

**FACTORS AFFECTING LOCAL CONTENT IN THE EXTRACTIVES SECTOR
IN KENYA: A CASE STUDY OF TULLOW OIL LIMITED**

BY

MOHAMED REHEMA NZISA

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DECLARATION

Declaration by the Student

This project is my original work and has not been presented for a degree in any other University.

Signature: _____ Date: _____

Mohamed Rehema Nzisa

BDS/13/00101/2/2016

Declaration by the Supervisor

This project has been submitted for examination with my approval as University Supervisor.

Signature: _____ Date: _____

Ms. Juster Nyaga

The Management University of Africa

DEDICATION

I gratefully dedicate the research project to my family and friends who have been supportive and encouraging. God bless you all.

ACKNOWLEDGEMENT

I would sincerely extend my gratitude to my supervisor Ms. Juster Nyaga for her encouragement and tireless effort to ensure my project is a success. Special thanks go to Tullow Oil Limited for providing time and cooperation while collecting data from various departments within the organization. Lastly, I appreciate assistance and support from The Management University of Africa for granting me an opportunity to pursue my education at their premises.

ABSTRACT

The purpose of this study was to find out factors affecting local content in the extractives sector in Kenya with reference to Tullow Oil Limited. This study looked into four key variables which include policy formulation, level of awareness, global market shifts and technology, affecting local content in the extractives sector in Kenya. The study will be of significance to the management of Tullow Oil Limited and other researchers in relation to local content. Descriptive research design was used and 97 employees Tullow Oil Limited were targeted. A census was used in the study where all the 97 employees of Tullow Oil Limited were sampled. Questionnaires were the main data collection instruments used. Microsoft Excel 2013 was used to analyze data employing both quantitatively and qualitatively analysis techniques. The data were presented using tables, bar graphs and pie charts. The findings revealed that 62% of the respondents accepted that policy formulation does affect while 38% disagreed it does not, 58% agreed that policy formulation affects local content while 27% of the respondents disagreed with the statement, 74% of the respondents indicated that yes it does affect local content in the extractives sector while 26% of them indicated that it does not affect and 94% of the respondents stipulated that technology affects while 6% disagreed it does not affect local content in the extractives sector. The study recommended that the organization should formulate proper regulations to deal with local content in the extractives sector. Also creating a policy for the organization, the managers should identify all the policy alternatives that are available to them in a particular case. The company should partner with government to formulate policies that will govern institution of capacity building programs in the region. This can be achieved through continuous training and development programs to familiarize employees with the new technological structures to improve extraction of local content in the region and finally the researcher recommended that market global shifts should be evaluated to ensure that they can help to correct market failures, which arise when there is a distortion that keeps the market from allocating resources efficiently and adjusting to a steady state, with the result that domestic industries cannot gain the necessary technology and capacity to compete on the open market without outside intervention and protection.

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OPERATIONAL DEFINITION OF TERMS

Technology	These include systems designed to monitor and evaluate local content extraction processes in organizations.
Local Content Requirements	This research shall be understood to be the mandatory requirements placed by host countries on investors to obtain a certain threshold of the various goods and services to be used in their production in the host country. These local content requirements could be measured in value, man-hours or quantity as stipulated in the relevant policy or legislation.
Policy Formulation	This a strategic plan developed by an organization to facilitate institution of programs based on adhered rules and policy frameworks in place.

LIST OF ABBREVIATIONS/ACRONYMS

MUA	Management of university of Africa
IOC	International Oil Companies
NGOs	Non-Governmental Organization

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter discussed the background to the study, statement of the problem, the objectives that the study would meet, research questions, justification of the study, scope of the study and summary of the chapter.

1.1 Background of the Study

Local content can be defined as available resources that comprises human and physical resources that are locally sourced and produced to advance business activities with an aim of creating opportunities locally. The term can also be associated with revenue from various sectors to sustain local economy. Many developing countries venture into local content production to boost and sustain economic development activities and also to create jobs to its citizens. (Akech, 2015).

From the local perspective, the government of Kenya announced plans to drill Oil in the Turkana County. Discovery of Tullow Oil reserves attracted international oil drilling companies bidding for contracts to drill Oil from the regions. Kenyans in the Turkana region were also optimistic that such discovery will not only improve the country's economy but will also improve their livelihood in the long run. Since the announcement, international foreign investment increased dramatically which is clearly a sign of direct foreign investment into the economy. On the contrary, the more economic activity in the oil and gas industry increased, the more the country started to experience political unrest from the leaders and residents of Tullow region. This was because the residents sensed that oil proceeds may not be beneficial to them once the government contracted an international company to drill oil from the region. Social unrest led Tullow Oil to temporarily stop operations six months after its operations began in October 2013 citing political wrangles and social unrest regarding Tullow Oil's perceived failure to employ members of the local community at the exploration wells (Amin, 2011).

From the predicament, it has been argued over the past that Kenya should take invasive lessons from countries in Africa that have rich resource yet the state of their economy has not changed since mining projects were commissioned. It has been documented that developing countries lose much of their resources to international corporations which segregated the economic developments of Africa countries till today. It has been said that developing countries and more particularly in Africa suffer from a resource curse where the discovery of extractive resources has led to massive economic inequalities being created leading to political and civil unrest, corruption and in the worst cases violent conflict over control of the resources (Aon, 2012).

A report by the AON (2012) revealed that developing countries especially in Africa and Latin America avoid what they term as, resource curse, that has created more havoc, agony pain when it comes to equitable distribution of profits and revenues from mined natural resources. Institution of economic policies that are meant to govern and seal contractual agreement has only benefited the west more the host country. Local content regulation has been championed as Africa's solution to the resource curse (Aon, 2012).

Reliable suppliers operating in the extractive sector are more reluctant to partner with local suppliers for local materials. The main reason being high completed procurement methods have technically subdued provision of goods and services and high project uncertainty risks associated with procurement supply chain network. Some of these technical services are government intervention services, reservoir waste management, running casing, logging, seismic services and mud logging services. Moreover, suppliers operating within the extractive sector have raised concerns on matters such as inflation of technical requirements by the authorities which has affected the rate at which suppliers operate in the extractive sector. Thus, suppliers view technical requirements to be hindrance that makes them operate their services outside their area of expertise. Over time, there are some services which could be introduced in the local market through interventions such as alliances/partnerships, preferred supplier agreements, and subcontracting (Albrecht & William, 2006).

1.1.1 Policy Formulation

Policy are rules and regulations laid down by relevant authorities to make any operation in the organization to succeed. The achieved of the oil extraction has to be followed by involving all the stakeholder by coming up with proper policies that touches on the formalities that has to there for the achievement of local content extractions.

1.1.2 Level of Awareness

No project can be achieve it is mission and vision without creating awareness especially those with in the area where the extraction in taking place hence acquiring social license. Awareness is paramount for any project to succeed for it reduces conflict with the locals. This should be done through the relevant government agencies, the local community as well as the company being involved in this operation.

1.1.3 Global Market Shifts

Oil and gas extraction in the world has shifted based on the resources required for the extraction of the oil as well as processing. There are several arguments in favor of market shifts. They can help to correct market failures, which arise when there is a distortion that keeps the market from allocating resources efficiently and adjusting to a steady state, with the result that domestic industries cannot gain the necessary technology and capacity to compete on the open market without outside intervention and protection. The market fails from a domestic perspective, because the lack of domestic skills to serve the needs of the industry results in inefficient allocation of resources in the market. By requiring companies to invest in the development of particular local skills, market shift can help to correct this market failure because such requirements help to ensure that skills are available to meet the demands of the market.

1.1.4 Technology

The modern technology available is key to the extraction on oil and gas by the companies. The use of the right technology helps in the faster production as well as reduction of the more expense in the operation cost.

1.2 Statement of the Problem

Over the years, the government has paid very little attention on key matters such as legal and socio-economic factors that drive successful implementation of policies to govern and process requirements of local content. The oil and gas sector is an extraction industry that is still new to many Kenyans yet policies governing its operation have not been fruitful over the previous years. These enabling factors could include the development level of infrastructure, commercial protection offered under the legal system, institutional framework, fair and transparent tax regimes, suitability and development of education policy and system, ease of doing business in a country, availability of affordable electricity, adequate water and such other amenities that provide an enabling environment for both local and foreign investors (Matthews, 2009).

It is important to understand whether implementing local content requirements in Kenya's especially in the oil and gas sector using current legal and socio-economic environment will increase governments investment in the extraction sector. Even though such measures have been instituted, it is important for the country to project whether the requirements needed to support extraction sector with an aim of improving local content production will create and attract investment opportunities without including politics in the mix. The government also has to step up by advocating policy implementation framework to support local content extraction by laying out a foundation to propagate its mission.

Since the end of World War II, various forms of local content requirements have been employed by countries at different levels of development to achieve specific economic goals or developmental gains (McCloughlin, 2007). However, previous studies and research on local content requirements have mainly focused on the types of local content requirements employed, local content requirements attendant weaknesses, local content requirements as protectionist measures, the measurement and monitoring of local content requirements and the pros and cons of employing local content requirements. However, a gap exists in analyzing the pre-requisite enabling conditions for the successful application of local content requirements to an economy.

1.3 Objectives of the Study

1.3.1 General Objective

To examine factors affecting local content in the extractives sector in Kenya.

1.3.2 Specific Objectives

- i. To establish how policy formulation affect local content in the extractives sector in Kenya.
- ii. To analyze how capacity building affect local content in the extractives sector in Kenya.
- iii. To investigate how global market shifts affect local content in the extractives sector in Kenya.
- iv. To determine how technology affect local content in the extractives sector in Kenya.

1.4 Research Questions

- i. How does policy formulation affect local content in the extractives sector in Kenya?
- ii. To what extent does capacity building affect local content in the extractives sector in Kenya?
- iii. How does global market shifts affect local content in the extractives sector in Kenya?
- iv. To what extent does technology affect local content in the extractives sector in Kenya?

1.5 Significance of the Study

The management team responsible for extraction processes will use the study as documentation guide when implementing and formulating policies to govern local content in the extractives sector in Kenya. The government will also be in a position to use the research as budgetary tool when allocating finances to the extraction sector in Kenya. Other researchers will use the research as a guide when conducting their own research work. They will critic and research areas not articulated by the study and fill the gaps through their own research work.

1.6 Limitations of the Study

The respondents were not willing to answer the questionnaires as required by the researcher. This gave the researcher difficult time to gather the information and compile the data. The researcher had to leave the questionnaires to the respondents to answer at their free time.

The respondents feared that the information provided could not keep confidential and thus might be used by other non-governmental organizations. However, the researcher produced introduction letter from Management University of Africa as a proof the study is for academic purpose only.

1.7 Scope of the Study

The study was conducted to determine factors affecting local content in the extractives sector in Kenya with reference to Tullow Oil Limited which Kenya Headquarters are in Nairobi. The study targeted a population of 97 respondents in which a sample size of 97 respondents will be used. The variables involved in the study were; policy formulation, level of awareness, global market shifts and technology. The study took a period of four months from June 2018 to September 2018.

1.8 Chapter Summary

This chapter has reviewed the background of the study on factors affecting local content in the extractives sector in Kenya. It has also reviewed the statement of the problem, the objective of the study, research questions and justification of the study scope and limitation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter contained review of theoretical literature, empirical literature, critical literature, summary of the study and conceptual framework for the study.

2.1 Review of Theoretical Literature

2.1.1 World Systems Theory

According to Wallenstein (2013) incorporated this theory with an aim understanding how developed countries are the epicenter of the world's globalized economic activities while their counterparts, developing countries, have to subdue to their authority and policies since they are least developed and their contribution is less recognized in the international economies. Based on this view, the authors availed that developed countries have raw materials and natural resources but they do not use them. They reserve their resources for future predicaments. Instead, they commission to source and exploit raw materials from developing countries for their manufacturing plants thus worsening the state of economy of most of these countries. This theory explains why there is uneven economic development around the world which operates under the capitalism realm. The theory also showed that its time for developing countries to address this issue by instituting local development policies and regulations to not only bar exploitation from foreign countries but also to fight capitalism regime that is promoting uneven development in the developing countries.

2.1.2 Classical Economic Theory

The theory defines the interrelationship that exists between two key concepts that is free market theory and idealism and how the two theories can be replicated through formulation of protective measures to govern extraction of local content in the developing countries. According to Adam Smith, classical economic theory promotes free markets theory which mainly considered to be idealistic. He further asserted that classical economic thinkers envisioned that most of the free markets around the world are controlled by the demand and supply markets.

Adam Smith argued that such free markets would lead to the most efficient use of resources as merchants left on their own would only employ the use of their resources in the most profitable manner (Smith, 2012). The author attributes that economist implementing classical theoretical concepts agree that the main goal is to achieve self interest with an aim of producing quality products that are cost effective. Most of them believe that competitive standards are set high in the economy.

2.2 Empirical Literature Review

2.2.1 Policy Formulation

The role of the government needs to be considered at different levels as the role of central government versus sub-national government varies greatly in terms of local content policy development and practice. Their respective powers, law making capacity and role in establishing and monitoring agreements with resource companies can determine their contribution to local economic development outcomes. One common role, however, is creating a business-enabling environment through positive policy frameworks, building national and local capacity, strengthening institutions and investing in industry development, as well as constructive oversight of companies' local content plans. Constraints within the public sector that can impact on local content development include weak or under-developed industry policy, overly bureaucratic business registration or licensing processes, uncertain tax regimes, poor infrastructure, ambiguous laws, local rent seeking activity, corruption and limited human resource capacity. Donors play an important role here in strengthening the public sector through institutional capacity building programs and public sector reform initiatives (Smith, 2012).

According to Baily (2013), having a effective policy development program means instituting valid measures that can be implemented to provide solution at hand. When organizations view there polices as ineffective, organizations should take a firm stand by not implementing it across the board. Most policy analysts argue that identification of effective alternatives to policy formulation ensures that all aspects of ineffective policies are concealed with time. This should be the analytical phase of policy formulation. In the braining process of policy formulation, proposed action is usually authorized and

administered by decision makers who make up the majority representative. Based on this, two important policy actions are considered;

Effective policy alternatives should be built with sound analysis and conceived before it is well articulated. Second, a political choice should be made based on the presented alternatives. From the sentiments, extraction of local content should be instituted by an organization if the only if the proceeds from the partners yield long term benefits to the organization and the country at large. Thus, policies should be viewed from a profitable perspective by equating key consideration to all investors and stakeholders (Jones, 2011).

Regulations instituted by local content extractors represent protective measures that can be used to shield companies from competitive external forces that shape economic development. Thus, administering these measures is paramount since they can easily increase performance of local companies, improve employee productivity and yield levels and boost a country's economy. If the results are not achieved in the long term, this creates uncompetitive force which may not address new opportunities which might indicate ineffectiveness of policy formulation procedure (Macatangay, 2016).

Most policy formulation programs are basically set at the higher levels specifically in the political arena. Such arenas allow the use of top-down approach to policy formulation as means of executing distinctive activities. After they have been set by top managerial teams, the command is channeled to subordinate members who handle technical, managerial and administrative duties into sound practice. Political analysts established that before commissioning of the top-down approach process, conditions must be set to facilitate smooth implementation of effective, clear and logical objectives in line with policy formulation goals (Kalleberg, 2014).

One of the government's most significant roles in society is to establish and enforce rules that influence how firms and individuals' consumers conduct their interaction. If endowed with perfect information and total control a social welfare maximizing government would presumably establish industry rules that ensured that products and services being brought to the organization were endowed with a socially optimal level of quality. Clegg (2010) established that the process of policy making in organizations

should incorporate unforeseen situations that change very season. This is evident due to globalization that has shifted and intensified negotiation proceedings based on culture, ideas generated and factors that generate policy differentiation.

Creating a policy for the organization, the managers should identify all the policy alternatives that are available to them in a particular case. The available alternatives can be decided with the help of analyzing the external as well as internal environment of the organization. While the internal environment of the organization can help in describing the strengths and weaknesses of the organization, the external environment can help in identifying the opportunities and threats that are being faced by the organization. Therefore, the alternative selected by the managers should be capable of ensuring that the policy formulated by the managers can achieve its objectives (Blakemore, 2009).

2.2.2 Level of Awareness

Creating awareness is the ability of an institution to address matters that they know and perceive to be of importance to the society. Thus, it showcases the state of being conscious about something worthwhile. Awareness can be labeled as relative from an organizational perspective in that focuses not only on the internal matters but also portrays what happens in the external events through sensory perception. Human beings have a sense of thought and understanding thus creating awareness will make them to think twice before rejecting proposals rendered to them (John, 2010).

Lack of awareness especially when it comes to oil explosion to the community is important to help build sustainability of the project. Most of the stakeholders are not well informed on the challenges facing local content and they need to be empowered to know how this operation can be achieved. Higher forms of awareness including self-awareness require cortical contributions, but primary consciousness or basic awareness as an ability to integrate sensations from the environment with one's immediate goals and feelings in order to guide behavior, springs from the brain stem which human beings share with most of the vertebrates (Matesehe, 2013).

According to Schmidt, (2012), organizations use awareness programs to impact knowledge created is a simple concept organization use to communicate with agents in way they understand. Based on the description, awareness evaluates and monitors how individuals perceive their surrounding based on people around them and the natural environment they are responsible to protect and defend. Gathering such information provides a perfect spot for improved performance and collaboration efforts.

2.2.3 Global Market Shifts

According to John (2010), globalization has changed the way companies seek for business opportunities in the 21st century. Companies today operate in a wider spectrum to grow their businesses to be international brands. Companies that have ventured into international markets mainly consist of logistics, supplies, transportation and brand marketing have greater chance of improving their revenue base compared to companies operating in the domestic markets. Businesses that are investing, or already invested, in emerging economies will need to make a careful assessment of whether and, if so, how they should manage in these more volatile market conditions, where prospects look less certain today than they did even a few years ago. The need to spread risks across economies with different characteristics in order to manage potential volatility will become more important than ever. Of course, investors have always had to be aware of the ‘micro’ risks that doing business in certain jurisdictions may present. But there is also now a need for greater awareness of the ‘macro’ risks and therefore a need to proceed with an appropriate degree of caution while not forgetting the continuing greater long-term growth potential of emerging economies as a whole.

The main role of globalization in the word is to gain access to markets that are difficult to penetrate to increase sources of revenues. International companies that have exhausted their resources can seek new alternatives options to expand and advance their production internationally. The benefits of a globalized economy is that companies are able to access multiple markets that provide multiple opportunities not only to generate income but also to grow their empires across the globe. Since most companies that operate globally are interested in income and capital, countries that have embraced productive consumer prices become the main source of their establishment due to ready market available. In the end, international companies can use the income generated to further expand their markets in various markets. This leads to

synergy as new relationships and suppliers are used to strengthen the global brand (Mateseche, 2013).

However, globalization has its own drawbacks especially when companies have invested heavily across the globe. This means that the company has spread its risks which in turn may increase or decrease its customer base globally. On the contrary, it is important to note that globalization also helps companies to stay float some its markets make loses. This means that an economic downtime happens in one country, they can still rely on other countries to sustain their business income without any major loss. In comparison, companies operating locally are mainly affected by the shifts in demand and supply in the local markets. Even though creating a multinational company is difficult, the companies are have an advantage of accessing a pool of talented staff from various geographical boundaries. Such diversity encourages the culture of creativity and innovation to thrive in an organization. The ability to moves people around to different locations and roles are another HR benefit (McKeon, 2012).

2.2.4 Information Technology

According to Jude (2005), in the system-intensive mining sector, even maintenance measures require maximum efficiency. Data analysis is specialized field companies employ today to stay informed on market trends, future maintenance decisions that would predict any uncertainty probable to happen. Technology also helps to address marketing issues in the competitive markets such as price of commodities, global demand and supply chain network and safety measures to overcome such trends. One of the major challenges facing the mining industry is the need for companies to meet shareholders expectations. In order to stay a float in a competitive environment, companies have to adopt lean production methods that are considered to be more innovative compared to traditional methods of mining. Based on this, technological advancement plays a significant role when creating new possible measures to improve productivity and operational excellence.

Over the years, companies involved in the mining industry used to enhance operational excellence as a means of cutting production costs. Today, technological innovation has

opened up vast opportunities for companies to improve productivity and processing of transactions. Companies have instituted state of the art automation systems especially in drilling systems to increase mining activities and at the same time cut cost on manual labor and electricity costs. Some of them are able to achieve energy savings of 10 to 40% through renewable energy installations, innovative energy technologies and highly automated mining processes (Mojahed, 2015).

Innovation enhances existing procedures and show cases better approaches to achieve complex tasks which machines can deliver the same if not more yield than people in specific businesses. This outcomes in cost reserve funds for entrepreneurs, enabling them to put resources into development in different territories of the business, which contributes on a positive level to the economy in general. It has turned out to be anything but difficult to gain admittance to significant data whenever anyplace. Data is control and the individuals who discover data and utilize it well dependably succeed. With savvy contraptions like the iPad, iPhone, system tablet, clients can undoubtedly approach data through these shrewd devices since they utilize the web. These smart gadgets make it easy to access the internet and this simplifies the way we get information (Ndegwa, 2013).

2.3 Summary of the gaps to be filled

The literature reveals that implementation of extraction projects is mainly hindered by local contents that provide inadequate inputs while at the same time barring local operators from accessing required inputs from abroad. Such cases reduce the amount of taxes paid to the government which in turn affects the growth and development of local businesses.

In developing economies, companies have a difficult time accessing and supplying goods and services in the oil and extraction sector. The main reason being technical complexities have been instituted which require technical skills, bigger contractual agreements. This limits the supply chain network which in turn affects production capacity.

Finally, it's important to note that while the lack of capacity can come from a procurement perspective, it can also be an issue in the hire of local personnel. When local employment quotas are in place, operator companies not being able to find local people with the necessary knowledge and skills can result in a similar negative outcome at the total welfare level.

Policy formulation is identified as one of the factors affecting local content in the extractives sector in Kenya. Many studies have covered on factors affecting local content in the extractives sector in Kenya. However, no study has been done on how policy formulation affects local content in the extractives sector in Kenya. In addition, little has been done on effects of policy formulation, level of awareness, global market shifts and technology on extractives sector in Kenya. A study was necessary to fill the identified gaps.

2.4 Conceptual Framework

This conceptual framework seeks to show the link between the variables of interest in this study. The conceptual model figure 2.1 depicts the independent variables as they impact on the dependent variable, that is, local content

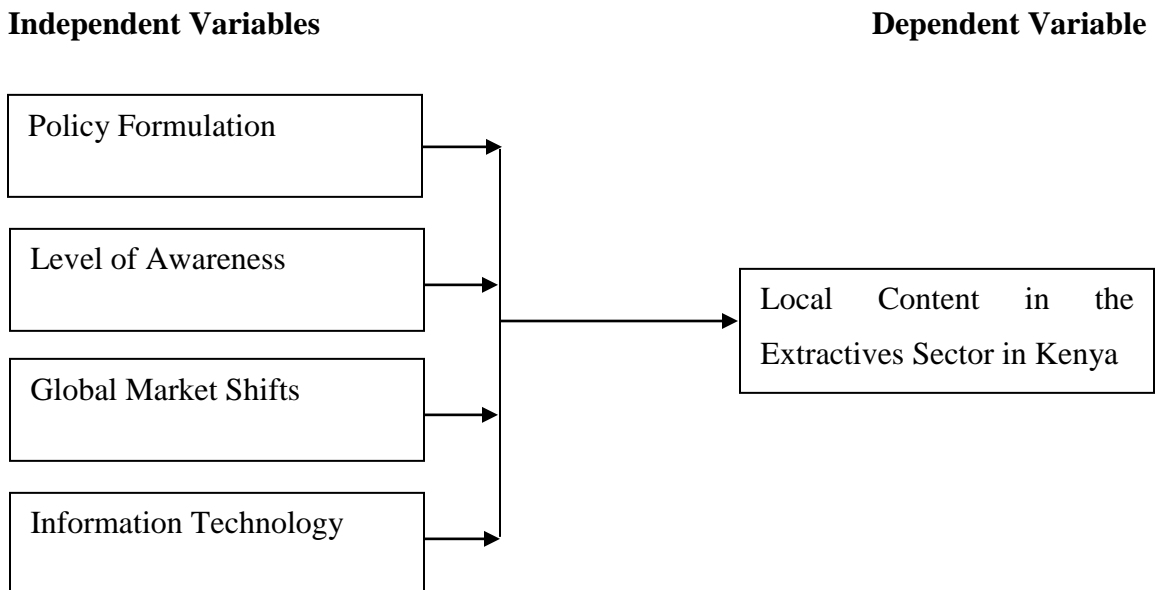


Figure 2.1 Conceptual Framework

2.5 Operationalization

2.5.1 Policy Formulation

Institution of policy formulation framework ensures that rules and regulations are adhered to at the right time place. Companies should structure their policy framework in flexible manner to attract direct foreign investments. The conditions of policy framework should offer a win-win situation before any project is commissioned.

2.5.2 Level of Awareness

High level of awareness should be created both locally and internationally on the impact of local content, and inform the communities on the benefits of this projects. This awareness should be communicated well to avoid disruption of the project implementation

2.5.3 Global Market Shifts

The market levels operation has to be evaluated based on the global marketing policies to ensure that the marketing mix are achieved. The shifts in the global market is key and the organization market pricing has to be evaluated on those standards.

2.5.4 Information Technology

The technology fields are rapidly changing and no sooner are new technology than they are discarded. It is therefore important that all industries strive to keep in progress with the changing and emerging technology. The modern technology is mainly digital.

2.6 Chapter Summary

This chapter has reviewed the existing literature on factors affecting local content in the extractives sector in Kenya; in specific it has reviewed the theoretical review, summary of the literature and the conceptual framework and operationalization

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

In this chapter, the researcher presents the research design, target population and sample size, sampling design, data collection instruments, data analysis and ethical consideration.

3.1 Research Design

Research design is defined as a systematic approach used by researchers to gather and collect information for scientific study. The main theme of research design was to enable researchers to identify concrete and plausible information that result in a meaningful outcome (Mugenda & Mugenda, 2009). The use of descriptive research design was appropriate for the study since it enabled the researcher to gather information on matters affecting local content in the extractive sector in Kenya.

3.2 Target Population

Sekaran (2010) defined target population as all the items or people under consideration in a study. The study targeted 97 employees from various departmental sections Tullow Oil Limited as shown below;

Table 3.1 Target Population

Category	Target Population	Percentage
Top management	5	5
Middle management	9	9
Support staff	83	86
Total	97	100

Source: Tullow Oil Limited (2018)

3.3 Sample and Sampling technique

Sampling as defined by Mugenda and Mugenda (2008) is the process of selecting a subset of cases to draw conclusions about the entire set. Census sampling technique was employed because it gives an equal chance of each sample to be represented in small population sample size

3.4 Data Collection Procedures

3.4.1 Questionnaires

The study used questionnaires to collect information from the respondents. A questionnaire is a set of questions or statements that assess attitudes, opinions, beliefs, and biographical information (Mugenda and Mugenda, 2008). The study employed questionnaires because they are economical and are easy to score. Use of questionnaires also eased the process of data gathering considering the time line allotted for sorting information. The questionnaires comprised of open and closed-ended questions divided into two sections. The first section addressed respondent's personal information. Section two comprised of research questions related to the study variables.

3.4.2 Validity and Reliability of Research Instruments

Validity represents the extent to which the research outcome represents the actual phenomenon of under the study (Sekaran, 2010). To enhance validity, the questionnaires were designed in relation to the research objectives and showcase the relationship between independent variables and the dependent variable. Moreover, the questionnaires were presented to the university supervisor to cement its proof of validity. The main reason for validating the questionnaires is to assess the structure and appropriateness of the questions and make the relevant adjustment before conducting a field study.

3.5 Data Analysis Methods

After data collection, before analysis, data cleaning and verification was done on all the questionnaires. Editing, coding and tabulation will be carried out (Mugenda and Mugenda, 2009). Qualitative data was obtained from open-ended questions and analyzed using thematic analysis. The results were tabulated in frequency tables for ease of

interpretation to easily visualize the various results from the respondents. Analysis of Quantitative data was done using Microsoft Excel Software.

3.6 Ethical Consideration

3.6.1 Informed Consent

An informed consent ensured that the respondents understood their rights and obligations before participating in any research study.

3.6.2 Voluntary Participation

The respondents were not forced to participate in the study. Also, the respondents have an equal right to either choose to take part in the study or withdraw at any stage based on their convenience.

3.6.3 Confidentiality

The respondents were accorded code names in form of numbers rather than use their real names. This ensured that their identity was protected from any other participant and the organization itself

3.6.4 Privacy

To ensure the privacy of the respondents, the questionnaires were distributed to the respondent's workstation or any other private area they fill secure. This ensured that there is no interference or influence from other participants.

3.6.5 Anonymity

The study collected and presents the research findings without revealing the identity of the participants or any other details that might lead to them. Based on this, the respondents were advised not to include their names or identification details. Rather, they were assigned code names during the research process.

3.7 Chapter Summary

This chapter focused on identifying appropriate research design for the study; the target population and the right sampling design and technique used; construct and explain research instrument employed and explain how the pilot study is instituted. Moreover, the chapter elaborates data analysis techniques used and how respondents' ethical considerations was achieved.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter contains data analysis based on research questions, presentation of the findings and chapter summary.

4.1 Presentation of Findings

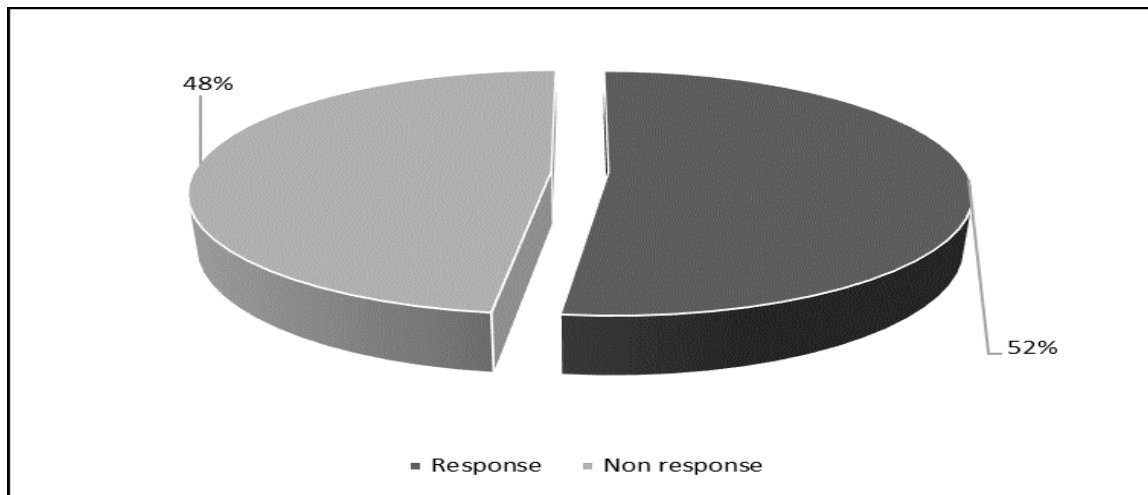
4.1.1 Response Rate

Table 4.1 Response Rate

Category	Frequency	Percentage
Response	50	52
Non response	47	48
Total	97	100

Source: Author (2018)

Figure 4.1 Response Rate



Source: Author (2018)

Table 4.1 indicates the response rate of the respondents. The study showed that 52% responded to the study while 48% did not participate in the study. From the analysis the study achieved a threshold of 77% which concur with Mugenda and Mugenda (2008) who stated that a response rate of 50% and above is excellent when conducting the study.

4.1.2 Gender Response

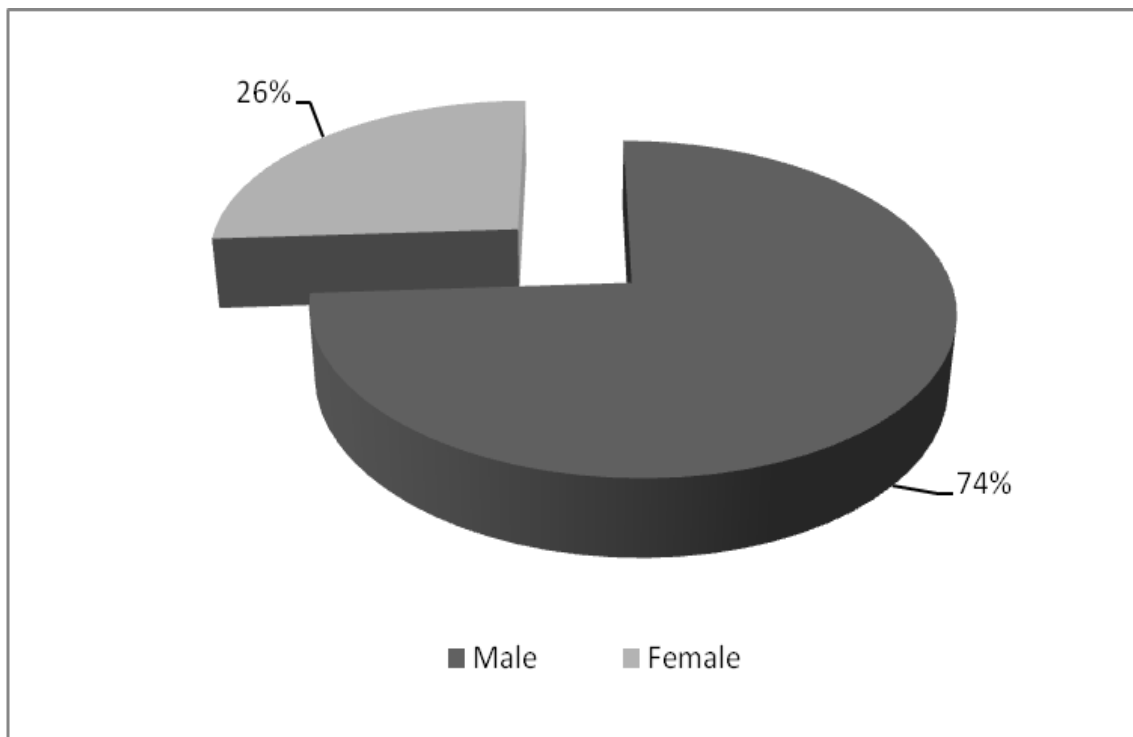
The researcher sought to find out the gender of the respondents as shown in table 4.2 and figure 4.2.

Table 4.2 Gender Response

Category	Frequency	Percentage
Male	37	74
Female	13	26
Total	50	100

Source: Author (2018)

Figure 4.2 Gender Response



Source: Author (2018)

Table 4.2 represents gender analysis of the respondents. Based on the analysis 74% represented male while 26% represented female respondents. The findings are in line with the Kenyan constitution inaugurated in 2010 which stated that gender balance should not exceed 66% for both genders.

4.1.3 Age Bracket

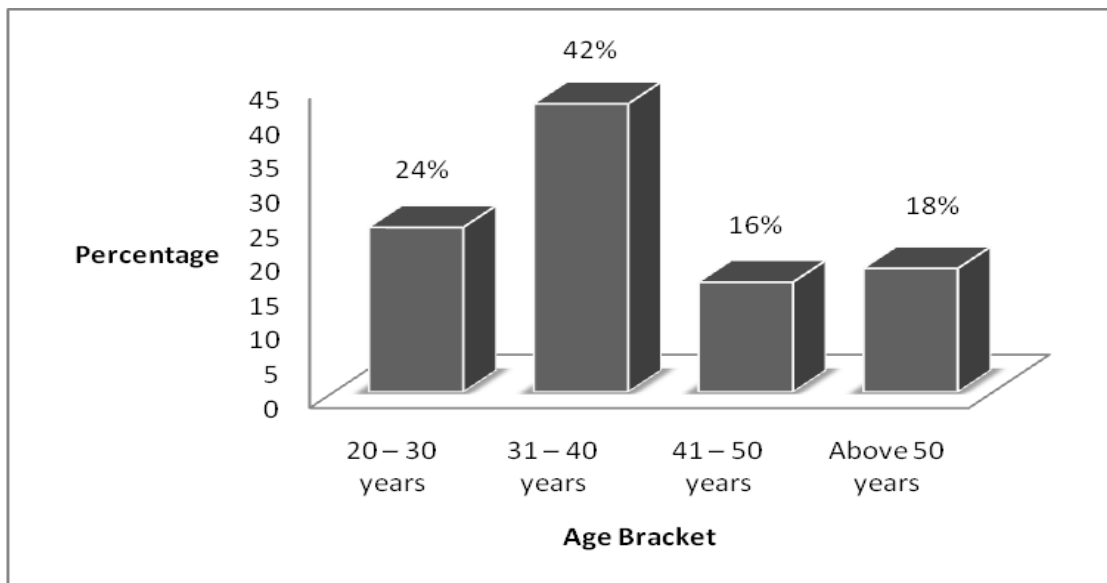
The analysis indicated the age bracket of the respondents as indicated in table and figure 4.3

Table 4.3 Age Bracket

Category	Frequency	Percentage
20 – 30 years	12	24
31 – 40 years	21	42
41 – 50 years	8	16
Above 50 years	9	18
Total	50	100

Source: Author (2018)

Figure 4.3 Age Bracket



Source: Author (2018)

The study sought to find out the age bracket of the respondents who participated in the study. The findings depict that 24% of the respondents were aged between 20-30 years, followed by 42% were between 31-40 years, 16% were between 41-50 years and 18% of the respondent were 50 and above years old. The analysis imply that the age distribution was well crafted by the organization. It was also evident that the organization constitutes of experienced and mature employees between 41-50 years of age. At the same time,

youthful workforce between 31-40 years indicates that transitional changes within the organization may influence local content in the extractives sector.

4.1.4 Highest Level of Education

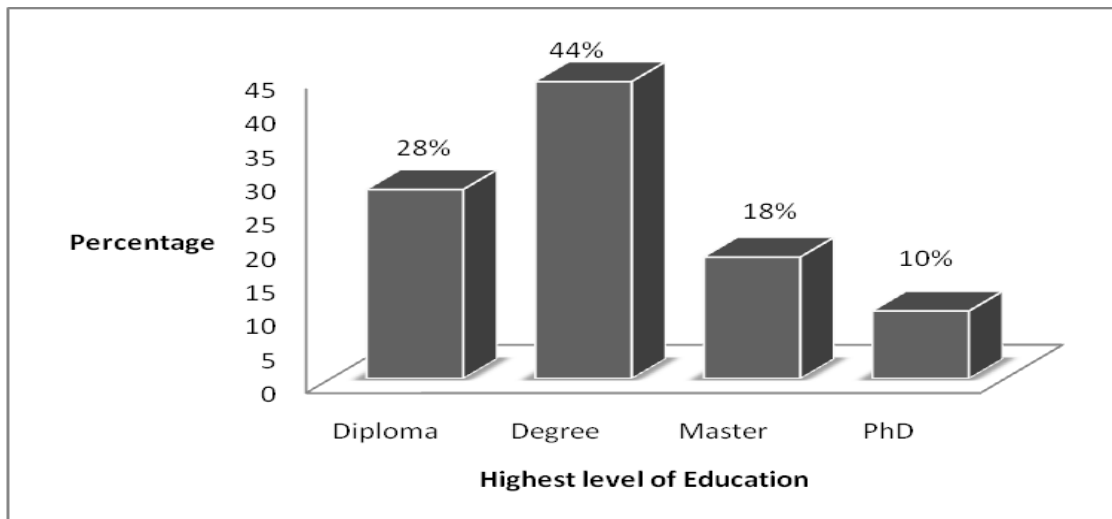
Based on the analysis it indicated the level of education for the respondents as shown below.

Table 4.4 Highest Level of Education

Category	Frequency	Percentage
Diploma	14	28
Degree	22	44
Master	9	18
PhD	5	10
Total	50	100

Source: Author (2018)

Figure 4.4 Highest Level of Education



Source: Author (2018)

The study shows that majority of the respondents at 44% were degree holders, 28% were diploma holders, 18% were masters holders and 10% were PhD holders. This analysis implies that Tullow Oil Limited employees are highly educated to handle any challenge within the organization.

4.1.5 Number of years of service

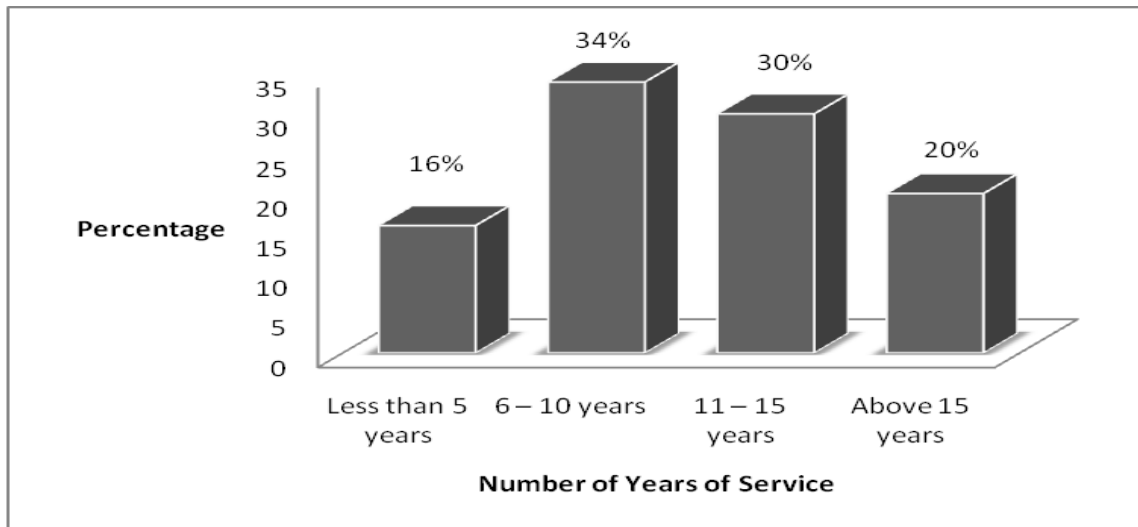
On the level of experience of the respondents, it shows that the organization has well experiences employees as shown in the analysis below.

Table 4.5 Number of years of service

Category	Frequency	Percentage
Less than 5 years	8	16
6 – 10 years	17	34
11 – 15 years	15	30
Above 15 years	10	20
Total	50	100

Source: Author (2018)

Figure 4.5 Number of years of service



Source: Author (2018)

Concerning number of years served within the organization, it is evident that majority of the respondents at 34% had served the organization for 6-10 years, followed by 30% who have worked for 11-15 years, 20% have served for more than 15 years and 16% of the respondents have served the organization for less than 5 years. This implies that Tullow Oil Limited employees have vast experience on matters concerning extraction of local content.

4.1.6 Policy Formulation

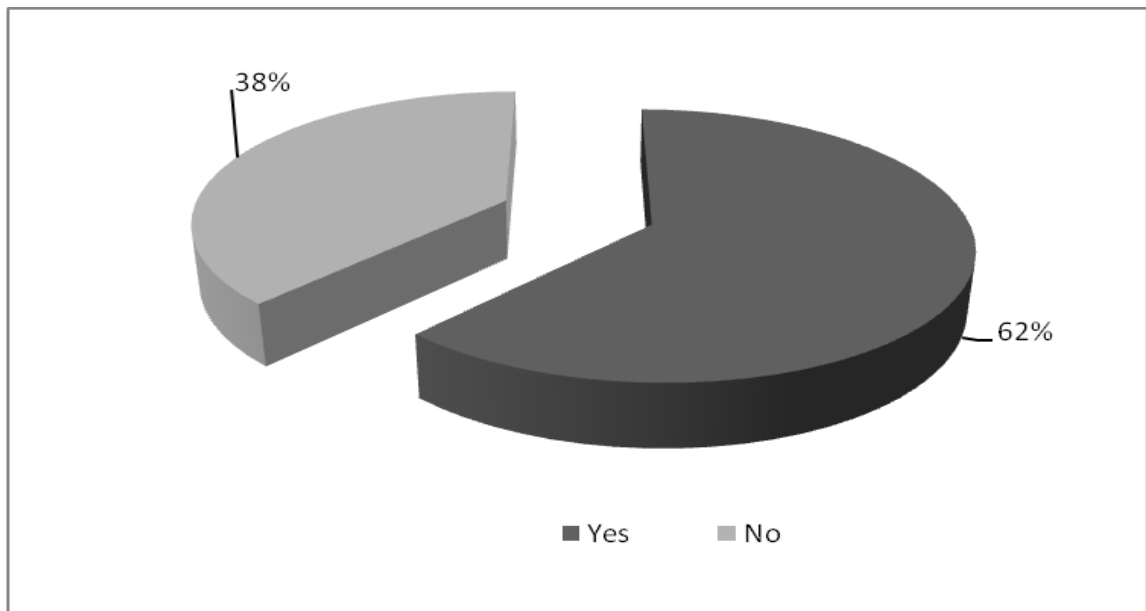
Policy are rules and regulations laid down by relevant authorities to make any operation in the organization to succeed

Table 4.6 Effects of policy formulation on local content in the extractives sector in Kenya

Category	Frequency	Percentage
Yes	31	62
No	19	38
Total	50	100

Source: Author (2018)

Figure 4.6 Effects of policy formulation on local content in the extractives sector in Kenya



Source: Author (2018)

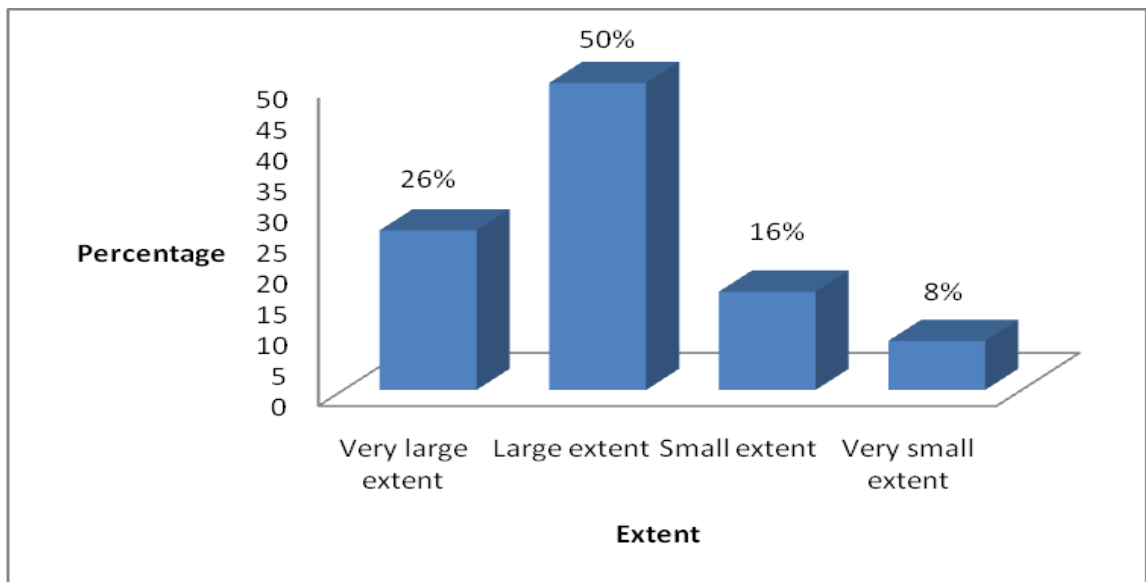
Analysis showed indicated the effects of policy formulation on local content in the extractives sector in Kenya where 62% of the respondents accepted that policy formulation does affect while 38% disagreed it does not. From the findings it is indicated that policy formulation does affect local content in the extractives sector.

Table 4.7 Extent to which policy formulation affect local content in the extractives sector in Kenya

Category	Frequency	Percentage
Very large extent	13	26
Large extent	25	50
Small extent	8	16
Very small extent	4	8
Total	50	100

Source: Author (2018)

Figure 4.7 Extent to which policy formulation affect local content in the extractives sector in Kenya



Source: Author (2018)

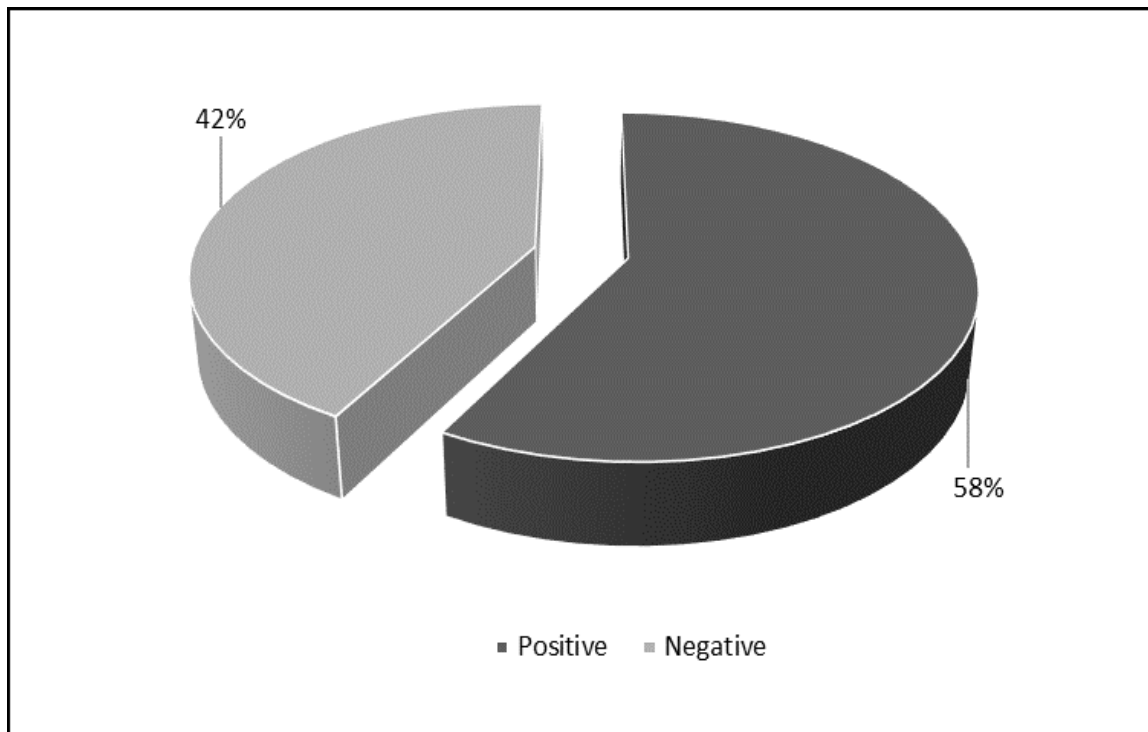
The analysis on table 4.7 shows that majority of the respondents at 50% indicated that policy formulation affects local content extraction to a large extent, followed by 26% who indicated very large extent, 16% and 8% of the respondents indicated small extent and very small extent respectively. This implied that policy formulation affects local content in the extractives sector at a large extent.

Table 4.8 Impact of policy formulation on local content in the extractives sector in the organization

Category	Frequency	Percentage
Positive	29	58
Negative	21	42
Total	50	100

Source: Author (2018)

Figure 4.8 Impact of policy formulation on local content in the extractives sector in the organization



Source: Author (2018)

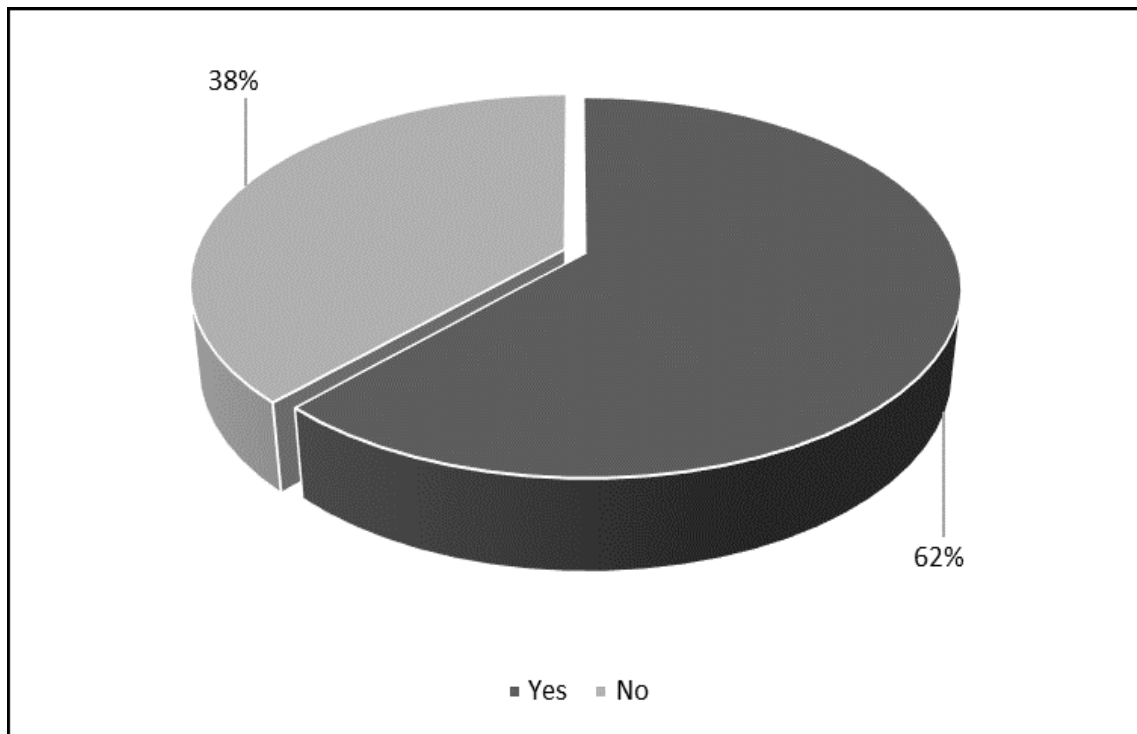
The study sought to determine whether policy formulation affects local content in the extractives sector. The findings revealed that 58% agreed that policy formulation affects local content against 27% who stated otherwise. The high response agreement from the respondents indicates policy formulation does have a significant influence in the extraction of local content.

Table 4.9 whether there is any support from the management on local content in the extractives sector

Category	Frequency	Percentage
Yes	31	62
No	19	38
Total	50	100

Source: Author (2018)

Figure 4.9 whether there is any support from the management on local content in the extractives sector



Source: Author (2018)

Concerning whether support was given from the management facilitate local content in the extractives sector, majority of the respondents at 62% agreed that management support was prevalent while 38% stated otherwise. This showcase that management support is prevalent to support extraction of local content.

4.1.7 Level of Awareness

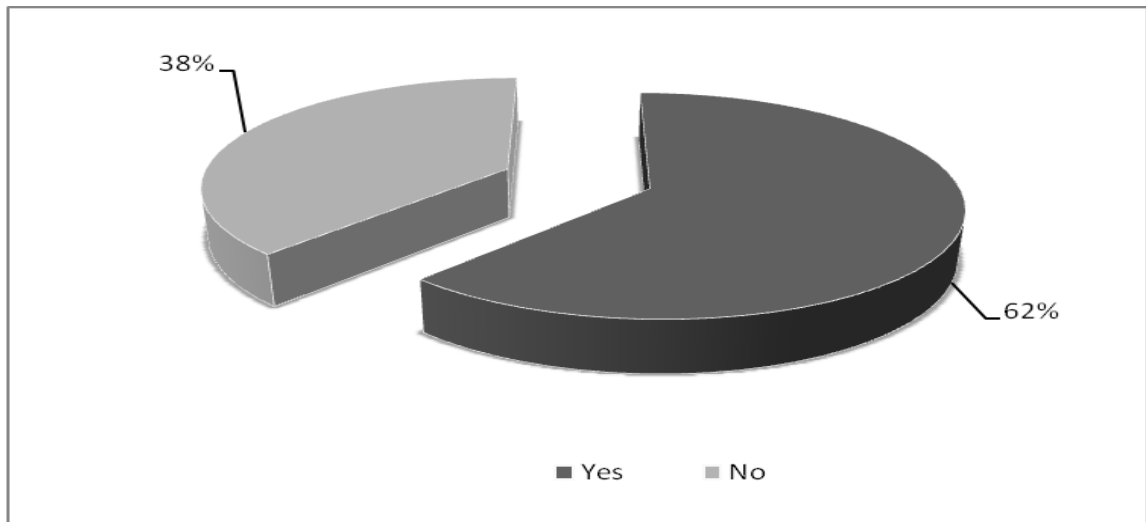
Awareness is key to the success of the project for it reduces conflict with the locals. This should be done through the relevant government agencies, the local community as well as the company being involved in this operation.

Table 4.10 Effects of level of awareness on local content in the extractives sector in Kenya

Category	Frequency	Percentage
Yes	31	62
No	19	38
Total	50	100

Source: Author (2018)

Figure 4.10 Effects of level of awareness on local content in the extractives sector in Kenya



Source: Author (2018)

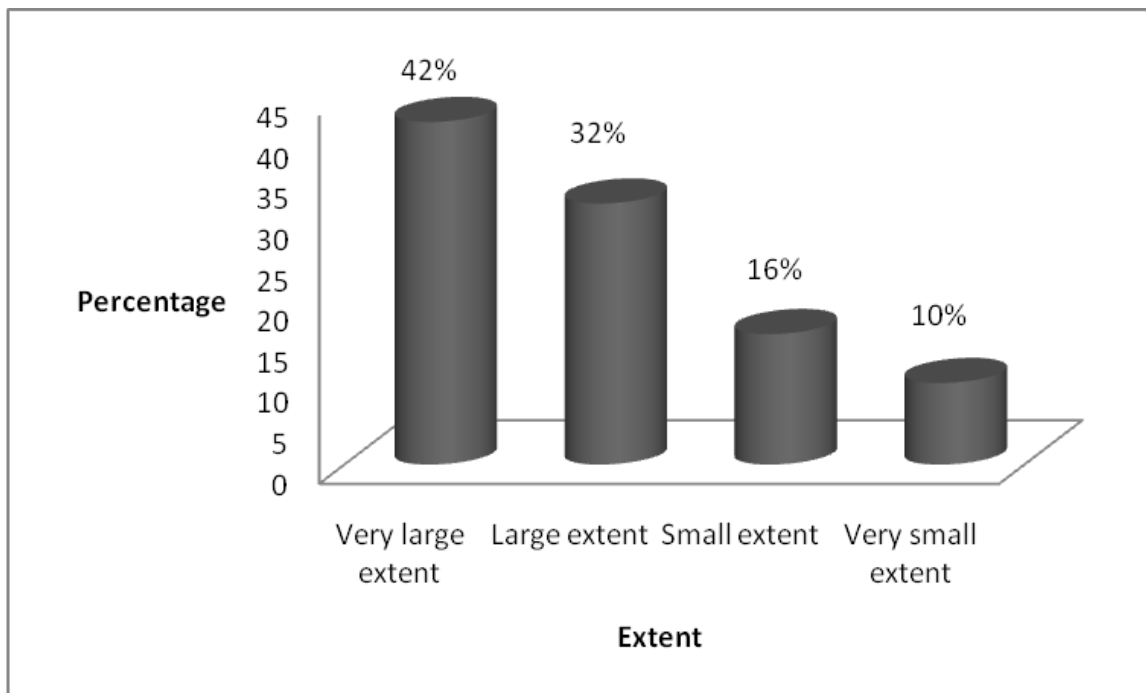
According to findings 62% of the respondents agreed that the effects of level of awareness on local content in the extractives sector in Kenya against 38% of them disagreed. This implies that Tullow Oil Limited employs programs to educate its employees on latest events in the local content extraction.

Table 4.11 Extent to which level of awareness affect local content in the extractives sector in Kenya

Category	Frequency	Percentage
Very Large extent	21	42
Large extent	16	32
Small extent	8	16
Very small extent	5	10
Total	50	100

Source: Author (2018)

Figure 4.11 Extent to which level of awareness affect local content in the extractives sector in Kenya



Source: Author (2018)

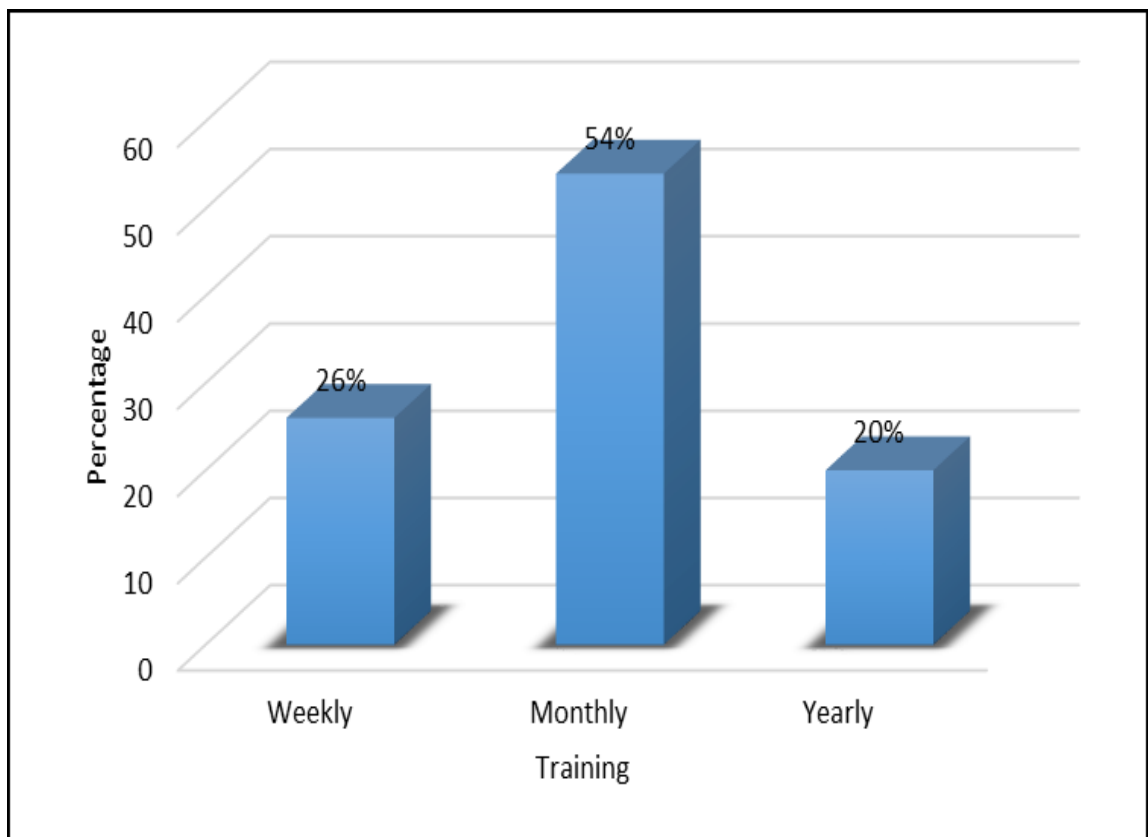
The findings on table 4.11 depicts that 42% indicated the level of awareness affects local content extraction to a very large extent, 32% stated large extent, 16% indicated small extent and 10% stated very low extent. This implied that the level of awareness affects local content in the extractives sector in Kenya.

Table 4.12 How regular the organization conduct level of awareness

Category	Frequency	Percentage
Weekly	13	26
Monthly	27	54
Yearly	10	20
Total	50	100

Source: Author (2018)

Figure 4.12 How regular the organization conduct level of awareness



Source: Author (2018)

The study analysis showcases that 26% indicated that level of awareness is done on a weekly basis; 54% stated monthly basis and 20% of them indicated on a yearly basis. This implied that level of awareness to their employees on a monthly basis.

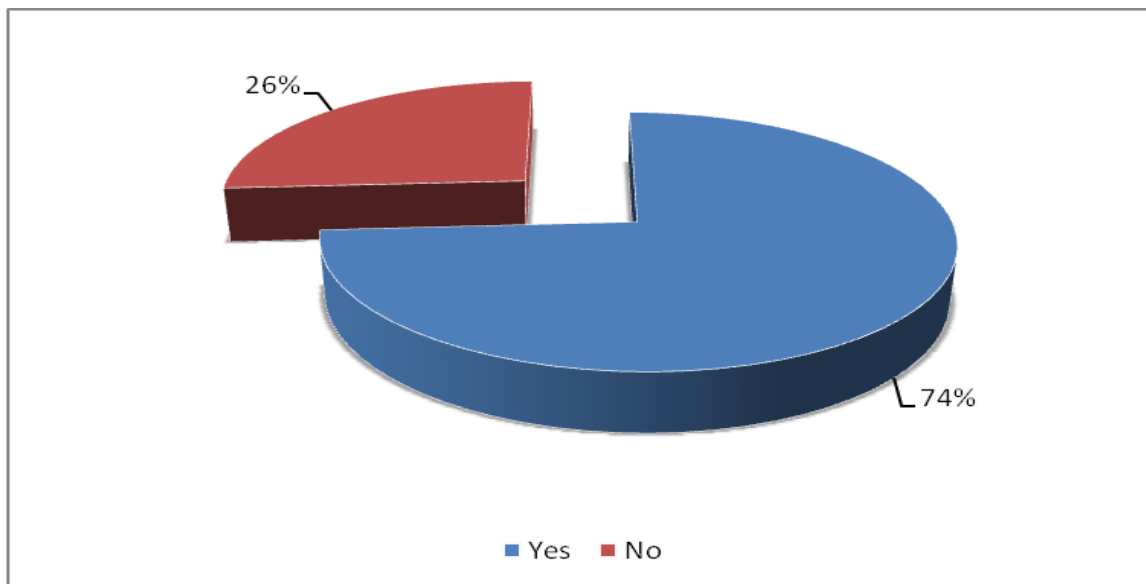
4.1.8 Global Market Shifts

Table 4.13 Effects of global market shifts on local content in the extractives sector in Kenya

Category	Frequency	Percentage
Yes	37	74
No	13	26
Total	50	100

Source: Author (2018)

Figure 4.13 Effects of global market shifts on local content in the extractives sector in Kenya



Source: Author (2018)

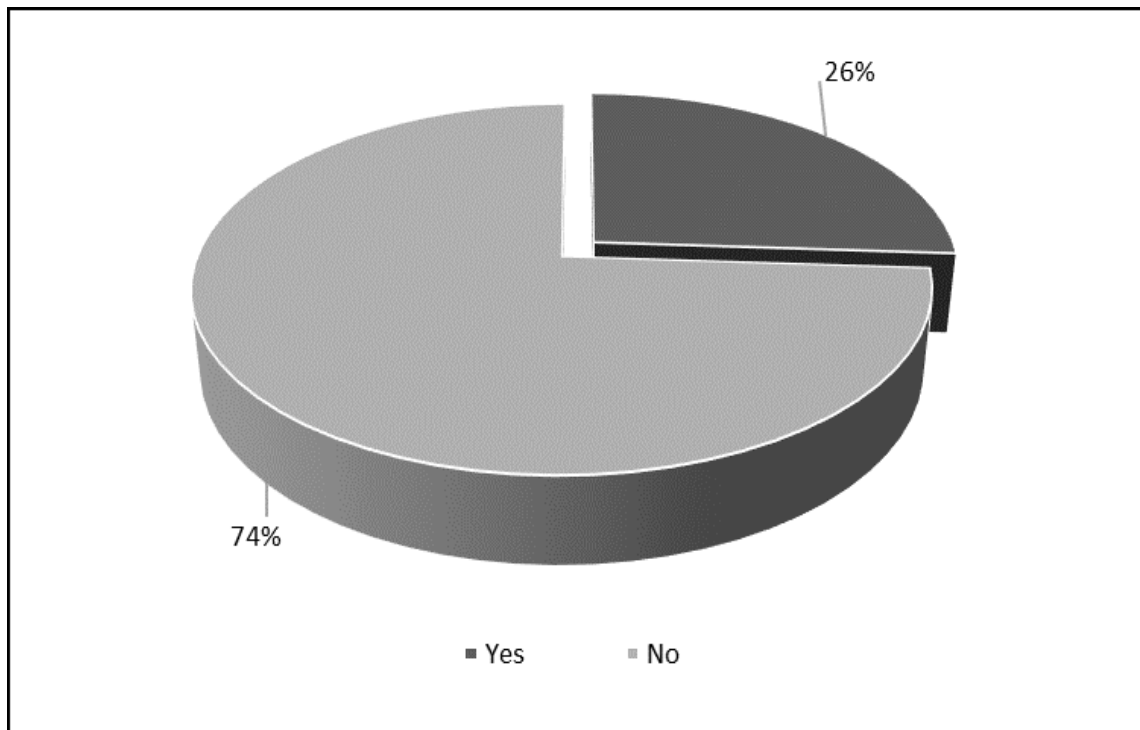
Analysis on table 4.13 shows that 74% of the respondents agreed that global markets affect local content in the extractives sector against 26% who disagreed with the sentiments. The analysis implied that companies operating in a globalized market does influence extraction of local content in developing countries.

Table 4.14 Whether the organization is really prepared in matters related to local content in the extractives sector

Category	Frequency	Percentage
Yes	13	26
No	37	74
Total	50	100

Source: Author (2018)

Figure 4.14 Whether the organization is really prepared in matters related to local content in the extractives sector



Source: Author (2018)

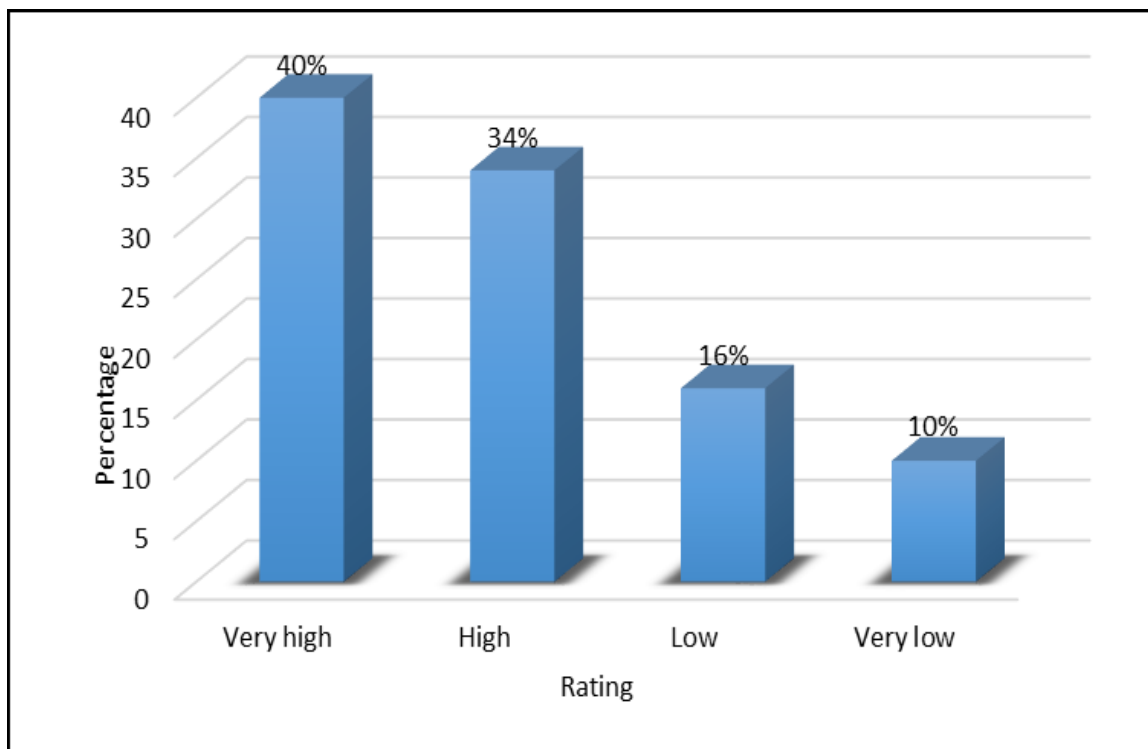
On readiness to tackle issues related to local content extraction, the analysis shows that 26% of the respondents indicated the company was well prepared to handle local content issues while 74% indicated the company was not prepared to handle matters that arose due to local content in the extractives sector. This implies uncertainty preparedness measures which encompasses disaster prepared programs is not well addressed by Tullow Oil Limited.

Table 4.15 Rating of global market shifts on local content in the extractives sector in Kenya

Category	Frequency	Percentage
Very high	20	40
High	17	34
Low	8	16
Very low	5	10
Total	50	100

Source: Author (2018)

Figure 4.15 Rating of global market shifts on local content in the extractives sector in Kenya



Source: Author (2018)

On the rating of global market shifts, 40% indicated that global market shift has a very high effect on local content extraction, 34% indicated the effect to be high, 16% low and 10% indicated the effect to be very low. This implied that global market shifts on local content in the extractives sector as very high.

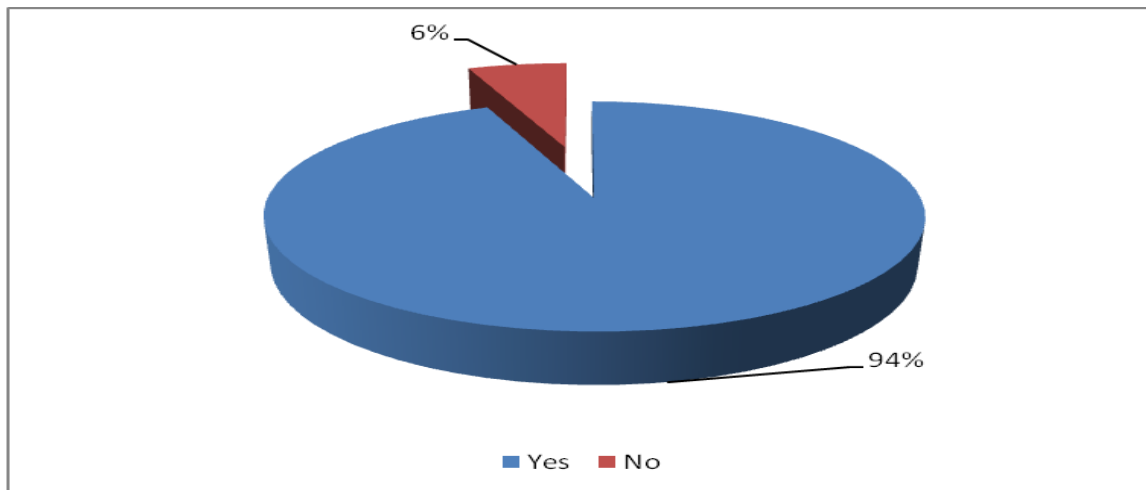
4.1.9 Information Technology

Table 4.16 Effects of information technology on local content in the extractives sector in Kenya

Category	Frequency	Percentage
Yes	47	94
No	3	6
Total	50	100

Source: Author (2018)

Figure 4.16 Effects of information technology on local content in the extractives sector in Kenya



Source: Author (2018)

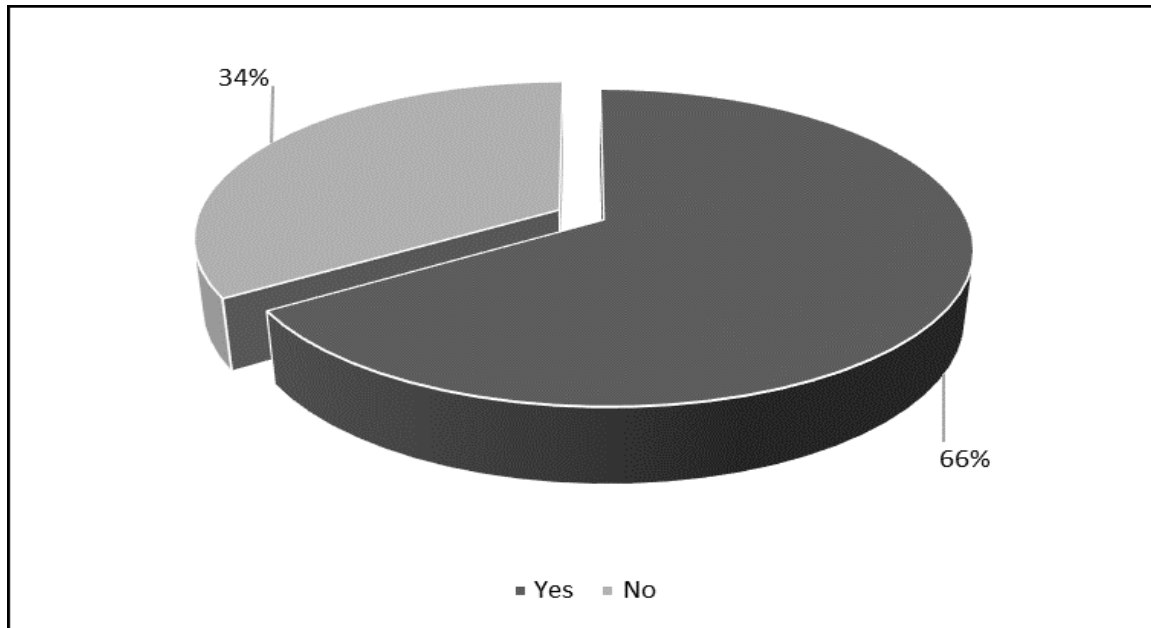
The study analysis showed that 94% of the respondents agreed that information technology affects local content extractives against 6% who disagreed. This showed that information technology plays a significant role during local content extraction at Tullow Oil Limited.

Table 4.17 Whether information technology are a threat to local content in the extractives sector

Category	Frequency	Percentage
Yes	33	66
No	17	34
Total	50	100

Source: Author (2018)

Figure 4.17 Whether information technology are a threat to local content in the extractives sector



Source: Author (2018)

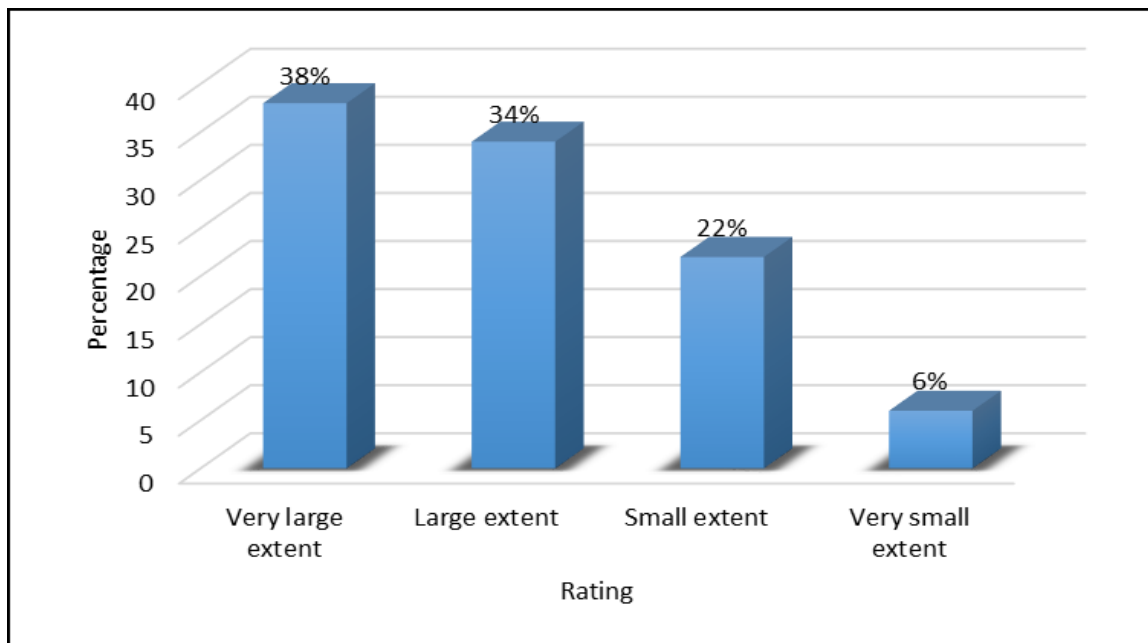
The respondents were asked to indicate whether information technology is a threat to local content extraction. The analysis on table 4.17 revealed that majority of them at 66% agreed that information technology is a threat while 34% disagreed it is not a threat. This implied that proper information technology should be implemented in the organization.

Table 4.18 Extent to which information technology affect local content in the extractives sector in Kenya

Category	Frequency	Percentage
Very large extent	19	38
Large extent	17	34
Small extent	11	22
Very small extent	3	6
Total	50	100

Source: Author (2018)

Figure 4.18 Extent to which information technology affect local content in the extractives sector in Kenya



Source: Author (2018)

Concerning the extent to which information technology affects local content extraction in Kenya, majority of the respondents at 38% indicated very large extent, 34% stated large extent, 22% indicated small extent and 6% indicated very small extent. This showed that information technology affects local content in the extractives at a very large extent.

4.2 Chapter Summary

This chapter discussed summary of data analysis and the number of respondents who participated in the study. It also highlighted demographic background of the participants, how data was sorted, analysed and presented, and limitations experienced by the researcher while collecting data from the respondents.

CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSIONS

5.0 Introduction

This chapter comprises of summary and conclusion of the study based on the findings detailed in chapter four. It also provides recommendations and conclusive remarks on how to improve local content in the extraction sector.

5.1 Summary

5.1.1 How does policy formulation affect local content in the extractives sector in Kenya?

The study findings revealed that 62% of the respondents accepted that policy formulation does affect while 38% disagreed it does not. This implied that that policy formulation does affect local content in the extractives sector. Majority of the respondents at 50% also asserted that policy formulation affects local content extraction to a large extent, followed by 20% who indicated very large extent, 16% and 8% of the respondents indicated small extent and very small extent respectively. This implied that policy formulation affects local content in the extractives sector at a large extent. The management of the organization should formulate proper policies to help the organization to improve local content in the extractives sector.

5.1.2 To what extent does level of awareness affect local content in the extractives sector in Kenya?

According to the findings 62% of the respondents agreed that the effects of level of awareness on local content in the extractives sector in Kenya against 38% of them disagreed. This implied that Tullow Oil Limited employs programs to educate its employees on latest events in the local content extraction. On the rating, 42% indicated the level of awareness affects local content extraction to a very large extent, 32% stated large extent, 16% indicated small extent and 10% stated very low extent. This implied that the level of awareness affects local content in the extractives sector in Kenya. The study findings also showcase that 26% of the respondents indicated that level of awareness is done on a weekly basis, 54% stated monthly basis and 20% of them

indicated on a yearly basis. This implied that level of awareness to their employees on a monthly basis. Majority of the respondent asserted that local content in the extractives sector, therefore the management should invest on level of awareness on this employees and community in general.

5.1.3 How does global market shifts affect local content in the extractives sector in Kenya?

The study findings showed that 74% of the respondents agreed that global markets affect local content in the extractives sector against 26% who disagreed with the sentiments. The analysis implied that companies operating in a globalized market does influence extraction of local content in developing countries. On readiness to tackle issues related to local content extraction, the analysis showed that 26% of the respondents indicated the company was well prepared to handle local content issues while 74% indicated the company was not prepared to handle matters that arose due to local content in the extractives sector. This implied uncertainty preparedness measures which encompasses disaster prepared programs is not well addressed by Tullow Oil Limited. On the rating of global market shifts, 40% indicated that global market shift has a very high effect on local content extraction, 34% indicated the effect to be high, 16% low and 10% indicated the effect to be very low. This implied that global market shifts on local content in the extractives sector as very high.

5.1.4 To what extent does information technology affect local content in the extractives sector in Kenya?

The study findings showed that 94% of the respondents agreed that information technology affects local content extractives against 6% who disagreed. This showed that information technology plays a significant role during local content extraction at Tullow Oil Limited. On the level of threat posed by information technology in the local content extraction, the findings availed that majority of the respondents at 66% agreed that information technology is a threat while 34% disagreed it is not a threat. This implied that proper information technology should be implemented in the organization. Concerning the extent to which information technology affected local content extraction in Kenya, majority of the respondents at 38% indicated very large extent, 34% stated large extent,

22% indicated small extent and 6% indicated very small extent. This showed that information technology affects local content in the extractives at a very large extent. Proper technological knowhow should be implemented in the organization

5.2 Recommendations

The study recommended that the organization should formulate proper regulations to deal with local content in the extractives sector. Also creating a policy for the organization, the managers should identify all the policy alternatives that are available to them in a particular case.

The study recommends that the company should partner with government to formulate policies that will govern institution of capacity building programs in the region. This can be achieved through continuous training and development programs to familiarize employees with the new technological structures to improve extraction of local content in the region.

The researcher recommended that market global shifts should be evaluated to ensure that they can help to correct market failures, which arise when there is a distortion that keeps the market from allocating resources efficiently and adjusting to a steady state, with the result that domestic industries cannot gain the necessary technology and capacity to compete on the open market without outside intervention and protection

The researcher recommended that the firm should seek to acquire acute market information through market intelligence systems like marketing information systems and web based environmental relations management on local content in the extractives sector.

5.3 Conclusion

The study concludes that Tullow Oil Limited the company should formulate flexible policy mechanisms to govern how investors in the region use Oil proceeds in the region. It was also apparent that capacity building programs are implemented continuously educate employees on how to handle chemical compounds from the extractions. The real value of the benefit of local content. If Kenyan economic and human development is achievable through local content then by all means, the end justifies the means. However,

Kenya needs to overhaul the current legal and socio-economic framework in order to lay the necessary ground work and create an enabling environment for local content in its extractives sector.

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APPENDIX II
QUESTIONNAIRE

For each of the question below, please tick in the space provided for the answer that describes your opinion.

SECTION I: GENERAL INFORMATION

1. Gender
- Male Female
2. Age Bracket – Complete Years
- 20 – 30 Years 31-40 Years
- 41 - 50 Years Above 50 years
3. Highest Academic Qualification:
- Diploma Degree
- University PhD
4. Number of Years of Service
- Less than 5 years 6 – 10 years
- 11 – 15 years Above 15 years

SECTION II: POLICY FORMULATION

5. Does policy formulation affect Local Content in the Extractives Sector in Kenya?
- Yes No
6. To what extent does policy formulation affect Local Content in the Extractives Sector in Kenya?
- Very large extent Large extent
- Small extent Very small extent

7. What is the impact of policy formulation on local content in the extractives sector in Kenya?

Positive Negative

8. Is there any support from the management on local content?

Yes No

9. What measures should be put in place to ensure that local content is delta with?

Explain

.....
.....
.....

SECTION III: LEVEL OF AWARENESS

10. Does level of awareness affect local content in the Extractives Sector in Kenya?

Yes No

11. To what extent does level of awareness affect local content in the Extractives Sector in Kenya?

Very large extent Large extent

Small extent Very small extent

12. How regular does the organization conduct level of awareness?

Weekly Monthly Yearly

13. Why is level of awareness important for the success of local content?

Explain

.....
.....
.....

SECTION IV: GLOBAL MARKET SHIFTS

14. Does global market shifts affect local content in the Extractives Sector in Kenya?

Yes No

15. Do you believe that the organization is really prepared in matters related to local content?

Yes No

16. How does global market shifts affect local content in the Extractives Sector in Kenya?

Very high High

Low Very low

17. What measures should be put in place to ensure that there is proper evaluation of global market shifts?

Explain

.....
.....
.....

SECTION V: INFORMATION TECHNOLOGY

18. Does information technology affect local content in the Extractives Sector in Kenya?

Yes No

19. Do you think that information technology are a threat to local content?

Yes No

20. To what extent does information technology affect local content in the Extractives Sector in Kenya?

Very large extent Large extent

Small extent Very small extent

21. What would you like the government to do which will help solve the problems of local content?

.....
.....
.....

THANK YOU FOR YOUR PARTICIPATION