DECLARATION

I declare that this is my original work and has not been presented for a degree in any other University.

MARGARET N. NYAKANG’O

SIGNED. ....................................DATE........................................

I confirm that I am the supervisor of this student and that I have read this final draft and I believe it to be the student’s own original work.

PROFESSOR EVANS AOSA

SIGNED........................................DATE........................................
DEDICATION

This project is dedicated to all the audit firms in Kenya.
ACKNOWLEDGEMENT

I would like to thank all those that helped me to ensure the success of this project. This included the several employees of various audit firms in the city that took time out of their busy schedule to respond to my questionnaire.

I would also like to thank my supervisor for the useful guidance that he provided throughout the course of my research. My utmost appreciation goes to my family members who stood by me through the long journey and provided inspiration and motivation whenever I slackened. My special thanks go to David my husband, himself a long time practicing auditor who provided me with useful insights on the environment in which audit firms operate in this country.
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ABSTRACT

Competitive strategy comprises of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. It concerns what a firm is doing in order to gain a sustainable competitive advantage by using strategies such as cost leadership, differentiation, focus, use of technology, networking and staffing policies. This study sought to find out the competitive strategies adopted by audit firms in Nairobi.

The objective of the study was to establish the various competitive strategies used by audit firms in Nairobi. The study adopted a cross-sectional survey in its methodology. The population of interest consisted of audit firm in Nairobi, which, according to the Institute of Certified Public Accountants of Kenya were 320 as at the beginning of 2007. A stratified sampling approach was adopted for this study in order to reach 60% of the population, which were 64 firms. Thirty-eight audit firms in Nairobi responded to the questionnaire. Primary data was collected during the month of August 2007 using a questionnaire with a ‘drop and pick later’ gathering method.

The result of the study showed that the major competitive strategies adopted by audit firms within the city include cost leadership, excellent customer service, training of staff, adhering to ethical standards, effective recruiting policies and use of technology. The competitive marketing strategies adopted by audit firms include increasing sales volume to present customers, increasing volume of sales to new customers, identification of new potential users, targeting new segments of the market and outsourcing.

The major limitation of the study was that the respondents were only a small portion of the total population. Of the total population of 320 firms only 38 responded. The current research was focused audit firms in the city of Nairobi. Despite the fact that Nairobi contains a high concentration of small to medium audit firms in the country, a research needs to be focused on other areas apart from Nairobi. This would enable a complete documentation of strategies adopted by audit firms in Kenya.
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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Competitive Strategy

Competitive strategy comprises of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) asserts that there are three approaches to competitive strategy. One is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate one’s product offerings from that of one’s rivals, which is a differentiation strategy while a third involves focus on a narrow portion of the market, which is focus or niche strategy.

Porter (1990) defines strategy to be a pattern for an organization to achieve their objectives and goals. The usefulness of strategy was equally entrenched further by Aosa (1992) in his argument that strategy is of value to managers when dealing with problems that are potential to their companies. Pearce and Robinson (2003), conclude that the definition of strategy is a reflection of a company’s awareness of how to compete, against whom, when, where, and for what.

The essence of strategy is highlighted by Judge & Zeithaml (1990) who stipulate that strategy is a learning action, a behavioral, holistic and continuous process. In the face of turbulence and complex environmental conditions brought about by such factors as liberalization, effective strategies and appropriate strategic management process is vital for any organization to survive.

The strategies for mature and changing industries suggested by Pearce and Robinson (1997) infer that opportunities exist for firms operating in these industries. This includes opportunities to spur growth or improve profits by focusing on segments within the industry that offer a chance for higher growth or a higher return. Growth
can also be spurred by emphasizing product innovation and quality improvement. If then strategy is about getting a winning formula, competitive strategies are those that not only enable us to succeed today, but ensure that we get an edge over our competitors as well enabling survival in the long run.

1.1.2 Audit Firms in Kenya

The audit profession in Kenya 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.

Sheikh (2007) observes that whilst large Audit firms are able to carry out community related activities like sports, thereby giving themselves marketing leverage, it is not easy for the small and medium sized firms to do this as a competitive strategy. The accounting profession in general has recently been undergoing a lot of scrutiny. According to Leggatt and Martin (2003), global scandals like Enron, WorldCom and more recently Parmalat, have caused serious harm to the accounting profession, not only legally but also morally and ethically. The public now claim to have serious grounds for mistrusting any accountant anywhere to do his or her job properly (Sheikh, 2007).

According to Githae (2004), many audit firms in Kenya are quick to affirm that doing business is more difficult than was the case in the past eras. They cite numerous factors like increased competition; undercutting and increasing need for more compliance as more and more legislations is enacted. This is aggravated by inadequate government support among other reasons. The business environment in which the small and medium size audit firms operate has been very volatile. The political anxiety, competition from new entrants, social reforms, technological advancement and the global challenges are some of the challenges that have greatly affected the growth of this industry. These challenges cannot be ignored because the industry plays a significant role in our economy. Kombo (1996) 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, which are still surviving, have had to adopt urgent measures in form of competition strategies.

According to Githae (2004), the traditional field of accounting is rapidly changing. No longer is it confined to just accounts or auditing strictly. In fact, this profession has metamorphosed embracing various disciplines crucial to the world of business, charting what one may describe as new frontiers. It is becoming increasingly apparent that this profession, despite the appearance of being ‘rigid’ is dynamic and has been adapted to
respond to the rising needs of the corporate world. One other way that accountants are innovating is through outsourcing of non-core activities to associates or specialists in other areas. Such activities like recruitment and consultancy are frequently outsourced as they are outside the core function of audit firms, which is attestation.

1.2 Statement of the Problem

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 and 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 carried out on competitive strategies adopted by small to medium sized firms to the changes in the environment in a number of industries. 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 had to survive the new turn of events. Those, that are still surviving have had to adopt urgent measures in form of competitive strategies. Local studies have been done in the small medium scale enterprises but no specific study has been done on the competitive strategies that audit firms have so far adopted. What strategies are audit firms in Nairobi adopting to remain competitive?

1.3 Objective of the study

The objective of this study is to establish the various competitive strategies adopted by audit firms in Nairobi.

1.4 Significance of the study

This study will help 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 will be better informed on the challenges faced by the institutions already operating and therefore prepare themselves accordingly before entering the industry. Furthermore, the research will be 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 will educate managers on survival strategies in the face of an ever-changing environment, which is not always in their favour.
CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

There is no single universally accepted definition of strategy. Different authors and managers use the term differently (Mintzberg et al, 1999). Quinn (1980) defines strategy as the pattern or plan that integrates an organization’s major goals, policies and action sequences into a cohesive whole. He goes further to state that a well formulated strategy helps to marshal and allocate an organization’s resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.

Newman et al (1989), on the other hand defines strategy as the major instrument that senior managers use to shape the future course of their businesses. They give its role as being threefold; to identify how the company will cope with its ever changing environment, to prescribe initiatives and other actions that the company will take to win its desired position in that turbulent setting and to articulate a dominant mission that will be the focus around which diverse company activities can be integrated.

Strategy is about winning (Grant, 1998). There is no dispute regarding the importance of strategy in business management. The more important issue is to establish how the ‘winning’ is achieved. This is the essence of competitive strategy. Indeed, there are many approaches to competitive strategy but none are universally accepted.

The foregoing notwithstanding, the subject of strategy has continued to develop as organizations craft new ways of ‘surviving’ and ‘winning’ in a business arena where everything is changing on a real-time basis and the rules of the game are not even known to any of the players. Morgan (1988) equates business management to surfing in a turbulent sea and asserts that like surfers, managers and their organizations have to ride on a sea of change that can twist and turn with all the power of the ocean. Managers of
the future will have to ride this turbulence with increasing skill, and many more competences will be required.

Since the introduction of long range planning, and later strategic management, most organizations have been developing corporate strategies in one form or the other. Burnes, (2004) follows the trends in strategy development practices since the times of the Classical and Human Relations approach up to the development of the Contingency Theory around the 1960s, right to the development of new paradigms in the 1980s and 1990s. Burnes (2004) argues that rather than managers being prisoners of mathematical models and rational approaches to strategy development, they have considerable freedom of action and a wide range of options to choose from. Although he recognizes the fact that managers are not totally free agents as their freedom of action is constrained or shaped by the unique set of organizational, environmental and societal factors, he argues that these constraints are not immutable. He further argues that it is possible for managers to manipulate the situational variables they face with regard to structure. He goes further to argue that managers can exert some influence over strategic constraints and, potentially at least, they can select the approach to strategy that best suits their preferences and achieves optimum competitiveness.

Burnes’ (2004) argument that the organizational, environmental, and societal constraints are not immutable and, that managers can select the approach to strategy that best suits their preferences is intriguing because it gives an underlying implication that business managers can literally overcome any strategic obstacle placed on their paths.

2.2 Environmental Changes and Challenges

According to Ansoff and McDonnell (1990), organizations are environment dependent and environment serving. Organizations are in a constant two-way interaction with the environment. They receive inputs from the environment, transform or add value to them, and return the outputs in form of goods and services back to the environment. They therefore affect and are affected by what happens in the external environment, which is
beyond the organization’s control. Environmental change creates pressure for change in the organization and this means that they have to respond to relevant external change to ensure that they survive.

According to his study, Miller (1998) stipulates that organizations exist in a complex commercial, economic, political, technological, cultural and social environment. These environmental changes are more complex to some organizations than for others. For survival, an organization must maintain a strategic fit with the environment. The environment is important and an organization has to respond to its dynamism, heterogeneity, instability and uncertainty (Thompson et al, 2002). In addition, the competitive environment has been and continues to be driven by technological innovations, globalization, competition, and extreme emphasis on price, quality and customer satisfaction. As a result, organizations must continuously create and innovate in order to stay relevant and be successful.

He further states that a sustainable competitive advantage is achieved when there is a strategic fit between the external and internal environment. An organization’s external environment includes the economic forces, the social-cultural, demographic, political and technological factors, while its competitive environment includes competitors, customers and suppliers. This external component should have a strategic fit with the internal environment, which includes the organization’s systems, policies, resource capability and its corporate culture (Pearce and Robinson, 1997).

Wooldridge& Floyd (1990) note that the environment is a critical factor for any organization’s survival and success. It should be seen as a biosphere in which individuals and organizations live over the long term and as a community project in which to be actively involved. It is a resource to be managed and to be shared, hence the need to effectively manage the value chain system and establish collaborations, partnerships and to get involved in social responsibility to enrich this resource and enhance the corporate image of the organization. It is noted that, many organizations are now more than ever being involved in social responsibility activities since a good corporate image can also be
a source of competitive advantage. It is imperative that managers apply critical investigation into the realities of the changing environment of this millennium through enlightened diagnosis of the problems it poses.

The political and economic environment for example, can influence the lifestyles and the health of the people. This same environment should also be seen as a system, which calls for profound understanding in order to improve decision-making and to recognize the links between the past, present, and the future and between local and global matters. This necessitates that strategic managers therefore, view the environment in all its context and perspective and understand the concept of competitively strategizing.

2.3 Organizational Responses to Environmental Changes

Kombo (1996) established that for firms to be effective and hence successful, they should adapt appropriately to changes that occur in their respective environments. Such adaptation may be referred to as strategic responses (Schendel and Hofer, 1979). Ansoff and McDonnell (1990) note that strategic responses involve changes to the organizations’ strategic behavior. Such responses may take many forms depending on the organizations’ capability and environment in which it operates. Well-developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. The strategic responses include new products, new markets, new processes, new services and new strategies for attacking the markets.

In his definitive work on competitive strategy, Porter (1980) propelled the concept of strategy and competitiveness into the foreground of strategic thought and business planning. The nature and degree of competition in an industry hinge on five forces; the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products or services and the jockeying among the contestants. The essence of strategy is coping with competition and appreciating how Porter’s Five Forces shape a firm’s business strategy. The purpose of competitive
strategy is to establish a profitable and sustainable position against the forces that determine industry competition. Porter (1980) asserts that the corporate strategist’s goal is to find a position in the industry where his company can best defend itself against these forces or influence them in her favour. Knowledge of the underlying five competitive forces provides the groundwork for a strategic agenda of action.

2.4 Competitive Strategies

There are a variety of competitive strategies that organizations can adopt. Some of these are, cost leadership, differentiation and focus (Porter, 1980). The aim of a cost leadership strategy is to achieve an overall lower cost than one’s competitors without reducing comparable product/service quality. To do this requires a high volume of sales in order for low cost organizations to structure themselves in such a way that they can achieve economies of scale. Porter (1980 Pg 229) asserts that this strategy requires the;

“aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like Research & Development, services, sales force and so on”

According to Ansoff (1988), a differentiation strategy is based on achieving an industry-wide recognition of different and superior products and services compared to those of other suppliers. This recognition can be accomplished through the design of special brand images, technology features, customer service or higher quality, all of which have implications for the structure and operation of companies.

According to Harvey (1988), achieving differentiation is likely to result in insulation against competitive rivalry due to securing customer loyalty. The resulting competitive advantage also leads to increased returns, sometimes through making customers less sensitive to high product price. Specialization by focus strategy is concerned with
selecting (focusing upon) only certain markets, products or geographic areas in which to compete. Porter (1990) argues that by focusing in this way, it becomes feasible for a firm to dominate its chosen area(s). The method of achieving domination could either be through cost advantage or product differentiation.

According to Porter (1980 Pg 240), such niche markets must have certain characteristics, which distinguish them from the market in general.

“…The target segment must either have buyers with unusual needs or else the production and delivery system that best serves the target must differ from that of the other industry segments.”

If the niche market grows, or it is incorporated into a larger market, then market dominance is unlikely to be retained. In such circumstances, the previously dominant organization will find itself having to compete for market share with others. In effect, the rules of the game change and a different strategy is required to either market or adapt, thereby neutralizing the other competitors’ cost advantage (Porter, 1985).

There are as many competitive strategies as there are competitors. However, beneath the subtleties and superficial differences, there are impressive similarities between different competitive strategies when one considers a company’s market target and type of competitive advantage the company is trying to achieve (Thompson and Strickland, 2002). Five categories of competitive strategy approaches stand out as follows (Porter, 1980). Porter named these strategies generic because they are not firm or industry specific. They can be applied to a firm in any industry.

Harvey (1988) describes a cost leadership strategy as striving to be the overall low cost provider of a product or service that appeal to a broad range of customers. A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offers its products and services to a broad market at the lower prices. A cost leader’s basis for competitive advantage is the lower overall cost to those of competitors.
Successful cost leaders are exceptionally good at finding ways of driving costs out of their businesses.

According to Ansoff (1988), the aim of a cost leadership strategy is to open up a sustainable cost advantage over competitors and then use the firm’s lower cost edge as a basis for under-pricing competitors, gaining market share at their expense, or earning a higher profit margin selling at the going market price. Firms acquire cost advantage by improving process efficiencies, accessing lower cost materials, making optimal outsourcing, vertical integration decisions or avoiding some costs altogether.

According to Thompson and Strickland (2002) a cost leadership strategy has several advantages. Firms that practice this particular strategy have sufficient capital skills, experienced staff and efficient distribution channels. The cost advantage protects a firm from new entrants hence reducing competition. However, the risk of cost leadership is that competitors may leap frog the technology and production capabilities, hence eliminating the competitive advantage acquired from cost reduction.

The second generic strategy as outlined by Thompson and Strickland (2002) is having a broad differentiation strategy, which seeks to differentiate the company’s product offerings from rivals in ways that will appeal to a broad range of buyers. The value of differentiation commands a premium price. In differentiation, there is perceived quality and signals of value, whether real or not. The advantage of differentiation strategy is that the perceived quality insulates a company from threats from many of the five forces that determine the state of competition in an industry.

Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to embrace various disciplines crucial to world of business, charting what one may describe as new frontiers. They have to adopt such strategies as forensic services to remain competitive. Other areas of broadening their scope are the provision of business advisory services, recruitment and selection of technical staff and investigations.
According to Ansoff, (1988) a focus strategy is giving customers more value for money by combining an emphasis on low cost with an emphasis on upscale differentiation. The target is to have the best (lowest) costs and prices relative to producers of products with comparable quality and features. Porter (1985) argues that a focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than competitors. Therefore, focus strategy can either be of cost leadership or differentiation aimed at a narrow segment of the market. This strategy concentrates on a narrow buyer segment and out competing rivals on the basis of lower cost. Alternatively, a focused or market niche strategy may be based on differentiation. This strategy is based on offering niche members a product or service customized to their tastes and requirements.

A profession is distinguished by certain characteristics including mastery of particular intellectual skill acquired through training and education, adherence by its members to a common code of values and conduct established by its administrative body and acceptance of duty to society as a whole. Failure to conform to professional standards can compromise clients’ confidence in any audit firm. Thus, to remain competitive, auditors have to adhere to set standards. For example, failure to issue an engagement letter, failure to properly document audit work, inconsistency between audit findings and audit opinion and many others are lapses the breach professional standards and may make one liable to disciplinary action.

Ogot (2006) stipulates that members of the accountancy profession should always evaluate the consequences of their actions and particularly their effect on the reputation of the accountancy profession. The Code of Ethics for Members of ICPAK section 150.1 states, “The principle of professional behavior imposes an obligation on professional accountants to comply with relevant laws and regulations and avoid action which may bring discredit to the profession…” Ogot (2006 Pg 15). Firms that maintain strict professionally ethical business practices not only give the profession a good name, but also are likely to remain more competitive in the long run.
Sheikh (2007) states that computer technology is crucial to Accounting Information Systems (AIS) and to accountants for many reasons. One is that computer technology must be compatible with, and support, the other components the AIS. Secondly, in trying to expand their services, audit firms are moving into provision of outsourced accounting and/or internal auditing services, which require mastery of computer accounting packages. Accountants are also becoming Certified Information Technology practitioners. A third reason is perhaps, because accountants are often asked to help clients make hardware and software purchases (Sheikh, 2007).

According to Githae (2004), one strategy that is currently being employed or adopted in modern business circles to assist the information pillar is the concept of networking. This involves making connections and building lasting and mutually beneficial relationships that sustain the business in its growth path or its strategic plan. Networking is a powerful marketing strategy that accelerates and sustains the growth of any size of business not only in the country of operation but also all over the world. Networking is useful in business growth because it keeps the owners aware of the recent and updated dynamics within their respective industries/sectors, enables the business to establish new and useful contacts/opportunities and finally assist the business in marketing its core products and services to a wider client base. Overall networking enables a business to change from “whom we know” to “who knows us” strategic objectives (Githae, 2004). Ultimately, networking provides a database that facilitates outsourcing as and when required by a firm.

An audit firm should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence and commitment to ethical principles, necessary to perform its engagements in accordance with professional standards and in line with regulatory and legal requirements, enabling the firm or engagement partners to issue opinions that are appropriate (Ogot, 2006).

Ogot (2006) advises that auditors must critically review the firm’s recruitment process. The aim here should be to source suitable employees not only on the basis of the skills
required to perform the job but also on the cultural fit with the organization. The auditors must also put in place a staff evaluation mechanism. They must make regular assessments of the staff needs and come up with guidelines that cover employee career development and compensation needs.

2.5 Marketing Strategies

In reference to (Ansoff, 1988), a matrix is usually prepared in conjunction with a gap analysis assessment. This process follows a series of steps. These include determining the objectives of the firm, plotting the sales that would occur if no changes are made, determining which strategies are available for implementation from the matrix and plotting the forecasted sales if an expansion strategy is followed. Thereafter, the diversification strategy forecasts are made, determining the gap between this cumulative forecasted figure and the objectives. The firm has an option of four strategic directions to follow for growth.

Market penetration is the simplest and first choice for most companies. The firm is already in the market with a current or existing product. Market penetration is an effort to increase the firm’s sales without departing from an original product-market strategy at the expense of competitors. The firm will improve business performance by either increasing the volume of sales to its present customers or by finding new customers for present products. Examples of growth in this area can include increasing market share and product usage by increasing the frequency of use, increasing the quantity used, or finding new applications for current users.

A second strategic marketing option for most firms is where the firm attempts to adapt its present product line to new markets (or in Ansoff’s terminology – missions) This involves the identification of new potential users by extension of existing products. A firm having competencies or skills in marketing as its key driving force would follow an ‘increasing marketing newness’ path and would proceed on this vertical route (Ansoff, 1988). Examples of growth include expanding geographically and targeting new segments of the market.
In a product development/ expansion strategy, Ansoff (1988) describes this third course of action retaining the present or existing market and developing products that have new and different characteristics to improve the performance of the market. A firm possessing competencies or skills in technology as its key driving force would follow an ‘increasing technological newness’ path and would proceed along this horizontal route. Examples of growth in this area include adding product features or product refinement. Expanding the product lines, developing a new generation product, developing new products for the existing market (although product failures can be as high as 91% in some industries) and new product types are also included. Some other strategies include new to the world products, new product lines, cost reductions, additions, repositioning, improvements, strategic products, and defensive products.

Diversification is another key alternative that can be followed. If none of the preceding strategies results in the original objectives being met, then diversification is the only option left. This strategy is deemed the most risky of all the approaches as it signifies entry into new unknown territory. It calls for a simultaneous departure from the present product line and present market structure. There are four underlying reasons why companies diversify: (Ansoff 1980) says that firms diversify when their objectives can no longer be met within the product-market scope defined by expansion. Even if attractive expansion opportunities are still available and past objectives are being met, a firm may diversify because the retained cash exceeds the total expansion needs. (The pressure may be on the firm to invest money more profitably). Even if current objectives are being met, the firm may diversify when diversification opportunities promise greater profitability than expansion opportunities. This may occur under several conditions. One is when diversification opportunities are sufficiently attractive to offset their inherently lower synergy. Another is when the firm’s research and development organization produces outstanding diversification by-products. Likewise if synergy is not an important consideration and therefore the synergy advantages of expansion over diversification is not important. Firms may also continue to explore diversification when
the available information is not reliable enough to permit a conclusive comparison between expansion and diversification.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research used a cross sectional survey method to identify the competitive strategies adopted by audit firms in Nairobi. This type of survey presents similar questions to all the respondents in order to obtain responses that can facilitate comparison.

3.2 Population

The population of interest comprised of audit firms in Nairobi. According to the Institute of Certified Public Accountants of Kenya records, there were 583 registered audit firms in the country, as at the beginning of 2007 of which 320 are located in Nairobi.

3.3 Sampling

A sample allows the researcher to generalize about populations. A sample is a subset of a population, but that subset is only useful if it accurately represents the larger population. To ensure that the sample accurately represents the population, the researcher must clearly define the characteristics of the population, determine the required sample size, and choose the best method for selecting members from the population. The stratified sample used included 6 from large audit firms, 26 from medium and 32 from small audit firms in Kenya. This represented 20% of each category from the whole population.

3.4 Data Collection

The study used primary data, which was collected using a questionnaire containing both structured and unstructured questions. The basic data collection method was through the “drop and pick later” technique for those without time and personal interviews for those
with time, in order to reduce the non-response rate. Abdullahi (2000) successfully used this approach. Responses were sought from senior managers who had been in the industry for at least five years. These were CEOs or Heads of Planning and Operations. The length of time was important in that it ensured that the respondents were well versed with their organizations and the changes in the industry.

The questionnaire was divided into two parts. Part 1 captured information about the general characteristics of the firm. Part 2 addressed the strategic responses of the organization in dealing with the identified challenges.

### 3.5 Data Analysis

The data collected was analyzed using descriptive statistics. These involved the use of frequency tables, percentages and mean scores. Frequency tables were used for arraying data obtained to facilitate working out percentages in order to address the objective of the study. Percentages revealed the proportions of different attributes that were being studied for relative comparison. Rank ordering helped the rank the different attributes/variables in the order of their representation equally to address the objective of the study.
CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Organizational profile

This section provides a profile of the organizations involved in the study. This data was obtained from questionnaires that were filled in by the respondents. This section contains number of years in operation, size of the organization in terms of annual turnover, and number of years. This section was intended to identify the nature of the organizations that were involved in the study.

4.1.1 Number of years in operation

This category sought to find out the number of years the audit firm had been in operation. It can be seen from the chart that majority of the firms involved in the study had been in operation for 6 to 10 years, some had been in operation for 11 to 15 years and few had been in operation for over 21 years. The results are summarized in the chart below.

Figure 1: Number of Years in Operation

Source: Interviews
4.1.2 Annual Turnover

This section sought to find out the size of the company in terms of its annual turnover. Majority of the firms involved in the survey had an annual turnover of 10 to 15 million; few had an annual turnover of between 1.5 million to 3 million. The results are summarized in the table below.

Table 1: Turnover

<table>
<thead>
<tr>
<th>Turnover</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5 million to 3.0 million</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>3.5 million to 5.0 million</td>
<td>3</td>
<td>8.3</td>
</tr>
<tr>
<td>5.5 million to 7.0 million</td>
<td>6</td>
<td>16.7</td>
</tr>
<tr>
<td>7.5 million to 10 million</td>
<td>17</td>
<td>45.0</td>
</tr>
<tr>
<td>10 million to 15 million</td>
<td>8</td>
<td>20.0</td>
</tr>
<tr>
<td>Over 15 million</td>
<td>3</td>
<td>6.7</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Interviews
4.1.3 Number of Employees

This section sought to find out the number of technical employees that the organization had. Majority of the firms involved in the survey had 6 to 10 employees comprising of while a few had less than 6 employees. This is summarized in the graph below.

Figure 2: Number of Employees

Source: Interviews
4.2 Presence of a Mission Statement

This section sought to find out if the firm had a mission statement since inception. Majority of the firms involved in the survey indicated that they had a mission statement since they began operations, as summarized in the chart below.

Figure 3: Presence of a Mission

Source: Interviews
4.3 Change of Mission Statement

The respondents were asked to state whether their firms had changed their mission statement since inception and most of them indicated that they had not changed their mission statement since inception.

Table 2: Change of mission statement

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>27</td>
<td>70.0</td>
</tr>
<tr>
<td>Yes</td>
<td>11</td>
<td>30.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Interviews
4.4 Levels of setting objectives

The researcher wanted to know the level at which objectives were set and most of the respondents indicated that the objectives were set by both top and middle managers, very few indicated that the objectives were set by middle managers. The results are as shown in the figure below.

Figure 4: Level of Setting Objectives

Source: Interviews
4.5 Employees’ awareness of objectives

The researcher wanted to identify the level of awareness by employees on the objectives of the company. Most of the employees of audit firms comprising of 95% were aware of the objectives of the company while only 5% were not aware of the objectives of the company. This is shown in table 4 below.

Table 3: Employees’ awareness of objectives

<table>
<thead>
<tr>
<th>Response rate</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>2</td>
<td>5.0</td>
</tr>
<tr>
<td>Yes</td>
<td>36</td>
<td>95.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Interviews

4.6 Communication of Objectives

This section was intended to find out the method of communicating objectives to employees. Objectives were communicated to employees in various ways, 46.7% audit firms communicated these objectives through writing, 40% communicated them through meetings while 13.3% communicated informally. This is summarized in table 4 below.

Table 4 Communication of Objectives

<table>
<thead>
<tr>
<th>Response rate</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Writing</td>
<td>18</td>
<td>46.7</td>
</tr>
<tr>
<td>In meetings</td>
<td>15</td>
<td>40.0</td>
</tr>
<tr>
<td>Informally</td>
<td>5</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Interviews
4.7 Length of Strategic Plans

Figure 5 below shows that 43% of the firms had their strategic plans being short term, 30% had them being short term, while 27% had them being a combination of short term and long term plans.

Figure 5: Length of Strategic Plans

Source: Interviews
4.8 Type of Strategic Plans

Table 6 below shows that 46.7% audit firms had their strategic plans being formal, 43% had their strategic plans being written while only 10% did not have them written.

Table 6: Type of Strategic Plans

<table>
<thead>
<tr>
<th>Type of plans</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>18</td>
<td>46.7</td>
</tr>
<tr>
<td>Written</td>
<td>16</td>
<td>43.3</td>
</tr>
<tr>
<td>Unwritten</td>
<td>4</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Interviews

4.9 Competition in the Audit Industry

In this section the researcher was interested in knowing the perception of the respondents to competition among audit firms. The findings indicated that most respondents indicated the competition in the audit industry to be strong while a very small proportion of the total population indicated that the type of competition in their industry was hyper competition. The findings are shown in table 7 below.

Table 6: Competition in the Audit Industry

<table>
<thead>
<tr>
<th>Type of competition</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak competition</td>
<td>4</td>
<td>11.7</td>
</tr>
<tr>
<td>Strong competition</td>
<td>18</td>
<td>46.7</td>
</tr>
<tr>
<td>Very strong competition</td>
<td>11</td>
<td>30.0</td>
</tr>
<tr>
<td>Hyper competition</td>
<td>2</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Interviews
4.10 Competitive strategies

There are a variety of competitive strategies that organizations can adopt. Some of these are, cost leadership, differentiation and special focus (Porter, 1980). The aim of a cost leadership strategy is to achieve an overall lower cost than one’s competitors without reducing comparable product/service quality. Differentiation strategy is based on achieving an industry-wide recognition of different and superior products and services compared to those of other suppliers. According to Harvey (1988), achieving differentiation is likely to result in insulation against competitive rivalry due to securing customer loyalty. The resulting competitive advantage also leads to increased returns, sometimes through making customers less sensitive to high product price. Specialization by focus strategy is concerned with selecting (focusing upon) only certain markets, products or geographic areas in which to compete. The method of achieving domination could either be through cost advantage or product differentiation.

Table 8 below shows that ethical considerations, client service, recruiting policies, use of technology and cost leadership were the most popularly used strategies by the firms involved in the study. The audit firms involved in the study largely applied community involvement, training staff and outsourcing. Product differentiation was applied to a very small extent. On consideration of standard deviation there was insignificant or indifferent variation. All the audit firms involved in the study regularly reviewed their client service strategies.


Table 8: Competitive Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Mean score</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical considerations</td>
<td>4.368421</td>
<td>1.225084</td>
</tr>
<tr>
<td>Client service</td>
<td>4.210526</td>
<td>1.063757</td>
</tr>
<tr>
<td>Recruiting Policies</td>
<td>3.894737</td>
<td>0.946198</td>
</tr>
<tr>
<td>Use of technology</td>
<td>3.868421</td>
<td>0.766237</td>
</tr>
<tr>
<td>Cost leadership</td>
<td>3.842105</td>
<td>0.743951</td>
</tr>
<tr>
<td>Community involvement</td>
<td>3.210526</td>
<td>0.627619</td>
</tr>
<tr>
<td>Training Staff</td>
<td>2.921053</td>
<td>0.886651</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>2.526316</td>
<td>0.515481</td>
</tr>
<tr>
<td>Product differentiation</td>
<td>2.184211</td>
<td>0.377978</td>
</tr>
</tbody>
</table>

Source: Interviews

Scale

Mean scores were used to determine the extent of use of competitive strategies and marketing strategies by audit firms on a 5-point likert scale ranging from “very large extent” (5) to “no extent” (1) questions. Standard deviations were used to determine the varying degree of the responses by the participants in the survey.
4.11: Frequency of Review of Strategies

Table 8 shows that most of the firms involved in the survey comprising of 51.7% reviewed their strategies annually, 25% reviewed them biannually, 16.7% after two months while 6.7% reviewed their strategies monthly.

Table 8: Frequency of Review of Strategies

<table>
<thead>
<tr>
<th>Frequency of review</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once a month</td>
<td>3</td>
<td>6.7</td>
</tr>
<tr>
<td>After 2 months</td>
<td>6</td>
<td>16.7</td>
</tr>
<tr>
<td>Mid of the year</td>
<td>10</td>
<td>25.0</td>
</tr>
<tr>
<td>At the end of the year</td>
<td>19</td>
<td>51.7</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Interviews
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The findings indicate that majority of the firms involved in the survey had a mission statement since inception. To most firms this mission statement had not changed since they began their operations. All the firms involved in the survey reported to have objectives laid down for their business. These objectives were set at the top management level as well as the middle management level for most audit firms involved in the survey.

The research also sought to find out the level of awareness among employees on the objectives of the firm. It was found out that most the employees in the audit firms surveyed were aware of the objectives of the firm. This can be attributed to the fact that most of these objectives were communicated to them formally through writing. All the firms involved in the survey had set strategic plans for their business. Most of these strategic plans were both long term and short term and most were either formal or written down.

The researcher also sought to find out the nature of competition in the audit firm industry and a large number of the respondents said that there was strong competition in the industry. The study also sought to find the competitive strategies adopted by small and medium audit firms. The strategies that were used to a large extent by majority of the firms involved in the study include being cost leaders, having excellent customer service, training of staff, ethical considerations, effective recruiting policies and use of technology. Other strategies that were in use in the industry include community involvement, outsourcing and product differentiation. These findings are consistent with the findings of Sheikh (2007), which was involved in the finding out the use of technology by audit firms. This study revealed that due to the changing environment it becomes important for accountants and auditors to use technology to their advantage to enable them carry out their work efficiently and thoroughly.
All the firms involved in the study reported to review client service strategies and most of them reviewed these strategies annually. The study sought to find out the marketing strategies that were in place in the audit firms. The strategies that were in use to a large extent by most of the audit firms included increasing sales volume to present customers, increasing volume of sales to new customers, identification of new potential users and targeting new segments of the market. Other marketing strategies that were significantly in use in the industry included expansion of the business, diversification, developing new products for the existing market and expanding the product lines. Githae (2007) is in agreement with these findings when he states that it is important for audit firms to broaden their services and ensure that they gain more clients. Other studies that are in agreement with this include that of Kombo (1996) and Ogot (2006).

5.2 Recommendation

For managers and owners of small and medium audit firms, the need to develop strategies that would ensure that they survive in the industry is imperative. The idea is to develop strategies that would suit the needs of the industry. For example client satisfaction should come first. Other very important strategies include efficient and timely service to client, reasonable fees, diversification of products to include accountancy services, expansion to new markets and ethical considerations. These strategies would guarantee success in the industry. In any case one should have the principal objective, which should be embodied in the mission statement, stating the reason why one is in business.

5.3 Limitations of the Study

Care must be taken not to generalize the results of this study, as there were some limitations. First, this study included only a small portion of the total population. Even though the sample was taken to be representative this may not be the case because of the low number of responses received make the study fail to be comprehensive enough.
5.4 Conclusions

The political anxieties, competition from new entrants, social reforms, technological advancement and globalization are challenges that face small audit firms, (Leggatt and Martin, 2003). These challenges inhibit them from operating efficiently and thus a need for strategies that would ensure they survive the turbulent environment. Due to this both competitive strategies which include marketing strategies need to be crafted in order to ensure that one survives in this turbulent market. These strategies comprise moves and approaches that will attract buyers, withstand competitive pressure and improve their overall market position. The main strategies that are at play no matter the industry include striving to be the overall low cost producer, seeking to differentiate one’s product offerings from that of its rivals and focus on a narrow portion of the market (Porter, 1980).

There are various changes in the environment and firms must be proactive in the changes that are expected rather than being reactive. Such responses may take many forms depending on the organizations’ capability and their environment. Well-developed and targeted strategic responses are formidable weapons in acquiring and sustaining a competitive edge. These strategic responses include new products, new markets, new processes, new services and new strategies for attacking the markets. Moving on to new markets becomes important when the existing market becomes overcrowded with many players, (Githae, 2004).

The essence of strategy in small and medium audit firms is to cope with competition while at the same time appreciating how Porter’s Five Forces shape a firm’s business strategy. The purpose of competitive strategy is to establish a profitable and sustainable position against the forces that determine industry competition. Marketing strategies are essential when firms need to expand their businesses. The strategies that have been adopted in the industry include product improvement, diversification, identification of new potential users and targeting new segments of the market.
5.6 Suggestion for Further study

The current research was focused on Nairobi City. The reason for this was that it was most convenient for the researcher. Despite the fact that Nairobi contains a high concentration of small and medium audit firms in the country, a research needs to be carried out on other areas apart from Nairobi. 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.
REFERENCES


Kombo, H. K. (1996) Strategic Responses by Firms Facing Changed Environmental Conditions – A Study Of Motor Vehicle Franchise Holders In Kenya, Unpublished MBA Project of School of business, University of Nairobi
Leggatt, J. and F. Martin (2003), Maximizing Business Growth Through Strategic Customer Relationships Management Centre Europe, Rue de 'Aqueduct 118, 1050 Brussels, Belgium


APPENDIX I: QUESTIONNAIRE

PART ONE: GENERAL BACKGROUND

1. What is the name of the audit firm? (optional) __________________________

2. Number of years in operation
   - 0 – 5 [ ] 6 – 10 [ ] 11 – 15 [ ] 16 – 20 [ ] Over 21

3. What is your organization’s size in terms of Kshs turnover per annum?
   - 1.5 million to 3.0 million [ ] 3.5 million to 5.0 million [ ]
   - 5.5 million to 7.0 million [ ] 7.5 million to 10 million [ ]
   - 10 million to 15 million [ ] Over 15 million [ ]

4. How many technical employees does the organization have
   - 0 – 5 [ ] 6 – 10 [ ] 11 – 15 [ ] Over 15 [ ]

PART TWO

COMPETITIVE STRATEGIES ADOPTED

5. Does your firm have a vision for the future?
   Yes [ ] No [ ]

6. Do you have a mission statement since your inception?
   Yes [ ] No [ ]

7. Did you have to change your mission statement since your inception?
   Yes [ ] No [ ]

8. Do you have any set of objectives for your Firm?
   Yes [ ] No [ ]

9. At what levels are these objectives set?
   Top [ ] middle level [ ]

10. Are all employees in the firm aware of these objectives?
    Yes [ ] No [ ]

11. Do you communicate them to all employees?
In meetings [ ]               written [ ]               Informal [ ]

12. Do you have any strategic planning for your firm?
   Yes [ ]               No [ ]

13. If you have plans how long do they take?
   Long term [ ] or short term [ ]

14. What types of strategic plans do you have?
   Formal [ ]               written [ ]               unwritten [ ]

15. How do you describe competition in the audit firm service industry in Kenya?
   i.) Weak competition [ ]
   ii.) Strong competition [ ]
   iii.) Very strong competition [ ]
   iv.) Hyper competition [ ]

The following are some of the strategies many organizations have adopted in Kenya: State the extent to which your firm has adopted them to remain competitive. Tick where appropriate.

16. Product differentiation (Having different Products prices for different clients)
   1               2               3               4               5
   Very great               Great               Moderate               Little               Not at all

17. Being cost leaders (Quoting reasonable prices to clients)
   1               2               3               4               5
   Very great               Great               Moderate               Little               Not at all

18. Client service (valuing what customer’s value, timely service, communication, brand image, customer care)
   1               2               3               4               5
   Very great               Great               Moderate               Little               Not at all

19. Community involvement (corporate social responsiveness, good corporate citizenship and ethical practices especially in marketing, research and development)
<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very great</td>
<td>Great</td>
<td>Moderate</td>
<td>Little</td>
<td>Not at all</td>
</tr>
<tr>
<td>20. Training Staff (Having staff take refresher courses and having staff trained on how to handle clients)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Very great</td>
<td>Great</td>
<td>Moderate</td>
<td>Little</td>
<td>Not at all</td>
</tr>
<tr>
<td>21. Following codes of conduct (Ethical considerations)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Recruiting Policies (recruitment of young capable and competent staff)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Outsourcing (you sometime consider outsourcing some services that are not your core business)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Use of technology (you use Information Communication Technology i.e. Telephone, Internet, Websites, Fax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25. Do you regularly review your client service strategies?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Yes</td>
<td>[ ]</td>
<td>No.</td>
<td>[ ]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26. If yes how often?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Once a month</td>
<td>[ ]</td>
<td>After 2 month</td>
<td>[ ]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
27. The following are some of the marketing strategies many organizations have adopted in Kenya. State the extent at which your firm has adopted them to remain competitive. In answering the questions in this section, you are given scale 1-5 to indicate to help you respond easily. With 5 - a very large extent, 4 - large extent, 3 - some extent, 2 - small extent, 1 - no extent

<table>
<thead>
<tr>
<th>Market Penetration</th>
<th>[5]</th>
<th>[4]</th>
<th>[3]</th>
<th>[2]</th>
<th>[1]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing volume sales to present customers</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Increasing volume of sales to new customers</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Development</th>
<th>[5]</th>
<th>[4]</th>
<th>[3]</th>
<th>[2]</th>
<th>[1]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of new potential users</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Expanding geographically</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Targeting new segments of the market</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product Development</th>
<th>[5]</th>
<th>[4]</th>
<th>[3]</th>
<th>[2]</th>
<th>[1]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adding product features or product refinement</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Expanding the product line</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Developing a new generation product</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Developing new products for the existing market</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Diversification (entry into new unknown territory)</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

28. Indicate other factors that make you remain competitive in this industry.

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

39. In your own words please comment on the future of audit firms in Kenya.

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