

**EFFECTS OF COMPETITIVE STRATEGIES ON THE
COMPETITIVE ADVANTAGE OF AUDITING FIRMS IN
NAIROBI COUNTY, KENYA**

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**Effects of Competitive Strategies on the Competitive advantage of
Auditing Firms in Nairobi County, Kenya**

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DECLARATION

This research project is my original work and has not been presented for a degree to any other university.

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HD333-C002-2693/2014

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

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DEDICATION

I dedicate this research study to my loving mother, for always being with me throughout my academic journey. All that I am, I owe to you mum. Thank You.

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I give thanks and praises to our Almighty God for His blessings, guidance and granting me good health while carrying out this study.

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ABSTRACT

The ever changing and turbulent competitive business environment pose major challenges to large auditing firms like any other organization in Kenya and managers have been struggling to compete favorably. Porter argues that superior performance can be achieved through pursuit of a competitive generic Strategy. This has made identification and pursuit of the right competitive strategies as a source of superior performance to become a predominant priority in all organizations. Nevertheless, the application of the right strategies is still a concern in many large auditing firms which have made little effort to comprehend how Generic Strategies can give them a performance advantage over their rivals. This study sought to evaluate the effects of competitive strategies on the competitive advantage of auditing firms in Nairobi County, Kenya. The specific objectives of the study were: to establish the effects of service quality strategy on the competitive advantage of auditing firms in Nairobi County, Kenya, to determine the effect of software development strategy on the competitive advantage of auditing firms in Nairobi County, to ascertain the effect of staff training strategy on the competitive advantage of auditing firms in Nairobi County, and to find out the effects of leadership quality strategy on the competitive advantage of auditing firms in Nairobi County. A review of the relevant literature was undertaken in order to eliminate duplication of what has been done and provide a clear understanding of existing knowledge base in the problem area. The literature review was based on authoritative, recent, and original sources such as journals, books, thesis and dissertations. On the methodology the study utilized a descriptive research design to undertake the study. The target population comprised of 678 registered audit firms in Nairobi County. The study adopted the stratified sampling technique. From the possible 678 target population, stratified random sampling was employed to select a total of 136 sample population. A questionnaire was used to collect primary data from the respondents. Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis. Data was analyzed using descriptive statistics whereby frequencies and percentages, generated from the various data categories were computed and presented in

graphs, pie charts and tables. The study found that nature of services help reduce wastage which increases competitive advantage of the organization. The study also found that the nature of the software increases service delivery which increases the competitive advantage of the firm. The study concluded that qualification of the staff members helps in creating efficiency which improves the competitive advantage. The study recommend that audit firms should adopt strategies such as diversification of products to include consultancy and accountancy, charging reasonable fees, expansion to new market and ethical considerations, and efficient and timely service to client.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their products, regardless of how good they are, simply do not sell themselves (Kotler, 2001). Achieving competitive advantage is a major pre-occupation of the managers in many businesses today. Organizations globally now seek to actively differentiate themselves from their competitors in terms of quality of service, flexibility, customization, innovation and rapid response (Ghalayani & Noble, 1996). The environment is complex and ever changing and it will continue to change rapidly and unpredictably (Burnes, 1996). According to Ansoff and Mc Donnell (1990), major escalation of environment turbulence means a change from a familiar world of new technologies, new competitors, new consumer attitudes, new dimensions of social control and above all an unprecedented questioning of a firms role in society. Mann (1995) notes that inefficiencies within commercially oriented state enterprises have clear national, financial and fiscal implications as their activities impact directly on overall public sector expenditure and resources.

Organizations have come to the realization that in today's competitive market every investment ought to deliver returns either in the short run or in the long run. The allocation of resources to different aspects of business is informed by the ultimate competitive advantage that the business stands to gain in relation to its competitors. The benefits that accrue from such investment are usually expected to be in line with the overall purpose of existence of the firm (mission) that is expressed in a plan of action for allocating resources effectively (strategy). Organizations operate in a dynamic environment characterized by technological changes, competition, regulatory requirements, economic changes and opportunistic strategic decisions. The turbulent

market conditions makes organizations settle on a specific area of strength to drive the earnings and ensure maximization of the owners' equity (Carroll, 1996). World over, participants in a given industry compete with each other, but they also must cooperate with one another in many respects. Porter (1980) provided a framework that models an industry as being influenced by five forces: Rivalry between the players, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products and the threat of new entrants.

A strategy is a game plan that a firm adopts to gain competitive advantage. Without a strategy, decisions made today could have negative impact on future results. Strategy is a tool which offers significant help for coping with turbulence confronted by business firms (Ansoff & Mc Donnell, 1990). Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences to meet the needs of markets and to fulfill stakeholders' expectations. The formulation of competitive strategy in any industry involves first the comprehension of the fundamental determinants of competition. Competition is defined as the fight for market share between two or more firms. An understanding of competition helps the strategy makers in evaluating whether the degree of competition in an industry offers scope for good profitability. It promotes sound strategic thinking about how to develop the overall competitive strategy for the company. Development of competitive position helps the firm to more accurately forecast both short and long-term growth and its profit potentials (Pearce & Robinson, 2000).

1.1.1. Competitive Strategies in auditing industry

The concept of service quality strategy originates from consumer behavior and confirmation/disconfirmation paradigm. The paradigm postulates that customers compare the quality of the service after usage to that of their expectations before usage, and indicate their satisfaction/dissatisfaction with the services purchased. Literature

maintains that customers evaluate service quality by comparing the service provider's actual performance "perception" with what they think service performance would be "expectations" in their service experience. Service quality is defined as customer perception of how well a service meets or exceeds their expectations or the degree of discrepancy between customers' normative expectation for service and their perceptions of service performance. Many practitioners define service quality as the difference between customer's expectations for the service encounter and the perceptions of the service received (Munusamy *et al.*, 2010). Customer expectation and perception are the two key ingredients in service quality. Oliver (1980) posits that customers judge quality as „low“ if performance (perception) does not meet their expectation and quality as „high“ when performance exceeds expectations. Stakeholders need to focus on the type of service quality strategy they are using to ascertain whether they meet the customers' needs, as this will ensure they have competitive advantage.

Software development strategy is an aspect of technology which is becoming increasingly important in today's business world. Advances in technology are paving the way for businesses to become more productive and efficient than ever before. The auditing profession is a prime example of a business that has adapted over the past few decades to incorporate the use of new technology. Auditing firms have embraced the use of electronic software, and the industry continues to adapt and incorporate new technologies and software developments. Auditors use technology to aid in communication and the completion of tasks (Banker *et al* 2005). Electronic mail (e-mail) has greatly contributed to globalization by making it easy to communicate across geographic regions and all around the world. E-mail has assisted in connecting professionals and facilitates communication between auditing firms and clients. E-mail is also beneficial for communicating internally at firms between practices. For example, an employee in the audit division of the firm can easily send a message or transfer documents electronically via e-mail to someone in the tax division. Programs, such as Excel, are used to manage financial information.

Staff training strategy involves training and development of workforces and managers (Briscoe 1995). Training and development are often used to close the gap between current performances and expected future performance. Training and development is a function which has been argued to be an important function of HRM (Mintzberg & Waters, 1985). Amongst the functions activities of this function is the Identification of the needs for training and development and selecting methods and programmes suitable for these needs, plan how to implement them and finally evaluating their outcome results. Linstead *et al.* (2004) argues that policies are necessary to ensure that employee performance is evaluated, which in turn ensures that the appropriate training and development take place. With the help of the performance appraisal reports and findings, the organization can be able to identify development needs. However, individuals themselves can help to indicate the areas requiring improvement as a result of the issues raised in the performance appraisal process and their career path needs.

A leadership quality strategy is one in which organizations depend upon capable, strategic and visionary leadership to guide them through unprecedented changes. Leadership competencies are a requirement for most organizations in today's competitive market place. The goal of establishing competencies for leaders in the business environment should lead to better define what functions leaders must execute to make themselves different from others and make their organizations effective. Competencies have become a more prevalent method of identifying the requirements of supervisory, managerial, and leadership positions, rather than job or task analysis techniques, because they provide a more general description of responsibilities associated across these positions (Briscoe & Hall, 1999); it's a transaction of work, goal realization, or performance of a certain role in the business process. Based on these facts, Leadership development should begin and end with the business's strategy and objectives in Mind (Bleak & fulmer, 2009; Mintzberg, 1973).

1.1.2 Competitive Advantage in Auditing Industry

In an industry, success factors may be many, but key ones or those with strongest effect are few. Porter (1985) describes a success factor in an industry as the aspect that enables firms in the industry to succeed. He adds that sound strategy incorporates efforts to be competent on all key industry success factors and excel on at least one such factor to create a competitive advantage. If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1980). Walker (2004) points out that in order to achieve competitive advantage, a firm must offer value to customers at a cost that produces economic performance superior to rivals. The firm must then defend this position from competitors. He further concludes that the two major elements of competitive advantage are: positioning the product line more effectively and defending the sources of this market against rivals. The two most prominent sources of competitive advantage can be found in the business cost structure and its ability to differentiate the business from its competitors (Pearce & Robinson, 2008).

A firm would be said to possess a Sustainable Competitive Advantage (SCA) when it has value-creating processes and positions that cannot be duplicated or imitated by other firms in employee training, leadership quality, service quality and technology and innovations. Porter (2010) proposes holds that the basic steps of establishing competitive advantage entail identifying unsatisfied need in the market, determining the specific success requirements of the market in meeting the unsatisfied needs, identifying the firm's core competencies and determining how well they match with the success requirements of the market then ultimately establishing distinctive competencies which in his case would refer to things that the firm can do better than its competitors (Brown, 2001). In the any industry the success factors include management excellence, adequate and properly trained human resources, proper equipment or facilities, controlled cost of

production and operations, optimal prices or rates, high product quality, adequate customer care, optimal volume of operations or sales, positive image or reputation, marketing effectiveness, well managed finances, up to date technology, research and development, proper location, and efficient processes or systems.

Although the auditing industry players in Kenya have embraced the generic competitive strategies of cost leadership and product differentiation, Huang *et al.* (2004) identifies lack of senior management commitment, ineffective communication with employees, insufficient employee training, and failure to get employee support as the major challenges that emanates from ineffective management. Kappelman *et al.* (2006) identifies lack of top management support, functional performance and scope, project management capability, and ineffective change control processes as the major factors that might affect the competitive advantage of a firm. Biehl (2007), reviewing the literature on global information success factors identifies top management support, business process management, cross-functional team cooperation, communication, and project vision as the main requirements of top management teams in the pursuit of a firms' competitive advantage.

The nature of auditing business requires heavy investment in equipment, facilities, processes and systems that ensure better delivery of services in terms of shorter turn-around times and upholding of the service level agreements between the auditing firm and its clients and other industry players like the professional organizations and corporate governance regulations. There is the element of the integrity of the technology that the auditing firms use whereby the tools and equipment should guard against frauds, breach of commercial confidentiality and frequent breakdowns and repairs which might jeopardize service delivery and quality of the product offered by the auditing firm and expose it to the competition (Mintzberg, 1994).

Cost control is also a key success factor in the auditing industry. This requires adequate cost control mechanisms and optimal pricing models to ensure that the contribution margin is within the market expectation and sufficient to repay the cost of production and reward the factors of production (Porter 1980). Customer care is a factor that is highly regarded by users of auditing services. Customer service entails the complaint management systems and communication. It has been held that a complaining customer is likely to come back but a silent customer is likely to switch loyalty to the competitor. Therefore, it is imperative for all auditing firms to ensure that their clients are encouraged to give feedback and the gathered feedback is used as a basis of improving on future services and product quality (Ho *et al.*, 2005).

The element of research and development is proving to be a key driver of gaining competitive advantage by aligning the firm with the market developments. However, it is a costly venture that might not pay in the long run if it is not well coordinated. Most auditing firms tend to outsource Research and Development services but there is a trend towards maintaining an in house business intelligence unit that enables the firm to gather information on the competitor from various sources including published sources, electronic media, customers, competitors, employees, industrial espionage, social engineering, reverse engineering and survey research (Cegielski *et al.*, 2005).

1.1.3. Auditing firms in Nairobi County

The audit profession in Nairobi is dominated by four of the largest auditing firms in the country, all of which have international backgrounds. These four firms are the auditors of practically all the publicly traded companies in Kenya. The partners of these firms, both local and expatriate actively participate in various committees of the local professional accountancy body, The Institute of Public Accountants of Kenya (ICPAK). Of the rest, two other major firms in the country are also associated with one of the big five international audit firms" country of origin and the other is a Kenya-based regional accounting firm (East Africa). The bulk of audit firms however, are according to Githae

(2004), small to medium sized audit firms, who due to their small size find it difficult to keep up to date with new developments in accounting and auditing. These practitioners state that, because of the downturn in the economy during the past several years, they are constantly struggling to earn enough to just stay afloat and cannot therefore afford to spend money and time on training programs. Small and medium- size practitioners in Kenya are also handicapped by their lack of access to appropriate literature on the application of established accounting and auditing standards.

Sheikh (2007) also noted examples of failure by auditors to ensure compliance with International Accounting Standards (IASs) and International Standards on Auditing (ISAs). This may not be due to an absence of demand for transparency and accountability, but due to capacity constraints among the smaller audit firms. The large professional firms with relatively better-trained staff have heavy client lists, which may, and does sometimes affect quality of service. Small and medium firms, on the other hand, struggle to win clients, and have difficulty in raising funds to invest either in upgrading the skills of existing partners and staff or in recruiting new qualified professionals.

Auditing firms in Nairobi provide an extensive range of accounting and auditing services including external audit, taxation services, management and business consultancy, and risk assessment and control. They also provide massive employment and career development opportunities to accountants and auditors around the world. The Institute of Certified Public Accountants of Kenya (ICPAK) recognizes four big auditing firms in Kenya as Deloitte Touche Limited, PricewaterhouseCoopers (PwC), Ernst and Young, and Klynveld Peat Marwick Goerdeler (KPMG). Other auditing firms recognized by ICPAK in Kenya include: Ayon Africa (Kenya) Limited, Chasmac Consulting Associates, D.K. Waweru and Associates, Digital Consulting Group Limited, Edamars Enterprises, Erastus and Company, Gachoka And Associates, Kigundu Mwangi and Associates, Kingori Kimani and Company, Makeni Mutua, Mugo and Company, Muiru Kandia and Company, Githuku Mwangi and Kabia, Nyaga

Associates and Company, Osoro and Company , SCI Koimburi Tucker and Company, Wachira Irungu and Associates and PKF Company (ICPAK, 2015).

1.2 Statement of the Problem

Auditing firms in Kenya have adopted different areas of strength and thus created their respective competitive advantages. The main areas of competitive strength in the auditing industry include information technology, service quality and leadership capabilities (Ruckes 2004). An organization chooses a competitive strategy upon consideration of the industry forces inherent in an industry (Porter 1980). The competitive strategy is converted into superior programmes and processes in comparison with the competition and this forms the competitive advantage of an organization (Porter 2010). However, a competitive advantage only exists if the competition does not measure up or exceed the organization's parameters (Cohen 2002). Therefore, every auditing firm in Kenya needs to evaluate its competitive strategies on a regular basis and strive to consistently improve them in a manner that keeps it ahead of the competition and in line with the business environment. The choice of the right competitive strategy is an issue that any auditing firm needs to address seriously if it is to remain in business.

The business environment within which the audit firms operate has been very volatile. The political anxieties, competition from new entrants, social reforms, technological advancement and globalization are some of the challenges that have greatly affected the growth of this sector (Leggatt & Martin, 2003). These challenges cannot be ignored because the industry plays a significant role in our economy. The challenges posed have serious strategic threats to existing firms and a good number of these firms are not able to survive the new turn of events and those that are still surviving have had to adopt urgent measures in form of competitive strategies.

Firms respond to competition in different ways. Some may opt to move into product improvement, some into divestiture and diversification, while others enter into new markets and others merge or buy out competitors. Porter (1980) postulates that, the essence of strategy formulation is coping with competition. With the increasing competition that firms are facing today, rewards will accrue to those who can read precisely what the clients want by continuously scanning the environment and delivering the greatest value to the clients. Porter (1985) is of the view that as the operating environment changes; a more pronounced transformation of the business landscape lies ahead. Therefore, competitive strategy is vital to the adaptation to the changing business environment.

Several studies have been conducted to establish the competitive strategy practices of various organizations in Kenya. Matilu (2010) conducted a survey of the competitive strategy practices adopted by insurance companies in Kenya and found out that most insurance companies are embroiled in pricing wars. She recommends a shift to product innovations as a means to attaining a sustainable competitive advantage in the insurance industry. Kimari (2010) investigated the sources of a sustainable competitive advantage in the Kenyan mobile telephony sector and found out that a wider product range and network coverage were key in ensuring competitive advantage of the players in the sector. Both Mpungu (2003) and Waweru (2002) found out that in order to ensure survival, small firms adjust their strategic variables depending on their uniqueness. A good number of audit firms find it hard to survive the new turn of events. Those, that are still surviving have had to adopt urgent measures in form of competitive strategies. However, there is no particular study that has attempted to study the factors that influence the competitive advantage among auditing firms in Kenya. This constitutes a knowledge gap in the auditing industry in Kenya and justifies the need for further research. It is for this reason that the current study will seek to address this knowledge gap by studying the effects of competitive strategies on the competitive advantage of auditing firms in Kenya. Therefore the focus for this study was to evaluate the effects of competitive strategies on the competitive advantage of auditing firms in Kenya.

1.3 Objectives of the Study

The general objective of the study was to evaluate the effects of competitive strategies on the competitive advantage of auditing firms in Kenya.

1.3.1. Specific objectives

The specific objectives of the study included:

- i. To establish the effects of service quality strategy on the competitive advantage of auditing firms in Kenya.
- ii. To determine the effect of software development strategy on the competitive advantage of auditing firms in Kenya.
- iii. To ascertain the effect of staff training strategy on the competitive advantage of auditing firms in Kenya.
- iv. To find out the effects of leadership quality strategy on the competitive advantage of auditing firms in Kenya

1.4. Research Questions

The following questions guided the study:

- i. What are the effects of service quality strategy on the competitive advantage of auditing firms in Kenya?
- ii. What are the effects of software development strategy on the competitive advantage of auditing firms in Kenya?
- iii. What are the effects of staff training strategy on the competitive advantage of auditing firms in Kenya?
- iv. What are the effects of leadership strategy on the competitive advantage of auditing firms in Kenya?

1.5. Significance of the study

This study helped **managers** in identifying what in the external environment affects their organizations and the possible response/s to be adopted. **Potential investors** in the accounting sector would be better informed on the challenges faced by the institutions already operating and therefore prepare themselves accordingly before entering the industry. Furthermore, the research was a useful source of reference for **scholars** and **researchers** who might be interested in carrying out further research based on the findings of the current study. The study educated **managers** on survival strategies in the face of an ever-changing environment, which is not always in their favour. There was an increase in the knowledge of the competitive strategies that are adopted by auditing firms in Kenya and the most appropriate strategies that can deliver a sustainable competitive advantage. Both the existing and future management teams of auditing firms can use this information to understand and appreciate the role played by competitive strategies in delivering the strategic objectives of their firms. The study also shed light on major shortcomings and risks that emanate from some of the competitive strategies. The **government** and other **policy makers** found the information useful in improving the regulation and operations of auditing firms in Kenya. Current and future scholars in the field of Strategic Management may use the findings of this research to understand the competitive strategies that add value to the mission and strategic intents of auditing firms.

1.6. Scope of the Study

The study evaluated the effects of competitive strategies on the competitive advantage of auditing firms in Kenya. The competitive strategies that were evaluated included service and product quality strategy, technology and innovations strategy, human resource management strategy and leadership quality strategy. The study covered the period between October and November 2015 and sampled 678 auditing firms in Nairobi as recognized by the Institute of Certified Public Accountants of Kenya (ICPAK 2015).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theory on which the study is anchored and also documents scholars' and practitioners' descriptions, views and contentions on the concept of competitive advantage. It also presents the empirical studies on competitive advantage resulting from service quality, technology and innovations, training of employees and leadership quality. Lastly, this chapter provides the conceptual framework of the study.

2.2 Theoretical Review

This study will be anchored on the theory of generic competitive strategies as postulated by Porter, (1980), Porter, (1985) and Mintzberg (1994). The theory holds that firms would attain sustainable competitive by engaging in cost leadership, product and service differentiation and market focus. This section will also focus on empirical literature documented by various scholars on the competitive advantage associated with service quality, technology and innovations, human resources and leadership capabilities.

2.2.1 Theory of Generic Competitive Strategies

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus (Porter, 1980).

The focus strategy has two variants; cost focus and differentiation focus. In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price (Porter, 1985)

Mintzberg (1994) argues that the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focus strategy has two variants: In cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

2.2.2. Customer Service Theory

The theory of customer service is based on identifying and satisfying your customers' needs and exceeding their expectations. A company must be totally committed to delivering consistently high standards of service to gain and retain customer loyalty. Everyone from top management on down must be tuned into what the customer wants. Creating a customer service culture within a company can help build success (Gloria & Ding, 2005). Customer satisfaction and loyalty are inextricably linked to the quality of customer service and, ultimately, to the company's profitability. The theory states that for a company to remain competitive it should indoctrinate new employees into the customer service culture immediately. Provide comprehensive training programs that make them experts in their field. Emphasize how providing excellent customer service is the cornerstone of your business. Ensure the front-line customer service team is personable, friendly and knowledgeable. Empower employees to make decisions that lead to customer satisfaction. Reward outstanding employee performance with recognition in the company newsletter, celebratory dinners, prizes and other benefits. Set realistic expectations for your customers about your products and services (Hill, 1988). Well-informed marketing and exaggerated claims might attract customers, but the service must always accurately meet customer expectations. Deliver on every promise to win customer loyalty. When customers are happy, they recommend your business to their friends and family. Increased levels of customer satisfaction also mean increased expectations that lead to increased competitive advantage.

2.2.3. Innovation Diffusion theory of technological innovation

Innovation diffusion is based on the notion that adoption of an innovation involves the spontaneous or planned spread of new ideas and Rogers defines an innovation as: "... an idea, practice, or object that is perceived as new." (Rogers 1995). He stresses that it is

the perception of change that is important; if the idea seems new to the potential adopter then it should be considered to be an innovation. Rogers approaches the topic of innovation diffusion by considering a variety of case studies on topics including: controlling scurvy in the British Navy, diffusion of hybrid corn in Iowa, diffusion of the news, bottle feeding of babies in the third world, how the refrigerator got its hum, Xerox PARC and Apple computer, black music in white America, Minitel in France, the non-diffusion of the Dvorak keyboard, and causes of the Irish potato famine (Frankelius, 2009).

In diffusion theory the existence of an innovation is seen to cause uncertainty in the minds of potential adopters (Berlyne, 1962), and uncertainty implies a lack of predictability and of information. Diffusion is considered to be an information exchange process amongst members of a communicating social network driven by the need to reduce uncertainty (Rogers, 1995). Uncertainty can be considered as the degree to which a number of alternatives are perceived in relation to the occurrence of some event, along with the relative probabilities of each of these alternatives occurring. Those involved in considering adoption of the innovation are motivated to seek information to reduce this uncertainty (Rogers, 1995). Diffusion theory contends that a technological innovation embodies information, and so its adoption acts to reduce uncertainty. In illustration of this Rogers cites the innovation of solar panels as reducing uncertainty over future energy costs and reliability of energy supply (Khan, 1989). This theory stresses that for an organization to remain competitive it should device ways on how to adopt to technology competitive advantages.

2.2.4. Human Resources Theory

Human resources theory is a general term for the strategies, tactics and objectives used by business owners and managers to administer policies and procedures related to employees. While the specific HR objectives will vary between organizations depending on their particular needs and composition of the workforce, several major,

overarching objectives are generally seen to be important (Klerck, 2009). One of the most important objectives of human resources theory, but perhaps one that is often overlooked, is the HR role in managing cost-effectiveness for the organization. While the finance and accounting function of a business is ultimately responsible for balancing the budget and controlling expenses, HR policies play a large role in managing the business's outgoing costs. When hiring employees, a business should be cognizant that its pay rates are competitive in order to attract skilled workers, but that they are not excessive and therefore end up costing the company more than they should (Johnason, 2009). Part of managing this process is working to minimize staff turnover, because the recruitment and hiring of employees takes valuable time and money away from the business. The HR function can also measure the cost-effectiveness of employee benefit programs, the availability of training and the efficiency of the time employees take to complete their jobs. All of these areas impact on competitive advantage of the company in that for it to remain competitive it should manage its employees in order to produce the required output (Collings, & Wood, 2009).

2.2.5. Contingency Theory of leadership

The Contingency Leadership theory argues that there is no single way of leading and that every leadership style should be based on certain situations, which signifies that there are certain people who perform at the maximum level in certain places; but at minimal performance when taken out of their element (Lawrence, 1967). To a certain extent contingency leadership theories are an extension of the trait theory, in the sense that human traits are related to the situation in which the leaders exercise their leadership. It is generally accepted within the contingency theories that leader are more likely to express their leadership when they feel that their followers will be responsive (Seyranian, 2000). In relation to competitive advantage, the theory argues that leaders should ensure that they associate well with the employees of an organization. This will ensure smooth running of the organization that improves its performance in all the aspects of the organization.

2.3 Conceptual Framework of the Study

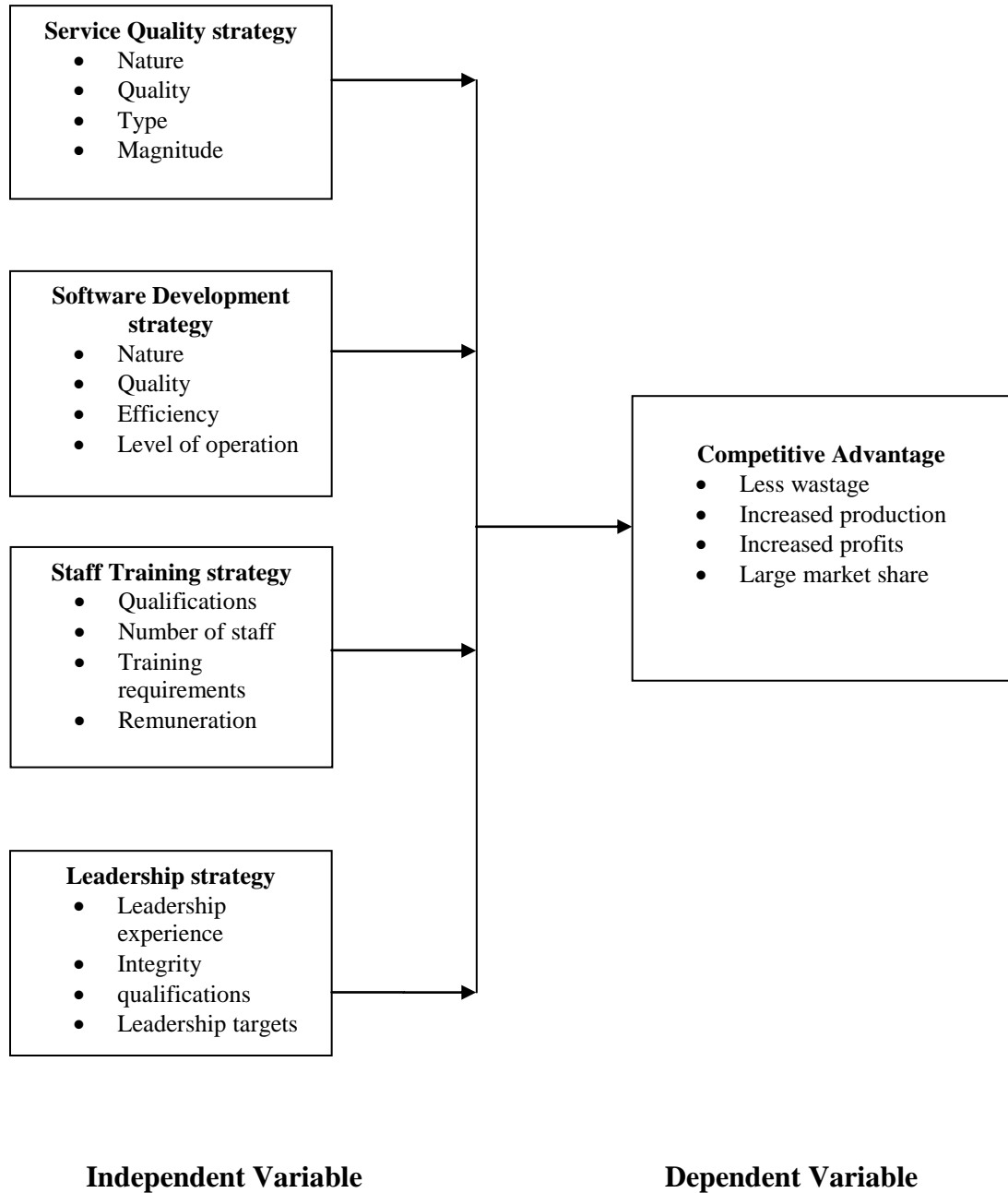


Figure 2.1. Conceptual Framework of the Study

The researcher contends that the overall competitive advantage of auditing firms would emanate from a combination of superior service and product quality, technology and innovations, adequate and properly trained employees and a visionary leadership. Therefore, these are the factors that would combine so that they can together lead to the auditing firm's ability to gain a sustainable competitive advantage within the industry.

2.3.1 Service Quality

Over the past two decades, quality has been heralded as the source of competitive advantage. Quality has gone through an evolution process, from an operational level to a strategic level, and some scholars have given strong support for the view that quality must be adopted as a strategic goal in organizations (Adam, 1992). Porter (1980) categorized quality as a primary basis for differentiation strategy. He contends that firms adopting this strategy will uniquely position their products based on several attributes leading to a premium price. He specifically suggests that quality creates a differentiation point which separates, even insulates, a firm from competitive rivalry by creating customer loyalty as well as lowering price sensitivity. In this way, the firm will be protected from competitive forces that reduce profitability. Similarly, Philips *et al.* (1983) noted that among the many sources of differentiation, quality was the approach that most often characterizes a differentiation strategy. They also noted the conventional wisdom which suggests an incompatibility between high quality products and low cost for the reason that quality usually requires more expensive materials and processes, which is not supported under a cost leadership regime. This school of thought, however, does not totally negate the link between high quality and low cost. Rather, it suggests that high quality products will eventually result in lower costs after the firm attains benefits on economies of scale via higher market share (Philips *et al.*, 1983).

A second line of argument supports the link between quality and low cost. Deming (1982), with his quality improvement chain concept, argued that organizations can enhance their competitiveness by improving quality. This will result in cost reduction through eliminating scrap and rework. The concept of quality costs developed by Crosby (1979), provides explanations on the link between quality performance and cost reduction. The idea of quality cost suggests that any defective products (i.e. poor quality) will incur costs, commonly labeled as failure costs, which include the costs of rework and scrap. In the light of the link between quality performance and quality costs, firms need to devote their efforts on controlling processes to minimize defects in their outputs, which will also reduce the failure costs. In turn, this reduction will result in lower production costs and overall operation costs (Millar, 1999). This is because the improvement of quality performance will not only impact on one particular functional area (i.e. production) but also inter-functional areas within organizations (Mandal, 2000).

Several other studies have exemplified the link between quality performance and cost reduction. For example, Maani *et al.* (1994) showed that quality performance (in terms of scrap, rework, and customer complaints) not only has a favorable impact on the operational variables but that its impact will also be apparent at the business performance level. The arguments for quality costs have been extended to the point where firms can achieve better financial performance by reducing failure costs rather than by improving sales (Harrington, 1987). This was evidenced in the 1980s when the lower price and higher quality of the Japanese products flooded global markets which had previously been dominated by Western companies (Raisinghani *et al.*, 2005). This causal link between quality and cost, therefore, is different from that held in a classical economics theory, as was noted earlier. Here, quality is considered as directly inverse to cost. This seems to be compatible with a leadership quality strategy that seeks the lowest possible unit cost in production. The chain of reactions starts with quality improvement which results in cost reduction, which results in firms having the opportunity to offer high quality with low prices. In this way, firms will be rewarded

with higher market share and a better competitive position in the market (Deming, 1982). In essence, this school of thought holds that there is no conflict between quality and cost as opposed the traditional view which suggests that higher quality means higher costs.

Aside from the opposing arguments outlined above, several scholars have suggested the unification of differentiation and cost leadership brought by quality. Belohlav (1993), for example, argued that attaining high quality performance allow firms to pursue not only a differentiation strategy, but also a leadership quality strategy. He further suggested that quality bridges the two different perspectives of strategy into one dimension called the value dimension.

From a theoretical point of view, this argument allows the compatibility between cost leadership and differentiation strategies which has been extensively debated in strategic management literature (Hill, 1988). Moreover, it is consistent with the demand for pursuing cumulative dimensions of performance (Noble, 1995). Specifically, Reed *et al.* (1996) show how quality simultaneously encompasses both differentiation and cost leadership. They argue that by focusing on customer needs, quality is concerned with providing better products that satisfy customers' needs. This is associated with differentiation strategy. At the same time, by focusing on internal processes, quality also leads organizations to reduce cost as a result of the elimination of defects and waste. This makes it compatible to leadership quality strategy. The implication of this notion is that competing on quality will provide firms with double advantages by providing customers with both differentiated products and lower costs (Ho *et al.*, 2005).

2.3.2. Software development

Software development has transformed the auditing industry. It has led to pervasive automation in bookkeeping, recording of transactions, and compiling of financial reports. In the July 2011 issue of Strategic Finance, Jeff Alder, CPA, stated that using

technology particularly software development in auditing has increased efficiency, reliability, and accuracy (Alder, 2011). System updates are developed so that the existing technology can incorporate the newest technological advances. The Internet allows companies to assess the different types of software available and access information regarding the price of the software, applications of the software, customer reviews, and online support. When looking to purchase accounting software, it is important for buyers to keep in mind the functions required by the business and to make sure that the software will be compatible with current operating systems and enhance competitive advantage. For example, Sage ERP Accpac can run successfully on Windows and Linux, but may not work well with other operating systems.

It is also important to note that some software systems, such as Microsoft Dynamics GP, provide online training for new users, which could help in the transition of employees and staff using new software (Koploy, 2012). Applications of computer systems and software have created new and efficient ways of completing tasks. Electronic systems, such as databases, facilitate the management of information. A database allows users to store data in files and tables (Rainer & Cegielski, 2011). Databases have been used in many audit firms since the 1970s, but due to many errors in the initial systems were not widely used in offices until the 1980s. Information that is recorded in these systems can be stored, processed, and communicated electronically (Tapscott, 1982). Databases facilitate the management of information with data processing features and allow greater availability of historical data because data can be kept longer and are more accessible to users when filed in a database.

Hayes and Pisano (1988) contend that from a managerial point of view, this study suggests that firms can develop successful strategies through focusing not only on the product building block but extending their strategies for conveying their meanings also through other building blocks, e.g. by partner network, distribution channels, suppliers and customers relationships. This can reinforce the meaning itself by conveying it through different means. Second is by conveying the meaning, addressing the language

not only to customers, but also to other and different stakeholder (suppliers, politicians, other companies of the same ecosystem, citizens, etc.). This calls for a differentiation of strategies and languages, customized for different users. Third, is by sensing the environment and understanding the signs, weak signals in order to imagine scenarios in advance. The managers need to imagine the future meanings and to study a strategy to assist in conveying them through building blocks. Fourth is by drawing the current meaning or rather building a block matrix. This helps the manager to understand the structure of its company in terms of design and languages shown to the stakeholders. Fifth is by deciding the action to be taken as regards these relationships. This assists the strategy manager to focus on the uncovered building blocks and the less-represented meanings which assures the organization of a competitive advantage in the industry.

Congden (2005) notes that implementation of different systems is complicated due to the interconnectivity, complexity and implications of poor implementations. The implementation process either can help achieve benefits expected or derail performance throughout the system. A few key implementation considerations include redesigning the governance model to ensure the system serves its purpose when resources are tight and requests are many, but also ensures that it is not too slow nor does it focus on meaningless updates and roadblock reviews. Therefore, a new, more nimble governance model should be created around business processes and allow for continuous improvements. Miller (1986) argues that in the definition innovation strategy of business model languages companies have to face three main decisions. First they to choose between a proactive approach based on the proposal of new meanings and on the actions on new building blocks with old or new meanings and a reactive approach based on the languages already sensed and adopted in the market. Secondly, they have to determine the variety and heterogeneity of languages in their strategic portfolio (and the addressee of the languages –, e.g. the customers, the suppliers, etc.) and thirdly, they have to determine the range of building blocks where to act within the meaning of the innovation strategy.

Porter (1980) advocates for the open innovation strategy which among other requirements provides that challenge of innovation should be clear and important, have meaningful rewards, be competitive, and protect the core system while providing opportunities for collaboration and renovation of the innovation approach. He also holds that market orientation and technology leadership can give competitive advantage. He contends that the pursuit of successful strategies, particularly strategy-technology integration, is associated with certain organizational conditions including a relatively long period for implementation and a need for careful planning with clear mission and objectives. Congden (2005) also holds that the investment should be linked to the implementation of the firm's business strategy, and the role of technology should be defined in the strategy and that the top management should develop their knowledge about computer-based technologies. Lastly, measures should be taken to improve engineers' skills in computer-based technologies, provide on-going training to technical staff, and build a culture of innovation.

2.3.3 Staff Training

Adequate number of employees and effective staff training strategies that focus on an organization's intangible assets will have significant impact on the competitive advantage of any organization (Brown, 2001). Organization theory and person-environment fit research has consistently demonstrated the need for congruity or fit between organization structure, process, technology and environment as well as between people and their organization (Thompson, 1967). The reduced cost and increased capabilities of computer technology has triggered significant increases in the delivery of knowledge, which includes computer based training, web-based training, multimedia learning environments and e-learning (Brown, 2001).

Hitt *et al.*, (2001) hold that this advancement in technological training has provided organizations a unique opportunity to focus on increased training of the people in their different business functions while not sacrificing the abundant amount of resources required for training strategies in the past. This opportunity in technological innovation is now allowing organizations to provide more training across all boundaries of an organization. A greater commitment from department leaders in development of an innovative training strategy will allow organizations to ensure that knowledge creation, transfer and utilization is maximized and efficient at all levels of the organization.

Cegielski *et al.*, (2005) suggest that the best practice in training includes moving resources around within sub-specialized areas, swapping application experts around to new applications, cross-training between the employees and outsourcing the improvement of existing applications to gain beneficial suggestions. There is also need to be careful not to do the outsourcing haphazardly to ensure the organization is building bench strength and giving opportunity for growth to its team. In addition, there is also need to find any opportunity to incorporate unique ways of sharing information where for instance the teams should hold internal training classes to the entire working force. This will allow them to compile documentation, hone their presentation skills and share knowledge, which helps to break down knowledge silos. Liu and Barrar (2008) observe that organizations have gone so far as to teach a course at a state college that brings the students to their specific department, where they are imbedded in the department during the semester to learn about the processes and applications. This forces the training team to document information and present it in a format that is ideal for training and also establishes a potential pipeline of future talent that is somewhat familiar with your environment.

2.3.4. Leadership Quality

Different management writers have given several definitions of leadership. Schwartz (2012) describes leadership as the art of inspiring subordinates to perform their duties

willingly, competently and enthusiastically. So a leader becomes one who by example and talent plays a directing role and commands influence over others. In simple terms leadership could be described as getting others to follow or getting others to do things willingly. In management, leadership could be seen as the use of authority in decision making. Leadership could be exercised as an attitude of position, or because of personal knowledge and wisdom, or as a function of personality. So leadership could be looked at from many perspectives but what is clear is that it is a relationship through which one person influences the behaviour of others towards the achievement of a common course. Luthans (2005) holds that in order to attain competitive advantage of an organization the leadership more especially the top management should perform two major functions: Firstly, they should create a strategic imperative acting in unison to showcase the need for change and involving middle managers in the choice of fast projects and secondly they should manage the organization context by choosing project leaders who are likely to be successful while able to balance power and monitoring of the projects , providing protection to the teams, and managing the expectations of the rest of the organization.

Congden (2005) also contends that the roles of leadership in attaining competitive advantage include: Teaching while learning, enforcing strategic consistency, oversight of the process and focus on key questions. For instance the key questions leaders should ask include before investing in a new venture include: Do market characteristics justify the need, is the project technically feasible and if it is organizationally easy to implement. Characteristics of leaders who can create competitive advantage include ; credibility within the organization, well-honed tactical and implementation skills, sound knowledge of the organization and people within it and good relationship with the middle managers across the organization and other stakeholders.

2.3.5. Competitive Advantage

Sustainable Competitive Advantage is a long-term process that allows a business to remain ahead of its competitors. Unlike short-term advantages, such as being the first to market a new type of service, a sustainable competitive advantage may be built into the fabric of a business, and will help maintain its dominance over years and even decades. The development of such an advantage often takes dedicated effort, the ability to consistently innovate, and even some luck.

According to Porter (1998), when a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals.

The goal of much of business strategy is to achieve a sustainable competitive advantage, which can be achieved through cost advantage. Cost leadership strategy is usually developed around organization-wide efficiency, therefore for firms implementing the cost leadership strategy to maintain a strong competitive position and sustain their profit margin for a considerable period of time; they have to place a premium on efficiency of operations in all functional areas (Porter, 1998).

Firms that implement a cost leadership strategy are able to secure relatively large market share by being the lowest cost producers and service providers in their industry or market. Thus, firms implementing the cost leadership strategy can obtain above-normal profits because of their ability to lower prices to match or even below those of competitors and still earn profits. By pursuing low costs, companies not only operate efficiently, but also become an effective price leader, undermining competitors' growth in the industry through its success at price war and undercutting the profitability of competitors, then the firm can offer lower prices, higher quality, or both (Spulber, 2009).

By innovating best-practice organizational processes, with careful monitoring on purchasing expenditures, application of computer and communications technology in a cost-effective way, trimming of overhead cost, and efficient operations, a firm can achieve the cost reduction. Sometimes, cost reduction can also be achieved by outsourcing manufacturing and services when outsider providers offer lower-cost alternatives. With the same quality level but lower cost, the low-cost firm could be able to undermine the price of competing firms. The reason for applying the strategy on cost leadership is to obtain the advantage by reducing economic costs amongst its competitors (Barney, 2002). This strategy highlights efficiency by producing qualified and standardized products or services, at the same time, with economies of scale and experience curve, the firm strives to gain sustainable competitive advantage among its competitors.

2.4. Empirical review

The management literature relieves how it has been recognized, that performance of audit firms requires well formalized competitive strategies. Szalkai (2003) in a study of sustainable customer relationship in Deutschland berg found that it is often discussed whether traditional marketing concept is an appropriate philosophy in an age of environmental deterioration, resource shortage, explosive population growth and world poverty. Recent marketing paradigms, such as the sustainable marketing concept, state that the survival and the continuing profitability of audit firms depend upon its ability to strategically fulfill economic, environmental and social purpose. In setting their strategy and marketing policy, audit firms should balance company profits, consumer want satisfaction and public interest. Moreover, they should achieve their objectives in cooperation with stakeholders.

Pimtong, Hanqin and Hailin (2012) investigated the influence of competitive strategies and organizational structure on hotel performance and to explore whether organizational structure has a moderating effect on the relationship between competitive strategies and hotel performance. This study employed a causal and descriptive research design to determine the cause-and-effect relationships among competitive strategies, organizational structure, and hotel performance based on previous studies. A 28-question self-administered questionnaire comprising three sections was employed. The target population for this study was US hotel owners and general and executive managers whose e-mail addresses were listed on a publicly available database. A census survey was carried out and e-mails were sent to all of the hoteliers listed in the database. The results show a competitive human resources (HR) strategy to have a direct impact on a hotel's behavioral performance, and a competitive IT strategy to have a direct impact on a hotel's financial performance. Organizational structure is found to have a moderating effect on the relationship between both of these strategies and behavioral performance. However, the results of the current study show that organizational structure has no influence on the relationship between a brand image strategy and a hotel's behavioral performance, nor does it have any moderating effect on the relationship between a hotel's financial performance and its competitive brand image, HR or IT strategy.

Timberlake (2002) in his study on the business case for sustainable development: making a difference toward the earth found that on the level of marketing sustainability, the aspects of competitive advantage are becoming the most stressed issues. Earlier, and for most audit firms even today, legal and social pressures played a primordial importance for thinking about and acting in sustainability matter. Nowadays, an increasing number of audit firms realize the need to implement corporate sustainability for maintaining competitiveness. Sustainability issues are increasingly integrated into overall company strategy, into strategy of business units and into that of different company's functions as well, such as innovation, purchasing, marketing, human

resource management, and so on. Moreover, performance of audit firms-oriented competitive strategies have been identified and elaborated.

Gloria and Ding (2005) investigated the mediating effects of a firm's competitive strategy in the market orientation-performance relationship. Based on a sample of 371 operations firms in China, evidence was found that the three dimensions of market orientation exert different effects on competitive strategy and performance. Among them, customer orientation has the strongest association with competitive strategy and market performance. This lends credence to a component wise approach on the study of the relationship between market orientation and performance. The results of structural equation analyses indicate that the mediating effect of competitive strategy is mainly revealed in innovation strategy, the most vital factor in creating superior value for the company in the emerging market.

Analyzing success factors of leading audit firms in new product development Deschamps and Nayak (2008) found, that big audit firms seem particularly adept and translate societal improvements, and ideas of their new products often come from analysis of social trends, especially environment trends or interest in healthier eating. However, a range of research reports and management publications admit that an increasing number of audit firms is becoming involved in sustainability concerns, but relatively few audit firms have adapted corporate sustainability principles and actions as an integrated system. Just so-called „high performance businesses“ serve as examples and may be submitted to benchmark and follow leading practice.

A number of studies have been done on competitive strategies but under different contexts in Kenya. Murage (2011) analyzed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Gathoga (2011) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in

Kenya use various means in order to remain competitive, he also concluded that expansion into other areas by opening new branches has also, been used as a strategy.

Kimotho (2012) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. The link between these competitive strategies and the financial performance of commercial banks form the framework of the study. A case study approach was employed to determine the impact of competitive strategies on the financial performance of commercial banks specifically focusing on Cfc Stanbic Bank Ltd in Kenya. Content analysis was used to analyze the data collected in this study. The presentation of the analysis and interpretations was captured in two parts: the first part capturing the general information in regard to those sampled, while the second part was further subdivided into parts capturing; Segmentation Strategies; Price Strategies; Delivery and Distribution Strategies; Promotional Strategies; Risk management strategies; Product and service differentiation strategies and performance of the bank. The results indicate that those companies that are effective at rapidly bringing innovative new products and services to the market have gained a huge competitive edge in today's business world. The results therefore attributed the improvement in financial performance on the competitive strategies that the bank has been undertaking in the past years of its existence.

2.5. Critique of Literature

The theory of generic competitive strategies of cost leadership, product and service differentiation and market focus do account for the alternative sources of competitive advantage in cases where the competing firms provide a replica of prices, product and service quality and target market. In addition, the empirical literature on the competitive advantages derived from product and service quality, technology and innovations, human resource management and leadership are general in nature and focus on developed markets but the effects of similar competitive strategies is still vague especially in undeveloped economies like Kenya.

The discourse of competitive advantage is surprisingly ambiguous as to whether it applies to firms or products. According to Porter, ‘a firm differentiates itself from its competitors when it provides something unique that is valuable to buyers beyond simply offering a low price’ (Porter, 1985: 120). But what is being differentiated here, the firm or its products? Buyers buy products, not firms, and it is product attributes that create buyer value (Lancaster, 1979). While Porter’s ostensible unit of analysis is the firm, it is arguable that the specific competitive advantages he describes (cost and differentiation) are better understood as qualities of products rather than of firms.

Later authors have attempted to resolve this ambiguity. Kay makes the distinction between capabilities – which are clearly properties of the firm and competitive advantage - which is the result of these capabilities being applied in markets. Hunt (2000) makes a similar distinction, using the term comparative advantage to describe advantage in firm resources and competitive advantage to describe market position. In general, however, competitive advantage is used in ways that blur the distinction between competition between products and between firms. Descriptions of competitive advantage often straddle the product domain and the firm domain, with consequent imprecision. Most often, it is unclear, in which of these domains the advantage is being claimed. Because the two domains are logically separate, entities can only compete against other entities from the same domain. Therefore, products compete against products and firms can compete against firms. However, firms cannot compete against products.

2.6. Research Gaps

The above studies have indicated that competitive advantage can be derived by unique product and service propositions, technology and innovations, human resources and leadership. However, the evidence adduced relates to manufacturing industry, banking

industry, insurance industry and telecommunications industry. There is little evidence on the effects of similar competitive strategies on the competitive advantage of other service industries like auditing. Therefore, this study will seek to fill the identified research gap by evaluating the effects of product and service quality strategy, technology and innovations strategy, human resources strategy and leadership strategy on the competitive advantage of auditing firms in Nairobi, Kenya.

2.7. Summary

The management literature reveals how it has been recognized, that performance of audit firms requires well formalized competitive strategies. In this regard, organizations have turned to various strategic practices that will help them achieve the competitive advantage. In analyzing various competitive, focus has been placed on service quality, software development, staff training, and leadership quality. To achieve the objectives, the study has utilized the several theories to provide a detailed examination of the various competitive strategies. The theories were Customer Service Theory, Innovation Diffusion theory of technological innovation, Human Resources Theory, and Contingency Theory of leadership. The theoretical basis and empirical review brought out in the study also influenced the formulation of the illustrated conceptual framework which will guide the entire research study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the research design and methodology. These were the steps taken in data collection, and analysis. This section of the study described the research design, the target population and the sampling method, procedure of data collection and data analysis in general.

3.2 Research Design

In this study, descriptive research design and survey design were employed. This is because they were best suited as excellent vehicle for generalization. According to Mugenda and Mugenda (2003) a descriptive research determines and reports the way things are and attempts to describe things as possible behavior, attitudes, values and characteristics. Schindler and Cooper (2003) noted that descriptive studies are structured with clearly stated investigative questions. Survey design method of research was used because it sought to obtain information that described existing phenomena by asking individuals about their perceptions, attitudes, behavior or values. Surveys were also excellent vehicles for the measurement of characteristics of large populations. The methods were quite appropriate for the study because they assisted the researcher to produce statistical information on effects of competitive strategies on the competitive advantage of auditing firms in Nairobi County, Kenya.

3.3 Target Population

The population of interest will comprised of audit firms in Nairobi. According to the Institute of Certified Public Accountants of Kenya records, (2015), there are 678

registered audit firms located in Nairobi. Therefore the target population for the study was 678 audit firms.

Table 3.1. Target population

Audit firm	Frequency	Percentage (%)
Large auditing firms	136	20
Medium auditing firms	241	35.6
Small auditing firms	301	44.4
Total	678	100

Source: Institute of Certified Public Accountants of Kenya 2016

3.4 Sample and Sampling Technique

Sampling is the process of selecting the people who will participate in a study. This process should be representative of the whole population. Sampling is hence the procedure, process or technique of choosing a sub-group from a population to participate in the study, (Ogula, 2005). A sample is a smaller group or sub-group obtained from the accessible population (Mugenda and Mugenda, 1999). This study adopted the stratified sampling technique. From the possible 678 target population, stratified random sampling was employed to select a total of 136 sample population. This was 20% of the total population. Mugenda and Mugenda (2003) states that in stratified sampling where population within each strata is known, a sample of 10-30% is adequate representation for data collection.

Table 3.2. Sample size

Audit firm	Frequency	Sample	Percentage (%)
Large auditing firms	136	27	20
Medium auditing firms	241	48	20
Small auditing firms	301	61	20
Total	678	136	20

Source: Institute of Certified Public Accountants of Kenya

3.5 Data Collection

3.5.1 Data Collection Instruments

The study used questionnaires as the instrument of data collection. The questionnaire consisted of both open and close-ended questions. The close-ended were used in an effort to conserve time; while the open-ended questions were used to encourage the respondent to give more details in-depth without feeling held back in revealing of any information. In order to enhance the response rate, the respondents were assured of confidentiality.

3.6. Pilot Study

Before the main research, the study pre-tested the instrument to enhance its validity and reliability. A small sample was chosen from the population. In this research, 6 firms were chosen to contribute and were not included in the sample chosen for the study. This aimed at enhancing the validity and reliability of the instruments where necessary corrections of the instrument were made before the actual research.

3.6.1 Validity

The study adopted content validity to indicate whether the test items represented the content that the test was designed to measure. The pilot study aided in determining accuracy, clarity and suitability of the instruments. It assisted to classify scarce and ambiguous items such that those that did not evaluate the variables intended, were modified. To ensure validity, the supervisor examined the instruments used in the study.

3.6.2 Reliability

Reliability is a measure of degree to which a particular measuring procedure provides consistent results or data after a repeated trial (Gay 1992). To gauge test-retest reliability, the test was administered twice at two dissimilar points in time (a difference of two weeks the next test). This type of reliability assumes that there is no change in the quality or construct being measured. Cronbach's Coefficient alpha was used to compute the correlation co-efficient to determine the degree to which there was consistency in providing similar response every time the instrument was administered.

The following formula was used to calculate Cronbach's Coefficient alpha which ranges from zero (no internal consistency) to one (complete internal consistency).

$$\hat{P}_{xx} = 1 - \frac{MS_{st}}{MS_2}$$

Where \hat{P}_{xx} is the reliability coefficient

MS_{st} is the S x T interaction mean square (often labeled residual)

MS_2 is the mean square between subjects (whatever unit is being measured).

Cronbach's alpha value of not less than 0.50 suggest an acceptable level of internal consistency (Cronbach, L.J. and H. Azuma 1962)

3.7 Data Collection Procedure

In order to guarantee a conducive setting when collecting data, the researcher was required to introduce himself to the respondents by explaining the purpose of the research before administering the instrument (Saunders *et al.*, 2007). A close rapport was established between the researcher and the respondents. The questionnaires were administered on a 'drop and pick later' technique. Every effort was made to ensure personal delivery and administration of the instrument in order to ensure a higher return rate of the questionnaires. To collect this data, the researcher distributed the questionnaires to the respondents. The primary data was considered efficient to the research because it was reliable and accurate (Mugenda & Mugenda, 2003).

3.8 Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. It involves examining what has been collected and making deductions and inferences (Kombo & Tromp, 2006). The data collected was coded, quantified and analyzed quantitatively. Quantitative data was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The data was then presented in the form of tables, graphs and pie charts. This provided for an easier analysis and interpretation of the data inputted. Further the data was regressed to obtain t - values, p-values, specific coefficients and intercepts, standard errors among other values at given significance levels. These values were used for further analysis. The inferential statistics constituted of multivariate regression analysis which was used to determine the relationship between the dependent and independent variables.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and discussions. The study sought to evaluate the effects of competitive strategies on the competitive advantage of auditing firms in Nairobi County, Kenya. Primary data was collected through administration of questionnaires to the targeted audit firms.

4.2. Response rate

A total of one twenty one (136) questionnaires had been distributed to the respondents, out of which 120 were completed and returned. This gave a response rate of 88.2%. According to Mugenda and Mugenda (2003) a response rate of 50% is adequate for a study, 60% is good and 70% and above is excellent. Thus, a response rate of 88.2% was fit and reliable for the study as shown in Table 4.3.

Table 4.3. Response Rate

	Frequency	Percent (%)
Responded	120	88.2
Non-respondents	16	11.8
Total	136	100

4.3. General information

As part of the general information, the research requested the respondents to indicate the general information concerning the organization. This was important since it forms foundation under which the study would fairly adopt in coming up with conclusions.

4.3.1. Nature of the organization

The study sought the nature of the organization. From the findings it was found that all audit firms (100%) were either sole proprietors or partnerships.

4.3.2. Duration of operation of the firm

The respondents were asked to indicate the duration their firm has been in operation. The findings were shown in the figure below

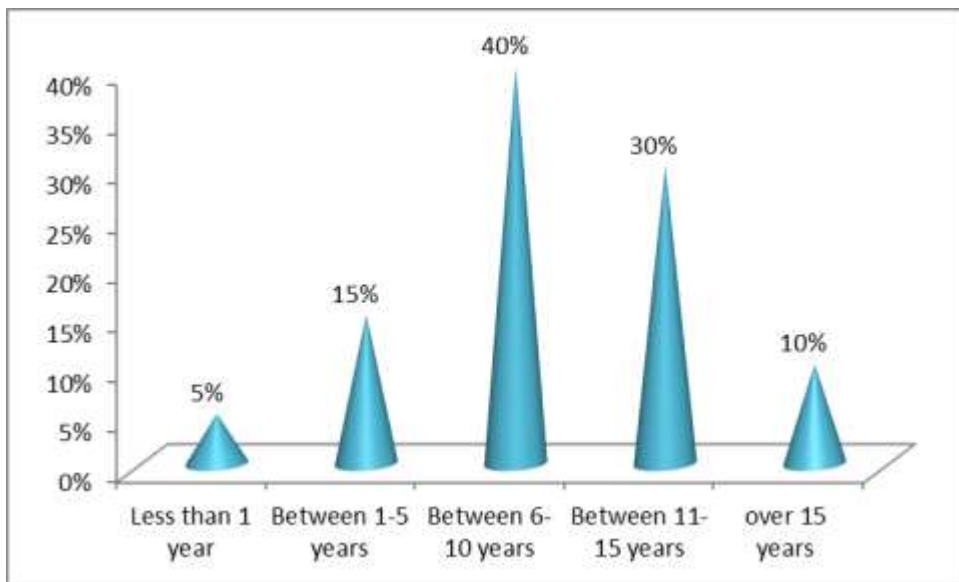


Figure 4.2. Duration of operation of the firm

From the findings 40% of the respondents indicated that their firm had been in operation for a period between 6-10 years, 30% indicated 11-15 years, 15% indicated 1-5 years, 10% indicated over 15 years, while 5% indicated less than one year. This indicates that majority of the respondents indicated that their firm had been in operation for a period between 6-10 years.

4.3.3. Number of employees

The respondents were requested to indicate the number of people employed by their enterprise. The findings are shown in the figure below

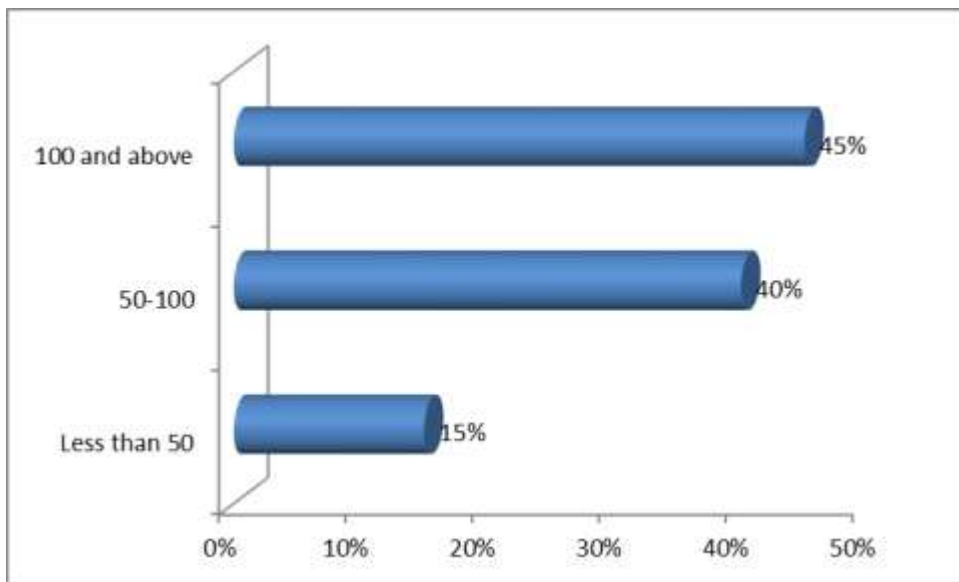


Figure 4.3. Number of employees

From the findings above 45% of the respondents indicated that their firm had employed over 100 people, 40% indicated between 50-100, while 15% indicated less than 50 people. This depicts that majority of the respondents indicated that their firm had employed over 100 people.

4.4. Service quality

4.4.1. Services offered by the firm

The respondents were asked to indicate the services offered by their firm. The findings are shown in the figure below

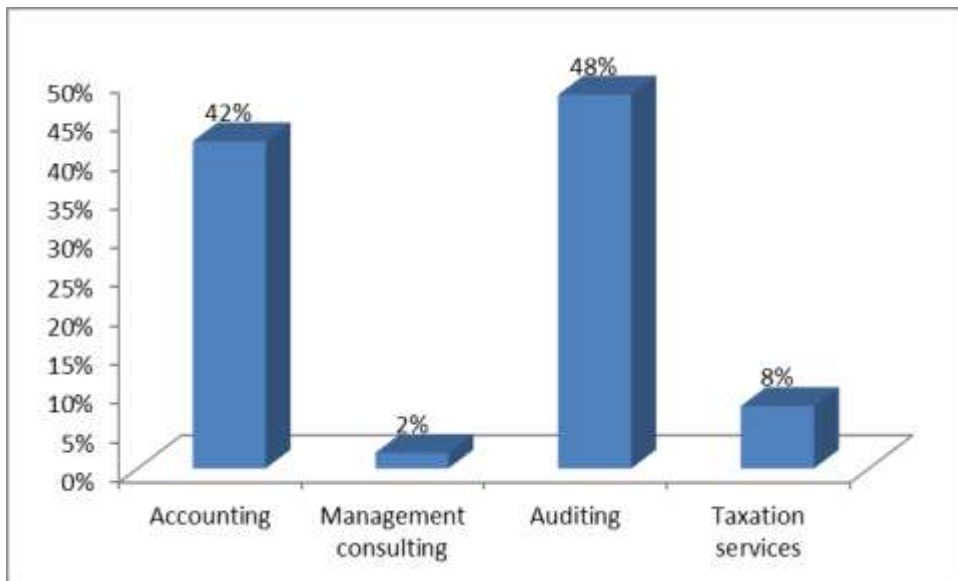


Figure 4.4. Services offered by the firm

From the findings it was depicted that majority of the respondents indicated that their firm offers auditing services. This agrees with a study by Messier (2000) who states that audit firms offer audit services such as Financial Audit Services, Compliance Audit, Operational Audit, and Forensic Audit. In addition audit services consist of financial, operational, and information technology audits in accordance with approved plans and its established policies and procedures. Further, Audit Service complies with the Code of Ethics and the Standards for the Professional Practice of Internal Auditing

4.4.2. Extent of the effect of service quality aspects on competitive advantage

The study sought to establish the extent to which service quality aspects influence the competitive advantage of auditing firms. The responses were placed on a five Likert scale ranging from 1 (To no extent) to 5 (To a very great extent). The findings were as shown below.

Table 4.4. Extent of the effect of service quality aspects on competitive advantage

Statements	Mean	Std Dev.
Nature of Services help reduce wastage which increases competitive advantage of the organization	4.65	0.7425
Quality of Services increases the competitive advantage of the organization	4.61	0.7156
Type and the conditions at which the service is provided help reduce losses which increases competitive advantage	4.63	0.7341
Magnitude of the service enhances competitive advantage	4.58	0.6931

From the findings it was depicted that nature of services help reduce wastage which increases competitive advantage of the organization. This is in agreement with a study by Ho et al., (2005), who stated that nature and quality of services leads organizations to reduce cost as a result of the elimination of defects and waste. The implication of this notion is that competing on quality will provide firms with double advantages by providing customers with both differentiated products and lower costs

4.4.3. Competition faced by services offered by the firm

The respondents were requested to indicate the services that face the stiffest competition in the company. The findings are shown in the figure below

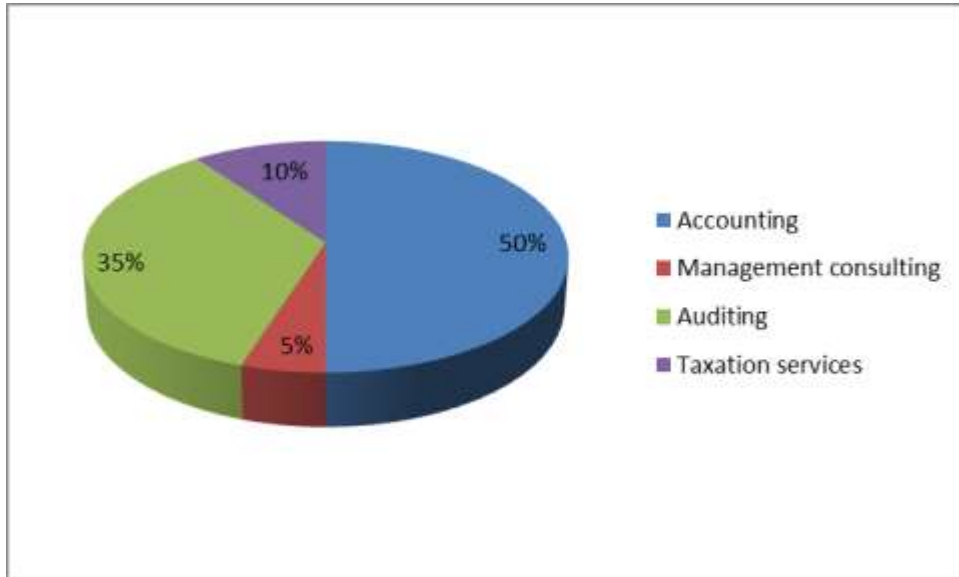


Figure 4.5. Competition faced by services offered by the firm

From the findings it was deduced that majority of the respondents indicated accounting services face the stiffest competition. This is contrary to the study by Deming, (1982), who stated that chain of reactions starts with quality improvement which results in cost reduction, which results in firms having the opportunity to offer high quality with low prices. In this way, firms will be rewarded with higher market share and a better competitive position in the market.

4.5. Software Development

4.5.1. Extent of application of software development strategies

The respondents were requested to indicate the extent to which the organization applies software development strategies to improve its competitive advantage. The findings were shown in the figure below.

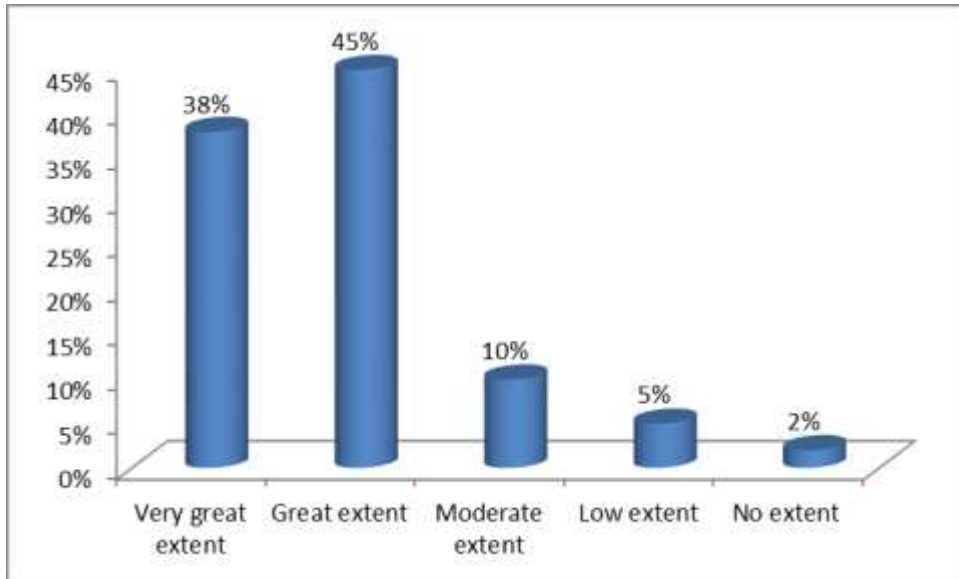


Figure 4.6. Extent of application of software development strategies

From the findings it was inferred that to a great extent their organization applies software development strategies to improve its competitive advantage. This agrees with a study by Alder, (2011) who stated that Software development has transformed the auditing industry. It has led to pervasive automation in bookkeeping, recording of transactions, and compiling of financial reports. Additionally he has stated that using technology particularly software development in auditing has increased efficiency, reliability, and accuracy.

4.5.2. Extent of the effect of software development aspects on competitive advantage

The respondents were requested to indicate the extent to which software development aspects influence the competitive advantage of auditing firms. The responses were placed on a five Likert scale ranging from 1 (To no extent) to 5 (To a very great extent). The findings were as shown below.

Table 4.5. Extent of the effect of software development aspects on competitive advantage

Statements	Mean	Std Dev.
Nature of the software increases service delivery which increases the competitive advantage of the firm	4.75	0.5436
Quality of the software improves production which increases competitive advantage of the firm	4.72	0.5243
Nature of software Operations increases efficiency which in turn increases competitive advantage	4.55	0.4098
Level of software Operations help reduce work overload thus increasing competitive advantage	4.50	0.4005

From the findings it was found that the nature of the software increases service delivery which increases the competitive advantage of the firm. This is in accordance to a study by Rainer & Cegielski, (2011), argued that applications of computer systems and software have created new and efficient ways of completing tasks. Electronic systems, such as databases, facilitate the management of information. A database allows users to store data in files and tables. This assists the strategy manager to focus on the uncovered building blocks and the less-represented meanings which assures the organization of a competitive advantage in the industry.

4.5.3. Software used in the auditing firms

The respondents were requested to indicate the various softwares that are used in the auditing firms. The findings were shown in the figure below

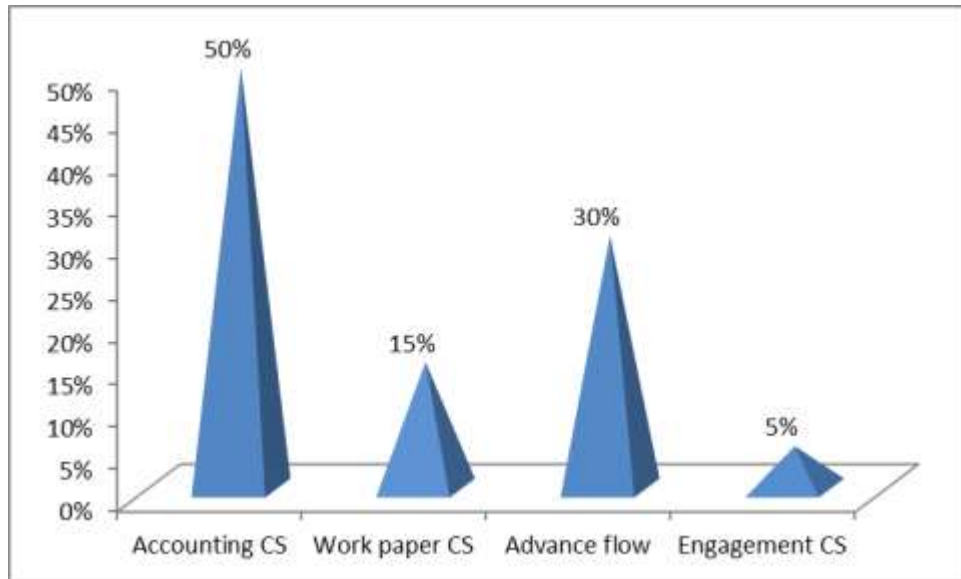


Figure 4.7. Software used in the auditing firms

The findings above implies that majority of the respondents indicated that the various softwares that are used in the auditing firms are accounting CS. This is in contrary with a study by Tapscott, (1982), Databases have been used in many audit firms since the 1970s, but due to many errors in the initial systems were not widely used in offices until the 1980s. Information that is recorded in these systems can be stored, processed, and communicated electronically.

4.6. Staff Training

4.6.1. Extent of the effect of staff training aspects on competitive advantage

The respondents were requested to indicate the extent to which staff training aspects influence the competitive advantage of auditing firms. The responses were placed on a five Likert scale ranging from 1 (To no extent) to 5 (To a very great extent). The findings were as shown below.

Table 4.6. Extent of the effect of staff training aspects on competitive advantage

Statements	Mean	Std Dev.
Number of staff to be trained reduces the work overload thus increasing competitive advantage of the firm	4.69	0.5228
Qualifications of the staff members helps in creating efficiency which improves the competitive advantage	4.72	0.5418
Training requirements of Human Resources determines the position in management which improves competitive advantage	4.66	0.5151
Remuneration of Human Resources improves motivation towards task accomplishment hence increasing competitive advantage	4.62	0.5093

The findings in the table above indicate that qualification of the staff members helps in creating efficiency which improves the competitive advantage. This agrees with a study by Brown (2001), who argues that effective staff training strategies that focus on an organization's intangible assets will have significant impact on the competitive advantage of any organization.

4.6.2. Extent to which monitoring and evaluation enhance the success of staff training strategies

The respondents were requested to indicate the extent to which monitoring and evaluation enhance the success of staff training strategies adopted by auditing firms in Nairobi County, Kenya. The findings were shown in the figure below.

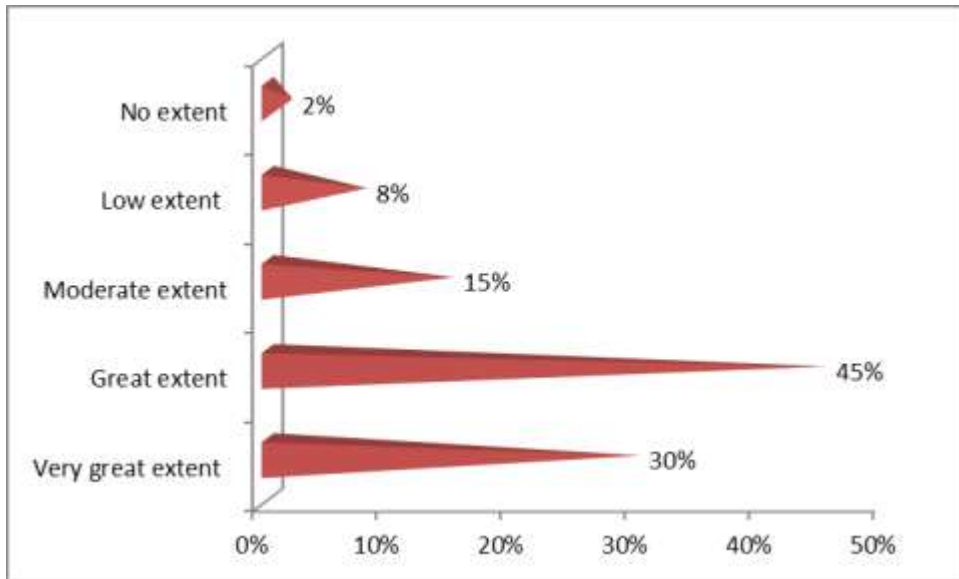


Figure 4.8. Extent to which monitoring and evaluation enhance the success of staff training strategies

From the findings it was found that to a great extent that monitoring and evaluation enhance the success of staff training strategies adopted by auditing firms in Nairobi County. This is in contrary to the study by Hitt et al., (2001) who holds that this advancement in technological training has provided organizations a unique opportunity to focus on increased training of the people in their different business functions while not sacrificing the abundant amount of resources required for training strategies in the past.

4.7. Leadership quality

4.7.1. Extent of the effect of leadership qualities on competitive advantage

The respondents were requested to indicate the extent to which leadership qualities influence the competitive advantage of auditing firms. The responses were placed on a five Likert scale ranging from 1 (To no extent) to 5 (To a very great extent). The findings were as shown below.

Table 4.7. Extent of the effect of leadership qualities on competitive advantage

Statements	Mean	Std Dev.
Experience of Leaders increases their competency hence improving the competitive advantage of the firm	4.78	0.9986
Integrity of Leaders increases transparency in the firms which improves the competitive advantage of the firm	4.60	0.8120
Qualifications of Leaders increases efficiency which in turn improves the competitive advantage of the firm	4.65	0.8897
Targets of Leaders helps firms realize high production which increases profits and the overall competitive advantage of the firm	4.72	0.9623

From the findings it was established that experience of leaders increases their competency hence improving the competitive advantage of the firm. This is in agreement to a study by Luthans (2005) who holds that in order to attain competitive advantage of an organization the leadership more especially the top management should perform two major functions: they should create a strategic imperative acting in unison to showcase the need for change and involving middle managers in the choice of fast projects and they should also manage the organization context by choosing project leaders who are likely to be successful while able to balance power and monitoring of the projects , providing protection to the teams, and managing the expectations of the rest of the organization.

4.8. Competitive Advantage

4.8.1 Respondent opinion on whether the firm has gained competitive advantage

The respondents were requested to indicate whether their firm had gained competitive advantage. The findings were as shown below

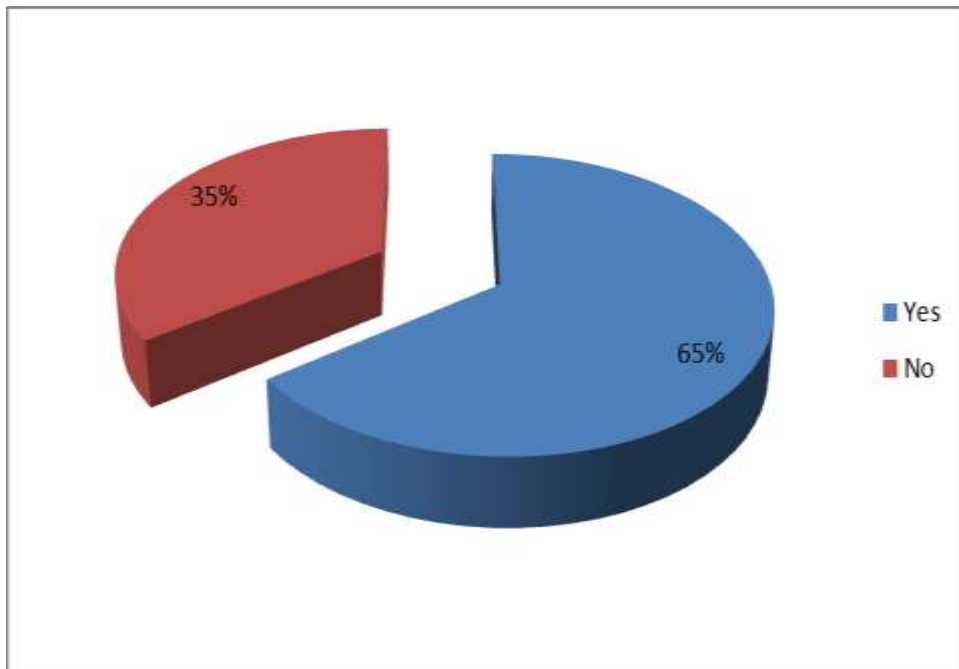


Figure 4. 9. Respondent opinion on whether the firm has gained competitive advantage

From the findings above 65% of the respondents indicated that their firm had gained competitive advantage while 35% were of contrary opinion. This depicts that majority of the respondents indicated that their firm had gained competitive advantage.

4.8.2. Extent to which the indicators increase firm competitiveness

The respondents were requested to indicate the extent to which indicators of performance increase firm competitiveness. The responses were placed on a five likert

scale ranging from 1 (To no extent) to 5 (To a very great extent). The findings were as shown below.

Table 4.8. Extent to which the indicators increase firm competitiveness

Indicators	Mean	Std. Deviation
Finance available	4.46	.12364
Customer base	4.01	.02178
Number of branches	3.97	.10231
Number of employees	4.31	.47812

From the findings it was found that finance available increase competitive advantage of the firm. According to Porter (1998), when a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. The findings by porter are in agreement with the findings of the study.

4.8.3. Extent to which firms have adopted competitive strategies to increase competitive advantage

The respondents were requested to indicate the extent to which firms have adopted competitive strategies to increase competitive advantage. The responses were placed on a five likert scale ranging from 1 (To no extent) to 5 (To a very great extent). The findings were as shown below.

Table 4.9. Extent to which firms have adopted competitive strategies to increase competitive advantage

Competitive strategies	Mean	Std. deviation
Market Penetration	4.01	0.2178
Increasing volume of sales to present customers		
Market Development		
Identification of new potential users	4.50	0.3245
Expanding geographically	4.49	0.1867
Targeting new segments of the market	4.32	0.2365
Product Development		
Adding product features or product refinement	4.62	0.3984
Expanding the product line	4.88	0.3381
Developing a new generation product	4.55	0.2317
Developing new products for the existing market	4.58	0.3876
Diversification (entry into new unknown territory)	4.70	0.1786

From the findings it was established that expanding the product line has been adopted to increase competitive advantage. This is in contrary to a study by Porter, 1998) who states that Cost leadership strategy is usually developed around organization-wide efficiency, therefore for firms implementing the cost leadership strategy to maintain a strong competitive position and sustain their profit margin for a considerable period of time; they have to place a premium on efficiency of operations in all functional areas.

4.9. Inferential Statistics

The researcher conducted a multiple regression analysis so as to test relationship among variables (independent) on the competitive advantage of auditing firms in Nairobi County. The researcher applied the statistical package for social sciences (SPSS V 17.0) to code, enter and compute the measurements of the multiple regressions for the study. 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 (competitive advantage) that is explained by all the four independent variables (service quality, software development, staff training, and leadership strategies)

4.9.1. Model Summary

Table 4.10. Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	0.797	0.635	0.592	0.043

The four independent variables that were studied, explain only 63.5% of the effects of competitive strategies on the competitive advantage of auditing firms in Nairobi County as represented by the R^2 . This therefore means that other factors not studied in this research contribute 36.5% of the effects of competitive strategies on the competitive advantage of auditing firms in Nairobi County, Kenya. Therefore, further research should be conducted to investigate the effects (36.5%) competitive strategies on the competitive advantage of auditing firms in Nairobi County, Kenya.

4.9.2. ANOVA Results

Table 4.11. ANOVA of the Regression

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2.534	5	1.267	9.475	.0031
Residual	9.307	115	2.327		
Total	11.841	120			

The significance value is 0.031 which is less than 0.05 thus the model is statistically significance in predicting how the factors (service quality, software development, staff training, and leadership strategies) influence competitive advantage of auditing firms in Nairobi County, Kenya. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 9.475), this shows that the overall model was significant. This agrees with a study by Hailin (2012) who argues that competitive strategies such as service quality, software development, staff training, and leadership strategies are help in improving organizational structure and increasing the moderating effect on the relationship between competitive strategies and organization performance.

4.9.3.Coefficient of Determination

Table 4.12 .Coefficient of Determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.127	0.2235		5.132	0.000
Service quality	0.652	0.1032	0.1032	7.287	.000
Software development	0.587	0.3425	0.1425	3.418	.000
Staff training	0.445	0.2178	0.1178	4.626	.000
Leadership	0.339	0.1937	0.0937	4.685	.000

Multiple regression analysis was conducted as to determine competitive advantage and the four variables. As per the SPSS generated table below, regression equation

($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$(Y= 1.127+ 0.652X_1+ 0.587X_2+ 0.445X_3+ 0.339X_4+ \epsilon)$$

According to the regression equation established, taking all factors into account (service quality, software development, staff training, and leadership strategies) constant at zero, competitive advantage in audit firms will be 1.127. The data findings analyzed also

showed that taking all other independent variables at zero, a unit increase in service quality will lead to a 0.652 increase in competitive advantage; a unit increase in software development will lead to 0.587 increase in competitive advantage, a unit increase in staff training will lead to a 0.445 increase in competitive advantage, while a unit increase in leadership will lead to a 0.339 increase in competitive advantage. This infers that service quality contributes the most to the competitive advantage of audit firms followed by software development. At 5% level of significance and 95% level of confidence, service quality, software development, staff training, and leadership strategies were all significant on competitive advantage of the firm. This is in agreement with a study by Barney, (2002) who stated that by innovating best-practice organizational strategies such as service quality, software development, staff training, and leadership strategies will help the firm to gain sustainable competitive advantage among its competitors.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of study findings, conclusion and recommendations on the effects of competitive strategies on the competitive advantage of auditing firms in Nairobi County, Kenya.

5.2 Summary of findings

5.2.1. Service quality strategy

The study found that majority of the respondents indicated that their firm offers auditing services. Also the study found that nature of services help reduce wastage which increases competitive advantage of the organization. Additionally the study found that majority of the respondents indicated accounting services face the stiffest competition.

5.2.2. Software development strategy

The study found that to a great extent their organization applies software development strategies to improve its competitive advantage. Also the study found that the nature of the software increases service delivery which increases the competitive advantage of the firm. Further the study found that majority of the respondents indicated that the various softwares that are used in the auditing firms are accounting CS.

5.2.3. Staff training strategy

The study found that qualification of the staff members helps in creating efficiency which improves the competitive advantage. Also the study established that to a great extent that monitoring and evaluation enhance the success of staff training strategies adopted by auditing firms in Nairobi Kenya.

5.2.4. Leadership strategy

The study established that experience of leaders increases their competency hence improving the competitive advantage of the firm. The roles of leadership in attaining competitive advantage include: Teaching while learning, enforcing strategic consistency, oversight of the process and focus on key questions.

5.2.5. Competitive advantage

The study established that majority of the respondents indicated that their firm had gained competitive advantage. Also the study found that finance available increase competitive advantage of the firm.

5.3. Conclusion

The study concludes that nature of services help reduce wastage which increases competitive advantage of the organization. The service quality helps increase the quality, type and magnitude of service of the various audit firms which increases the performance and helps them compete with other firms. It also concludes that the nature of the software increases service delivery which increases the competitive advantage of the firm. The nature of software adopted by the audit firms leads to quality services provided to various customers, the level of operation improves which increases its competitive advantage. Further the study concludes that qualification of the staff members as a result of quality training helps in creating efficiency which improves the competitive advantage hence increases the remuneration of the staff members. It also increases the number of qualified staff which increases the rate at which services are offered to customers helping the firm to be a strong competitor in the auditing industry. Finally the study concludes that experience of leaders increases their competency hence improving the competitive advantage of the firm. This is brought about by the leadership experience involved, leadership integrity, and the leadership targets applied in running of the firm operations.

5.4 Recommendations

The study made the following recommendations:

1. For the partners (Owners) and managers of audit firms operating in Nairobi County, there is need to develop and adopt strategies that will ensure that they survive in the industry. Partners should cultivate a culture of scanning the business environment and adopting the appropriate competitive strategies applicable. The firms should know that customer satisfaction always comes first.
2. Also the study recommends that audit firms should adopt strategies such as diversification of products to include consultancy & accountancy, charging reasonable fees, expansion to new market & ethical considerations, and efficient and timely service to client.
3. Entrepreneurs should relook on their competitive advantage strategies in terms of business branches and assets in order to reach the consumer to their door step while they increase customer base as well as creating awareness of the service or product they deal with.
4. Audit firms should realize the growth effectively to ensure that large audit firms do not outdo small ones in the market. This will ensure survival of small firms as they contribute to job creation, economic development as well as encouraging creativity hence competitive competition.

5.5 Suggestion for Further study

The current research was focused on Nairobi County. The reason for this was that it was most convenient for the researcher. Despite the fact that Nairobi County contains a high concentration of audit firms in the country, a research needs to be carried out on other areas apart from Nairobi County. Indeed, it is possible that upcountry firms need to adopt different competitive strategies. In this case future research on this topic should concentrate on other areas apart from Nairobi County.

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APPENDICIES

APPENDIX I: QUESTIONNAIRE

The following questionnaire aims at collecting information and data for use by the researcher to facilitate research in the field management. Your kind participation will go a long way in providing useful information required to complete this research. The information provided will be treated in confidence. You need not indicate your name.

PART A: GENERAL BACKGROUND

1. Name of organization/audit firm

.....
.....

2. Nature of Organization. (Please tick as appropriate)

Private Limited Company []

Public Limited Company []

Partnership []

Sole Proprietor []

Family Owned Business []

Others (please specify).....

3. For how long has your audit firm has been in operations (please tick as appropriate)

Less than one (1) year []

Between 1 and 5 years []

Between 6 and 10 years []

Between 11 and 15 years []

Over 15 years []

4. How many people are employed by your enterprise?

Less than 50 []

50-100 []

100 and above []

PART B: Service quality

5. What services are offered by your auditing firm?

Accounting []

Management Consulting []

Auditing []

Taxation services []

Any other specify.....

6. State the extent to which the following service quality aspects influence the competitive advantage of auditing firms. Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

service quality aspects	1	2	3	4	5
Nature of Services help reduce wastage which increases competitive advantage of the organization					
Quality of Services increases the competitive advantage of the organization					
Type and the conditions at which the service is provided help reduce losses which increases competitive advantage					
Magnitude of the service enhances competitive advantage					

7. Which of the services given to the clients face the stiffest competition in your company?

Accounting []

Management Consulting []

Auditing []

Tax services []

Any other specify.....

PART C: Software Development

8. To what extent does your organization apply Software Development strategies to improve its competitive advantage?

Very great extent

Great extent

Moderate extent

Low extent

No extent

9. State the extent to which the following Software Development aspects influence the competitive advantage of auditing firms. Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

Software Development aspects	1	2	3	4	5
Nature of the software increases service delivery which increases the competitive advantage of the firm					
Quality of the software improves production which increases competitive advantage of the firm					
Nature of software Operations increases efficiency which in turn increases competitive advantage					
Level of software Operations help reduce work overload thus increasing competitive advantage					

10. The following are the examples of various softwares that are used in the auditing firms? Tick the ones applied in your organization.

Accounting CS

Work papers CS

Advance Flow

Engagement CS

Any other.....

PART D: Staff Training

11. State the extent to which the following staff training aspects influence the competitive advantage of auditing firms. Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent.

Staff training aspects	1	2	3	4	5
Number of staff to be trained reduces the work overload thus increasing competitive advantage of the firm					
Qualifications of the staff members helps in creating efficiency which improves the competitive advantage					
Training requirements of Human Resources determines the					

position in management which improves competitive advantage					
Remuneration of Human Resources improves motivation towards task accomplishment hence increasing competitive advantage					

12. What extent do monitoring and evaluation enhance the success of staff training strategies adopted by auditing firms in Nairobi Kenya?

- Very great extent
- Great extent
- Moderate extent
- Low extent
- No extent

PART E: Leadership quality

Leadership qualities	1	2	3	4	5
Experience of Leaders increases their competency hence improving the competitive advantage of the firm					
Integrity of Leaders increases transparency in the firms which improves the competitive advantage of the firm					
Qualifications of Leaders increases efficiency which in turn improves the competitive advantage of the firm					

13. Targets of Leaders helps firms realize high production which increases profits and the overall competitive advantage of the firm					
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to the extent to which the following leadership qualities influence the competitive advantage of auditing firms. Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

PART G: COMPETITIVE ADVANTAGE

14. Has your firm gained competitive advantage?

Yes []

No []

15. Indicate the extent at which the following indicators of performance increase your firm competitiveness? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

Indicators	1	2	3	4	5
Finance available					
Customer base					
Number of branches					
Number of employees					

16. The following are some of the competitive strategies large auditing firms have adopted in Kenya. State the extent at which your firm has adopted them to increase the competitive advantage. Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

Competitive strategies	1	2	3	4	5
Market Penetration					
Increasing volume of sales to present customers					
Market Development					
Identification of new potential users					
Expanding geographically					
Targeting new segments of the market					
Product Development					
Adding product features or product refinement					
Expanding the product line					
Developing a new generation product					
Developing new products for the existing market					
Diversification (entry into new unknown territory)					

Thank You for your Time and Participation