companies. Petroleum price regulation in Kenya last existed in the period prior to mid-1994 when deregulation was implemented as a result of

economic challenges faced by the Government at that time as the Kenya Shilling lost ground against the hard currencies leading to inflationary pressure that rendered regulation untenable.

### **Problem Statement.**

According to the ERC 2006 Act, the commission had the power to regulate fuel prices from inception but it's until Dec 2010 after views were collected from stakeholders over a period of one year. The public, consumer right groups and political pressure was critical as rising food and energy costs were causing protests and there was a general economic turmoil.

Soaring fuels prices and uncontrolled environment fueled by public cries saw the implementation of petroleum price controls by the ERC in Dec 2010. This was to put some level of control and sanity in the pricing of petroleum products with the aim of protecting the consumer. The regulation meant that even the oil marketer's margins were also regulated unlike before where they determined what margins they were making.

This move meant that the marketers had to make some changes that would ensure that despite the controlled margin they were still justified to remain in business from a margin perspective.

The former organization Kenya shell had a mechanistic structure which was very bureaucratic and time consuming. Decisions were top down where employees were not engaged resulting to a lot of time will spent before a decision was approved. This negatively impacted on the performance of employees leading to poor performance.

Currently, Vivo Energy enjoys flexibility between employees and the management in processes and procedures especially decision making. Vivo Energy employs an organic organizational structure which allows free interaction,

communication and enhanced relationships between top level management and the employees in the work place. This has improved efficiency and effectiveness in the organization leading to an increase in productivity.

Locally, few studies have been done to determine the influence of regulatory practices fuel prices in Kenya. This study therefore seeks to fill this research gap by establishing the influence of regulatory practice on fuel prices in Kenya with a case of vivo energy Kenya limited.

### **Research Objectives**

The general objective of the study is to establish the influence of government regulatory practice on fuel prices in Kenya a case of vivo energy Kenya limited. To determine the role organizational Structure on fuel prices in Kenya with reference to Vivo energy Kenya limited; To find out the role of governance policy on fuel prices in Kenya with reference to Vivo energy Kenya limited; To investigate the role of stakeholders on fuel prices in Kenya with reference to Vivo energy Kenya limited; to find out the role of organizational resources on fuel prices in Kenya with reference to Vivo energy Kenya limited.

### **Research Questions**

- i. What is the role of Organizational Structure on fuel prices in Kenya with reference to Vivo Energy Kenya
- ii. What is the role governance policy on fuel prices in Kenya with reference to Vivo Energy Kenya
- iii. To what extent does role of stakeholder's influence fuel prices in Kenya with reference to Vivo Energy Kenya
- iv. To what extent does the organizational resources influence fuel prices in Kenya with reference to Vivo Energy Kenya

The organization respondent's might be busy that the researcher might find it difficult to collect the required information. Movement of the employees might not give time to respond effectively to the questionnaires. The researcher overcame this limitation booking appointments early and using mail correspondents.

## **LITERATURE REVIEW**

### **Institutional Theory**

This theory mainly focuses on the deeper and more resilient aspects of social structure. According to Scott (2004) institutional theory considers the processes by which structures, including schemes, rules, norms and routines become established as authoritative guidelines for social behavior. Scott (1995) argues that in order to survive, organizations must conform to the rules and belief systems prevailing in the environment Dimaggio and powell (1983) this they contest is because institutional isomorphism, i.e. both structural and procedural was earn the organization legitimacy. According to Martinsons (1993) and Porter (1990) organizations operating in different regions with varying institutional environments will face diverse pressures hence those pressures will exert fundamental influences on competitive strategy and human resource management practices (Zaheer, 1995).

Proponent of this theory argues that organizations in different types of economies react differently to similar challenges. Social, economic and political factors constitute an institutional structure a of a particular environment which provides organizations with advantages engaging in specific types of activities there and that organizations tend to perform more efficiently if they receive the institutional support (Knetter, 1998)

The institutional theory is the traditional approach that is used to examine elements of management Obanda, (2010). Scott (2004) identifies three pillars of institutions as regulatory, normative and cultural cognitive. The regulatory pillar emphasizes the use of rules, laws and sanctions as enforcement mechanism, with experience as basis for compliance. According to Scott (2004), institutions are composed of cultural-cognitive and regulative elements that, together with associated activities and resources give meaning to life. The author explains the three pillars of institutions as regulatory, normative and cultural cognitive. The normative pillar refers to norms (how things should be done) and values (the preferred or desirable), social obligation being the basis of compliance. The cultural cognitive pillar rests on shared understanding (common beliefs, symbols, shared understanding).

### **Agency Theory**

Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Berle & Means, 1932).

In agency theory terms, the owners are principals and the managers are agents and there is an agency loss which is the extent to which returns to the residual claimants, the owners, and fall below what they would be if the principals, the owners, exercised direct control of the corporation Jensen & Meckling (1976). Agency theory specifies mechanisms which reduce agency loss Eisenhardt (1989). These include incentive schemes for managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial interests of executives with those of shareholders Jensen & Meckling (1976). Other similar schemes tie executive compensation and

levels of benefits to shareholders returns and have part of executive compensation deferred to the future to reward long-run value maximization of the corporation and deter short-run executive action which harms corporate value.

In like terms, the kindred theory of organizational economics is concerned to forestall managerial “opportunistic behavior” which includes shirking and indulging in excessive perquisites at the expense of shareholder interests Wasiarnson (1985). A major structural mechanism to curtail such managerial “opportunism” is the board of directors. This body provides a monitoring of managerial actions on behalf of shareholders. Such impartial review was occurring more fully where the chairperson of the board is independent of executive management. Where the chief executive officer is chair of the board of directors, the impartiality of the board is compromised. Agency and organizational economics theories predict that when the CEO also holds the dual role of chair, then the interests of the owners was be sacrificed to a degree in favor of management, that is, there was be managerial opportunism and agency loss. The “model of man” underlying agency and organizational economics is that of the self-interested actor rationally maximizing their own personal economic gain. The model is individualistic and is predicated upon the notion of an in-built conflict of interest between owner and manager. Moreover, the model is one of an individual calculating likely costs and benefits, and thus seeking to attain rewards and avoid punishment, especially financial ones.

### **Stakeholder Theory**

Stakeholder theory is about the groups that have stakes in an organization and which of these groups are addressed by the organization Mitchell, Agle, & Wood, (1997). Research into stakeholder theory was look at who

stakeholders are, how they impact or are impacted on by the organization. Put more simply, stakeholder theory is an attempt to explain and predict organizational functions in regards to stakeholder influences Rowley, (1997). The purpose of stakeholder theory research, Frooman (1999) argues, is to enable management to strategically engage in managing stakeholders. The most commonly cited definition for a stakeholder is from Freeman's (1984) Freeman defines a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives". This presents a very broad understanding of a stakeholder and is contested by some researchers as it allows almost anyone to be considered a stakeholder Donaldson & Preston, (1995); Mitchell et al., (1997). Although some believe this to be the case, calls for a narrowing of Freeman's (1984) definition have been made. Clarkson (1995) did this by stating stakeholders are risk-bearers. He argued that "without the element of risk there is no stake"

The instrumental stakeholder perspective views stakeholders as important because addressing their needs is also good business practice Jones, (1995). Because stakeholders influence the organization, good management of stakeholders may lead to marketplace success and the maximization of profit Berman, (1999). The instrumental perspective is more unidirectional. It looks primarily to benefit the firm. Stakeholder concerns only enter a firm's decision making process if they have strategic value Berman, 1999; Frooman, (1999). Unlike normative stakeholder management, stakeholders are considered part of the organizational strategy rather than what drives it Berman et al., (1999); Donaldson & Preston, (1995). The strategic goal of the instrumental perspective is traditional organizational performance, such as financial growth. Proponents of best practice prescribe a focus on staff as well as stockholders for increased organizational performance. Similarly, the instrumental perspective is

concerned with managing all stakeholders, such as staff, in order to gain financial benefit (Wood, 1994).

Many positive relationships between multiple stakeholder such as the government attention and various measures of Oil fuel energy performance have been found Berman, (1999); Jawahar (2001); Jones, (1995), which suggests strategic validity to effective stakeholder management. This theory instigates the first research question: Does stakeholders' influence determine efficiency in management of energy proposals in the National police service? Relating strongly to fuel energy stakeholder such as the government are very critical in any fuel industry since they have stake or shares in such institution in this case Vivo energy , organizational outcomes of such institution are understood to be contingent on certain stakeholder behavior Jones & Wicks, (1999). Instrumental stakeholder theorists thus argue, effectively managing stakeholders can lead to the desired behaviors needed to reach organizational goals (Jones, 1995; Jones & Wicks, 1999).

## **EMPIRICAL REVIEW**

### **Organizational Structure**

Institutional theory as explained by various scholars, describe organization structure as an explicit and implicit institutional rules and policies designed to provide a structure where various work roles and responsibilities are delegated, controlled and coordinated. It therefore means that organizational structure describes how roles, powers and responsibilities are assigned controlled and how information flows between the different levels of management (Freeman, 1984).

According to De Wit and Meyer (2009), the effects of organizational structure can stretch

into nearly every type of measurable performance. A well planned and an easily adaptable structure can help an organization thrive well in many areas. Huson (2004) argues that organizational structure determines how well employees and departments can communicate within an organization. It is arguably therefore a highly structured and a highly separated environment such as Vivo energy Kenya, employees may be unable to access the information or personnel to carry out a task thus leading such activities taking long time to be completed. Again it is contestable that an overly lax organization can lead to a vague chain of command which may mean employees may not be able to figure out who they are supposed to consult. Therefore balancing the need for flexibility among departments with the importance of a clear chain of command is an important part of organizational structure (Bianchi and Guidi, 2010).

Organizations structure tends to be more effective in developing and executing plans. Organizational structures give junior officers an equal opportunity to participate in strategic, tactical and Operational decision making De Wit & Meyer, (2009). According to Huson (2004), organizational structure has to do with issues like top management support, firm's size, employees skills and knowledge and organization policy. According to Bianchi and Guidi (2010) and Mughe (2004), it is possible especially if the top management offers a supportive climate that allow middle and low level employees to develop new methods of executing tasks.

### **Government Policy**

A study by the Petroleum Economist (2002) found that Venezuelan petrol for own consumption is heavily subsidized, thus, its price is well below the international level and as a result there has been a booming of petrol smuggling to Colombia. Venezuelan Energy

Ministry presented plans to liberalize domestic petrol and diesel markets by gradually lifting state subsidies on these products. However, this and similar proposals in the past has been halted due to political opposition, as petrol prices are a politically sensitive issue, and therefore Venezuelan petrol prices remain among the cheapest in the world. Even the head of the country's refining industry does not support freeing petrol prices fearing losing market share due to competition (Petroleum Economist, 2002).

Matthews, (2008) state that the government has a larger presence in the petroleum market in West Africa than in East and Southern Africa. In Burkina Faso, Côte d'Ivoire, and Niger, a state-owned monopoly entity procures all petroleum products, in the case of Côte d'Ivoire through both product imports and refining Nigerian crude oil. According to Matthews, (2008), a monopoly supplier does not mean reduced efficiency a recent benchmark audit of the state monopoly supplier in Burkina Faso found that the entity's oil fuel industry performance was close to best practice.

According to the Energy Security Special Report (2005/08), the pace of price increases since 2004 is unprecedented. Countries that have long since liberalized petroleum product prices, there have been calls for government intervention to cushion the impact of steep price rises on consumers and the economy Clough, (2006). Many developing country governments are involved in setting domestic prices. Some, such as Ghana, set price ceilings. Others, Mozambique among them, have formulas in place that are intended to be used regularly to adjust domestic prices in line with international price movements Matthews, (2008). A number of countries including Bangladesh, China, Egypt, Ethiopia, India, Indonesia, the Islamic Republic of Iran, Malaysia, Nepal, Nigeria, Sri Lanka, the

Syrian Arab Republic, the República Bolivariana de Venezuela, and the Republic of Yemen set fuel prices in an ad hoc manner, and most have seen growing price subsidies in recent years (Clough, 2006).

### **Stakeholders Influence**

A stakeholder is an individual or group that can heavily influence the performance of the business – i.e., whose support the business needs if it is to be successful. These people, in turn, have certain expectations from the company, and assessing the degree to which these expectations are currently being satisfied in a balanced fashion provides a valuable indicator of current and future performance. Stakeholders were almost always including the "big three": Customers, Employees, and Owners. For most commercial enterprises, these three are by far the most important, and the scope of the performance measurement is usually focused on them. In other situations, the scope may need to be broadened. Stakeholders should be clearly defined, particularly if there is any potential question of who is included or excluded in each group. Addition, all the above studies were done in different settings, beyond the current study. This study therefore was add to the literature by determining the influence of government regulatory practice on fuel prices in Kenya a case of vivo energy Kenya limited.

### **RESEARCH METHODOLOGY**

This research problem was best studied through the use of a descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enabled the researcher to generalize the findings to a larger population. Target population in statistics is the specific population about which information is desired. According to

Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. This definition ensures that population of interest is homogeneous.

The study used a random stratified sampling to select sample population. The study had a sample population 10% from each category thus a total of 45 respondents who form sample size. Orodho (2003) states that stratified sampling is applicable if a population from which a sample is to be drawn does not constitute a homogeneous group. The study utilized both primary and secondary data. Primary data was gathered through questionnaires, while secondary data was obtained from published documents or materials such as journals, periodicals, magazines and reports obtained from the company and government reports. These supplemented the primary data received from questionnaires. Data collected was analyzed by descriptive analysis such as measure of central tendency and measure of dispersion.

### **FINDINGS**

#### **Organizational Structure**

The study sought to find out the level of agreement with statements regarding the effect of Organizational Structure on fuel prices in Kenya. From the findings respondents agreed to the statement that Organizational Structure plays a major role in fuel prices in Kenya; Organizational Structure in Vivo energy Kenya plays a central role towards efficient management of fuel prices in Kenya; Awareness of the organizational structure is vital on efficiency management fuel prices in Kenya as indicated by a mean of 3.93, 4.37, 3.89 and 4.04 respectively. This collates with literature review by Several studies Bashir, (2000), Berger *et al.*, (2000), Clarke *et al.*, (2000) and Naceur, (2003)

that found out that Organizational Structure is vital on efficiency management of fuel prices.

**Governance policy**

The study sought to find out the level of agreement with statements regarding the effect of government policy on regulatory practices on fuel prices in Kenya. From the findings respondents agreed that Government policy is to harmonize oil fuel prices processes in the country to ensure judicious, economic and efficient use of resources; that Governments are involved in setting domestic oil fuel prices; over the long-run, a permanent increase in international price of oil is associated with increase of competition and that Governments have formulas in place intended to be used regularly to adjust domestic prices in line with international price movements as indicated by a mean of 4.11, 4.04 ,3.78 and 4.37 respectively.

**Stakeholders influence**

The study sought to find out the level of agreement with statements regarding the effect of Stakeholders influence on regulatory practices on fuel prices in Kenya. From the findings respondents agreed that Stakeholder influence role of government regulation on fuel prices in Kenya, Stakeholder interests could encompass a broad range of issues some of which might be contrary to a firm’s interests; that Stakeholder’s provides a good basis to prevent corruption in the oil fuel energy companies; as indicated by a mean of 3.78, 3.89, 3.63 and 3.78 respectively.

**Organizational Resources**

The study sought to find out the level of agreement with statements regarding the effect of Organizational Resources influence on regulatory practices on fuel prices in Kenya. From the findings respondents agreed that Technology is a resource that can help increase value and productivity of oil fuel business if acquired appropriately, People are valuable

organizational resource which cannot be ignored; that Finance is organizational resource that can come from investors, stakeholders, and the business itself; and Efficiently allocation of organizational resources can have a strong impact on a business as indicated by a mean of 4.07, 3.85, 3.33 and 3.59 respectively.

**Regression analysis**

The researcher conducted a multiple regression analysis to investigate the role of government regulation on fuel prices in Kenya a case of Vivo energy Kenya limited. The researcher applied the statistical package SPSS, to enter and compute the measurements of the multiple regressions for the study as presented below.

**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.508 <sup>a</sup>	.752	.796	.89757

a. Predictors: (Constant) Organizational Structure, Governance policy, Stakeholders influence and Organizational Resources.

b. Influence of regulatory practices on fuel prices in Kenya

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Influence of regulatory practices on fuel prices in Kenya) that is explained by all the 4 independent variables (Organizational Structure, Governance policy, Stakeholders influence and Organizational Resources). The four independent variables that were studied, explain 75.2% of variance to establish Influence of regulatory practices on fuel prices in Kenya as represented by the R<sup>2</sup>. This therefore means that other factors not studied in this research contribute 24.8% of variance in

the dependent variable. Therefore, further research should be conducted to investigate the Influence of regulatory practices on fuel prices in Kenya.

Stakeholders influence	.305	.148	.256	2.065	.003
Organizational Resources	.391	.180	.275	2.175	.001

**Table 2: ANOVA<sup>a</sup>**

		ANOVA <sup>a</sup>				
Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	10.686	4	2.671	16.478	.000 <sup>b</sup>
	Residual	81.193	317	.256		
	Total	91.879	321			

a. Predictors: (Constant) Organizational Structure, Governance policy, Stakeholders influence and Organizational Resources.

b. Influence of regulatory practices on fuel prices in Kenya

The F critical at 5% level of significance was 3.56. since F calculated is greater than the F critical (value 16.478), this shows that the overall model was significant. The significance is less than 0.05, thus indicating that the predictor variables, explain the variation in the dependent variable which is Influence of regulatory practices on fuel prices in Kenya. If the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable.

**Table 3: Multiple Regression Analysis**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	7.978	.984		8.110	.000
	Organizational Structure	.270	.117	.272	2.302	.005
	Governance policy	.032	.165	.025	.195	.004

The regression equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$ ) was interpreted to mean

$$Y = 7.978 + .270X_1 + .032X_2 + .305X_3 + .391X_4$$

Y= Influence of regulatory practices on fuel prices in Kenya.

X<sub>1</sub> is Organizational Structure X<sub>2</sub> Governance policy, X<sub>3</sub> is Stakeholders influence and X<sub>4</sub> is the Organizational Resources.

According to the equation, taking all factors (Organizational Structure, Governance policy, Stakeholders influence and Organizational Resources) constant at zero, overall Influence of regulatory practices on fuel prices in Kenya will be 7.978. The data findings also show that a unit increase Organizational Structure will lead to a 0.270 increase Influence of regulatory practices on fuel prices in Kenya; a unit increase Governance policy will lead to a 0.032 increase in Influence of regulatory practices on fuel prices in Kenya; a unit increase in Stakeholders influence, will lead to a 0.305 increases in Influence of regulatory practices on fuel prices in Kenya and a unit increase in Organizational Resources Will lead to a 0.391 increase in Influence of regulatory practices on fuel prices in Kenya. This means that the most significant variable is Organizational Resources followed by Stakeholders influence.

**CONCLUSIONS**

The study concludes that for any regulatory practices on fuel prices to succeed key considerations must be put in place. These key factors are both internal and external factors to

the organization. The key internal factors include organizational structure with the appropriate expertise and commitment to regulate fuel prices; management team with the right skills, experience to succeed, the change management must be in place to communicate the strategy to all stakeholders. External factors include government regulations, cost of capital, and nature of ownership.

### **RECOMMENDATIONS**

The study recommends stakeholders to endeavor steer the business ahead of the market on technology to reap the benefits on cost savings, customer confidence due to accessibility of services, staff motivation. These can only be achieved by setting up an innovation and market research team to develop regulations on fuel

prices. The study also recommended that proficiency in-service training as a component of the career development initiative must be closely coordinated with the organization's training efforts. This benefits both the organization and its employees by keeping them up-to-date on duties and responsibilities within present job assignments as stakeholder of the company.

### **Recommendation for further study**

The study investigated the influence of regulatory practices on fuel prices in Kenya. A case of Vivo energy Kenya limited. The researcher recommends further research should be carried out to find out the key factors hindering transformation of regulatory practices on fuel prices in Kenya.

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