

Competitive Strategies on Performance of Petroleum Companies Moderated by Tax Policy in Kampala, Uganda

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Abstract
The main purpose of this study was to assess competitive strategies and performance of petroleum companies in Kampala, Uganda. Specifically, the objective was to assess how cost leadership strategy influences the performance of petroleum companies in Kampala. The research adopted a cross sectional research design and applied both qualitative and quantitative research approaches. A sample size of 73 respondents comprising of heads of different departments and petrol station employees in selected fuel companies was chosen to take part in the study. The study applied questionnaire and interview guide research instruments to collect the data and information needed. The data was analysed using SPSS version 20 to determine the multiple regression model and Pearson Correlation coefficient analysis was used in the data analysis. The results showed that there is a significant and positive relationship between cost leadership strategy and performance of petroleum companies ($r = 0.763$, $p<0.05$) and the regression coefficient estimate of the interaction term is 0.767 with $t = 8.642$, $p <.001$. Therefore, tax policy is a significant moderator for the relationship between competitive strategies and performance of petroleum companies in Kampala.
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1. Introduction

Globally, as market globalization start to rise, many oil producing companies came up in Russia and Asia and other European countries such as companies like Anglo-Persian, Shell (British Petroleum) and Royal Dutch (Library of Congress 2010). The discovery of several crude oil wells or fields in different areas around the globe, mainly located in the countries in the middle east like Saudi Arabia, led to a dominance in crude oil markets, as countries in the middle east produce reached around 4.9 million drums of crude oil per day (approximately 23% of the entire oil production in the whole world) by 1961 (Arnott & Antilla 2000). The new oil findings led to a high increase in oil uses and its consumption and it grew per year at a rate of 7.2 percent. This big grow of oil uses and consumption was first driven by the development and growth of industries like industry of automobile, other manufacturing factories and were compounded by political instability and economic in the countries like Saudi Arabia and Iran in the 60's and around 70's. (Library of Congress, 2010).

Price of natural gas and crude oil today are the major observed products in the world markets. Since the natural gas and crude oil are important sector driven products, hence far numerous empirical results show oil and gas have direct influence on economies of the countries that produce these products (Backus & Crucini, 2000). Some good examples are, studies by International Energy Agency, says an increase of oil prices would badly impact in country's GDP in about 0.5% percent (IEA, 2014).

In African countries, the growing petroleum sector is seeing bigger interest in all countries, including countries like Liberia, Togo, Namibia and regions where oil and natural gas production had been decreasing or declining. This involves countries like South Sudan, Côte d'Ivoire and Ghana. The best is, though, the new entrants on the east coast, mainly Tanzania and Mozambique (IEA, 2013).

In local context, Uganda's petroleum industry has witnessed increasing number of petroleum companies following the liberalization of the economy in 1993.

The opening up of the petroleum industry has witnessed unprecedented competition in this once lucrative petroleum sector. The liberalization gave private companies participation with a blanket cover invitation of all interested companies to transact business in this sector products arena in Uganda. (PAU, 2017).

The situation in the Uganda petroleum sector and its surroundings has been worsened by the introduction of stringent tax regimes by the Uganda Revenue Authority (URA). These difficulties and challenges bring a serious threat to petroleum companies' operations and performance. There is therefore need to employ better competitive strategies that involves on the sector dynamics and that are premised on radical changes reminiscent of the industry for swift responses may such occasions come up. This is also helps the firm to be able to yield superior performance.

The introduction of competitive strategies in petroleum companies in Kampala were an effort that meets the demands and needs of the environment that is continuously growing and management is about changing their companies according to the demands and needs in the industry. Growing competition makes unattractive to the new businesses that are willing to enter the market of petroleum sector and hence decreasing the income of the sector. Demands or needs put more pressure on petroleum companies to remain active and to establish effective strategies and market approaches to increase performance of petroleum companies, successful strategies help positive or proactive feedback to predicted or anticipated and real alterations(changes) in the competitive markets.

Competitive strategies are integrated sets of actions that management implements as a model for how the company will best compete, based on the match between its type of competitive advantage and the target market pursued, as the key determinants of choice. While making a decision on which competitive strategy to pursue, firms therefore decide between two broad competitive advantages: lower cost than competitors or the ability to differentiate and charge a premium price that covers costs.

2. Materials and Methods.

The research adopted a cross sectional research design and applied both qualitative and quantitative research approaches. The researcher used Taro Yamane (1970) formula to determine the sample size which resulted into a sample size of 73 as appropriate for a target population of 90 which comprised of heads of departments (Marketing, Operations, and Finance), petrol station managers, petrol station supervisors and fuel pump attendants of selected petroleum stations. The tools that the researcher used were 67 questionnaires distributed to managers, supervisors and pump attendants and 6 interview guides for the heads of departments. The data was analyzed using SPSS version 20. The researcher measured the reliability of the instruments using Cronbach's Alpha and the validity of the instrument was measured through expert judgement and the resulted coefficient was 96.7%. Multiple regression model and Pearson Correlation coefficient analysis was used in the data analysis.

3. Results and Discussion.

3.1 Ways how cost leadership strategy affects the performance of petroleum companies in Kampala

This objective sought to establish ways how cost leadership strategy influences the performance of petroleum companies in Kampala. Based on a five-point Likert Scale (Strongly Disagree, Disagree, neither agreed or disagree, Agree and Strongly Agree), those who took part in questionnaires or respondents were offered with a number of items to measure the extent to which Cost leadership strategy influences performance of selected petroleum companies, Kampala.

Table 1: Cost leadership strategy has significantly enhanced our market share

Response	Frequency	Percent
Strongly Disagree	4	6
Disagree	6	9
Not sure	12	17.9
Agree	22	32.8
Strongly Agree	23	34.3
Total	67	100.0

Source: Primary Data (2022)

According to the table I above, it indicates that those who strongly disagree are 4 (6%) respondents that Cost leadership strategy has significantly enhanced our market share of petroleum companies in Kampala, disagree are 6 (9%), those who are not sure are 12(17.9%), 22 (32.8%) agreed and respondents who strongly agreed were 23 (34.3%). This suggests that best and most of the respondents were in favor that Cost leadership strategy takes good part and plays major role in enhancing the performance of the selected petroleum companies in Kampala. This is in line with Nyauncho & Nyamweya (2015) who assumed that the strategies of cost leadership can only applies and viable for big organizations with the large resources to operate large production volumes and economies of scale. Though, this takes a limited industrial view of strategy. Smaller firms or businesses can also be the leaders of low-cost products if they have any advantages conductive to cheaper costs. For example, a restaurant located in a local area with cheaper rent prices can attract clients who are price-sensitive if it offers a limited menu, employs staff on minimum wage and rapid table turnover.

Table 2: Offering low priced products has improved our sales volume

Response	Frequency	Percent
Strongly Disagree	6	8.9
Disagree	9	13.5
Not sure	10	14.9
Agree	15	22.4
Strongly Agree	27	40.3
Total	67	100.0

Source: Primary Data (2022)

The research outcome in the table 2 shows that those respondents who strongly disagree are 6 (8.9%) that offering low priced products has improved our sales volume in petrol stations, 9(13.5%) disagreed, those who were not sure are 10(14.9%), agree 15 (22.4%) and respondents who strongly agree 27 (40.3%). This indicates that the most of the respondents strongly agreed that offering low priced fuel in products petrol and diesel has improved our sales volume in selected petrol stations in Kampala. This is in line with Porter (2010), who noted that a company is able to operate its limited extent strategic target more efficiently or effectively than its rivalry firms who are competing in the market more widely and openly. Thereby the company reaches either lower costs in operating this market or differentiation from better meeting the needs of the particular target market or even achieving both.

Table 3: Lower cost strategy helps the company gain a competitive advantage over competitors

Response	Frequency	Percent
Strongly Disagree	3	4.5
Disagree	6	9.0
Not sure	16	23.8
Agree	24	35.8
Strongly Agree	18	26.9
Total	67	100.0

Source: Primary Data (2022)

Based on the table 3 above, it indicates that respondents who strongly disagreed are 3(4.5%) that Lower cost strategy helps the company gain a competitive advantage over its competitors, those who disagreed were 6(9%), the respondents who were not sure their responses were 16(23.8%), those in agreement are 24(35.8%) and respondents who strongly agreed were 18(26.9%). This shows that Cost leadership strategy ratio takes significant role in improving performance of the selected petroleum companies in Kampala.

3.2 OLS Regression Analysis

To quantify the association between the cost leadership strategy (independent variable) and performance (the dependent variable), the researcher used a multivariate ordinary least squares regression analysis. Table 4 summarizes the findings of this investigation.

Table4: Regression results

Model		Standardized Coefficients		Unstandardized Coefficients	T	Sig.
		B	Std. Error	B		
1	(Constant)	.974	.287		3.398	.001
	Cost leadership strategy	.399	.100	.437	4.005	.000

a. Dependent Variable: performance of petroleum companies

The multiple regression results in table 4 above shows that the independent variable had strong and positive significant effect on the dependent variable which is performance of selected petroleum companies in Kampala. The results show that cost leadership strategy significantly effects the performance of petroleum companies indicated by standardized beta coefficients ($\beta = 0.081$, $P = 0.339$). This means that performance of petroleum companies in Uganda improves with increase in cost leadership strategy. According to this the independent variable was extremely and collectively important on the performance of petroleum companies. Therefore, multiple regression model was based on the assumptions that there is linear connection or relationship between independent variable and dependent variables and the variable of independent are not highly correlated with one another.

4. Conclusion

The study concluded that cost leadership strategy involves the petroleum companies taking more consumers and market share by offering cheaper price to price-sensitive clients and customers. This is attained by having minimum or at least the lowest price to value ratio (price compared to what clients get) or the cheapest prices in the target market segment. Furthermore, the study concluded that to be the leading firm presenting the cheapest price and at the same time making profits and good income (return on investment), the company must be able to carry out its activities at a cost which is lower than its competitors or other petroleum companies.

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