

**THE LINK BETWEEN VALUE CHAIN AND COMPETITIVE
ADVANTAGE AT DELOITTE & TOUCHÉ, KENYA**

**BY
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DECLARATION

This research project is my original work and has not been submitted for a degree course in this or any other university.

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

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DEDICATION

This project is dedicated to my parents Mr. and Mrs. Joseph Mungai for their relentless efforts and love towards me. In the same way you marveled when I made the first walking step, here again I undertake the brave walk in the discipline of strategic management. I also dedicate this work to my late grandfather James Gacheru Kamau and the entire Gacheru family.

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ABSTRACT

This study sought to identify the value chain activities at Deloitte & Touché, Kenya and to establish the link between these activities and competitive advantage. A company's value system is not limited to a simple linear two dimensional view; rather it is made up of strategic activities that do not necessarily work in a serial fashion as in the traditional value chain models. The study adopted a case study design. Both primary and secondary data sources were used. Primary data was collected using an interview guide as the key instrument. The study was based on the two Deloitte & Touché offices in Kenya based in Nairobi and Mombasa. The research targeted all the heads of departments in each of the 16 departments. Secondary data was collected through company magazines, newsletters and journals. Data was analyzed using qualitative approach, particularly content analysis. The study response rate was 82 percent.

The respondents acknowledged that at least some of their department's value chain activities were an input to another or other departments within the organization. This was an indicator of integration of activities within the organization service value chain. Findings revealed that parameters of performance measurement of value chain activities link to the firms overall objectives. Financial performance was the key parameter of performance within most of the departments. It was observed that value chain activities were strategically tailored to gaining competitive advantage for the firm.

Investment in quality staff, client's value creation in all services, punctuality and reliability, learning and development, quality control, technology and corporate social

responsibility were identified as the key value chain activities that made Deloitte & Touché, Kenya stand out as a number one choice in the Kenyan market.

The study recommends that unlike value chain in product industries, service industry should focus more on human resources management value chain activities so as to capture the best of its people. They should therefore be driven by the strength of its people to enable them offer high quality services. Whereas primary activities should focus on utilization of the professional skills, the support activities should largely focus on empowerment of human resources for high quality professional client service.

CHAPTER ONE: INTRODUCTION

1.1 Background

Strategic planning is not a new management tool and its origins can be traced to the late 1950s and early 1960s. Under conditions of extreme competitive turbulence the rediscovery of the strategic planning concept is not unusual. In a stable environment, firms can exploit their historical strengths, but with increased levels of competition, what used to work, may not anymore. In order to compete in today's dynamic environment, companies are forced to become more customer-driven with customer satisfaction as their overriding priority. The customers are demanding ever-improving levels of service in terms of reduced costs, improved quality, reliability assurance, delivery assurance, dependability and variety (Pearce and Robinson, 2003).

In Kenya, the professional services industry is a busy and lucrative one that is attracting many players and threatening the existing status quo. The key players who are already in intense competition are faced by new global competitors who enjoy economies of scale that outmatch them. Deloitte and Touche, Kenya is not an exception and have over the recent years been faced with fierce competition, intense regulation and the effects of the global credit crunch. Increased competition calls for the value chain management as an operations competitive strategy in order to successfully create a competitive edge. Value chain management broadly involves identification of value chains in business, communicating them, measuring them, analyzing them and continuously improving them (Aosa, 1992).

1.1.1 Value Chain and Competitive Advantage

Value chain describes activities within and around an organization and relates them to an analysis of the competitive strength of an organization. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (differentiation). In order to better understand the activities leading to competitive advantage, one can begin with the generic value chain and then identify the relevant firm-specific activities. Process flows can be mapped, and these flows used to isolate the individual value creating activities (Pearce and Robinson, 2005).

Value chain analysis is a powerful managerial tool for identifying which activities have competitive advantage potential. A firm's competitive edge is based on its ability to perform competitively using crucial activities along with its value chain to achieve better results than its rivals. Once the discrete activities are defined, linkages between activities should be identified. A linkage exists if the performance or cost of one activity affects that of another. Competitive advantage may be obtained by optimizing and coordinating linked activities (Hamel, 1990).

The value chain also is useful in outsourcing decisions. Understanding the linkages between activities can lead to more optimal make-or-buy decisions that can result in either a cost advantage or a differentiation advantage. A firm's value chain links to the value chains of upstream suppliers and downstream buyers. The result is a larger stream of activities known as the value system. The development of a competitive advantage depends not only on the firm-specific value chain, but also on the value system of which

the firm is a part. Value chain is a tool for diagnosing competitive advantage and finding ways to enhance it (Porter, 1985).

1.1.2 Deloitte & Touché Kenya

Deloitte refers to one or more of Deloitte Touché Tohmatsu, a Swiss Verein, and its network of member firms each of which is a legally separate and independent entity. Deloitte Touché Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries (www.deloitte.com).

Deloitte Touché Tohmatsu is structured as a Swiss Verein, an association of member firms that are legally independent of one another but operate under the Deloitte brand. The Deloitte Touché Tohmatsu Board of Directors is the highest governing body of the Verein. The Verein's highest management body is the Executive, which is led by the chief executive officer. Deloitte Touché Tohmatsu does not provide any services to clients, or direct, manage, or control its member firms. It is funded by annual subscriptions paid by each member firm, and does not have individual partners or shareholders.

The international network of member firm professionals provides services around the globe. Globally the member firms have 9,100 partners, 124,000 professional staff and 28,200 administrative staff. This comprises of 4,100 partners, 50,700 professional staff and 13,900 administrative staff in America, 3,100 partners, 48,300 professional staff and

10,400 staff in Europe, Middle East and Africa and 1,900 partners, 25,000 professional staff and 10,400 administrative staff in Asia Pacific.

Deloitte delivers services in four professional areas namely audit, tax, consulting and financial advisory services and serves more than 80% of the world's largest companies as well as large national enterprises, public institutions, locally important clients and successful, fast growing global growth companies. Services are not provided by the Deloitte Touché Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas. Each of the member firms is a separate and independent legal entity (www.deloitte.com).

The Fortune Global is a ranking of the top 500 corporations worldwide as measured by revenue. The list is compiled and published annually by the Fortune magazine. Globally, the firm serves 77% of the 2007 Fortune Global 500. This constitutes of 87% of the firms in the technology, media and telecom industry, 81% of the firms in the manufacturing industry, 85% of the firms in the life sciences and health care industry, 83% of firms in the financial services industry, 68% of the firms in the energy and resources industry, 75% of the firms in the consumer business industry and 63% of the firms in the aviation and transportation services industry.

Deloitte & Touché operates in the professional services industry in Kenya. It's one of the more than 500 firms that have been registered with the Institute of Certified Public Accountants of Kenya (www.icpak.com). Deloitte and Touché Kenya is one of the big four firms (the other three being PriceWaterhouse Coopers, KPMG and Ernest and

Young) of professional accountants and consultants in Kenya. The company has 13 partners and directors and employing over 200 professional staff.

The firm has two offices in Kenya one located in Nairobi and the other in Mombasa. It has built a reputation for excellence in the industry. Its client's base range from largest organizations in the region, including companies quoted on the Nairobi Stock Exchange, to sole traders. They come from a wide variety of local and international organizations including manufacturing, financial, distribution, service, agricultural, governmental and non-governmental organizations and charitable bodies.

Deloitte's vision is "To be recognized as the best professional services firm in the world" whilst its mission statement is "To help our clients and people excel". The firm has established clients service standards which include to determine on each engagement, who its clients are and directly ascertain their expectations for its performance, analyze clients' needs and professionals' service requirements, develop client service objectives that will enable the firm to fulfill its professional responsibilities, satisfy its clients' needs, and exceed their expectations and prepare an appropriate client service plan to achieve these clients service objectives, execute the clients service plan in a manner that ensures commitments are met, potential problems anticipated, and surprises avoided.

The firm aims to provide company management with insights on the condition of their business and meaningful suggestions for improvement, establish effective and creative communication, both internal and external, to enhance client perceptions of value and quality of service, continually broaden and strength its relationships with key

management personnel to facilitate effective communication and foster client loyalty (www.deloitte.com).

Other client service standards of the firm include: ensuring that any professional, technical, or client services problems are resolved promptly with timely consultation in an environment of mutual respect, to obtain from the client, either formally or informally, a regular assessment of its performance and receive fees that reflect the value of services provided and responsibilities assumed and are considered fair and reasonable by clients.

Charges for all services are calculated on the basis of hours spent by appropriately qualified partners and staff, at rates which vary depending on level of skills and experience of the individual concerned (www.deloitte.com).

1.2 The Research Problem

Studies have been carried out on the practice of value chain management in companies offering products to customers. In addition studies have been carried out on service industries an example being, the study on the case of Citibank Kenya (Odero, 2006). There hasn't been a study on accountancy firms in Kenya. The accountancy firms are unique as compared to the banking sector in that they are prohibited from engaging in certain advertising activities. Chapter 15 of the Accountants Act of the Laws of Kenya, "a member of the institute shall be guilty of professional misconduct if such member solicits clients or professional work or advertises professional attainments or services by use of means which contravenes the guidelines published by the council". Consequently, these firms cannot out rightly communicate their products to their customers and potential

customers through the media. This calls for these firms to identify alternative means of creating and sustaining competitive advantage.

Odero (2006) carried out a research on The Value Chain and Competitive Advantage in the Corporate Banking Industry in Kenya: case of Citibank Kenya. The major limitations of that study was that the corporate banking industry's value system is not limited to a simple linear two dimensional view; rather it is made up of a group, or a strategic network, of companies that do not necessarily work in a serial fashion as in the traditional value chain models. A better way to understand the interrelationships between each network is through the lens of the dynamic multidimensional strategic network model. Consequently the results of this study could not be generalized to the entire corporate banking industry as well as the professional services industry. This research therefore seeks to create an insight into the value systems in the professional services industry and identify key competitive strategies that may be used to generate more value to customers. This research will seek to identify what are Deloitte & Touché's value chain activities? And do these activities value lead to competitive advantage?

1.3 Research Objectives

- i. To establish the firms value chain activities of Deloitte & Touché, Kenya
- ii. To establish the link of the firm's value chain activities to competitive advantages of the firm

1.4 Significance of the Study

This study will sensitize the researcher on the role of value chain activities in sustaining competitive advantage and identifying key value chain activities at Deloitte & Touché Kenya. The study will also provide vital information needed to guide Deloitte & Touché, on value creation activities that lead to the firm's competitive advantage or edge over the other firms as well as provide necessary information on competitive advantages strategies that the firm can adopt.

The findings of this study will also be beneficial to scholars of strategic management in giving an insight into the concepts of value chain and competitive advantage as well as how value chain can be used in creating and sustaining competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Competition

Competition denotes a striving for the same object, position, prize, etc., often in accordance with certain fixed rules (www.yourdictionary.com). Competition happens when individuals or organizations are each vying for a share of limited resources. For example, competition occurs when more than one business attempts to sell goods or services to one customer who will only choose one vendor.

Competition is fundamental to the healthy functioning of any endeavor, especially a free market economy, because it requires successful participants to learn, train, innovate and seek efficiencies, and convey those as offerings to their customers. Where competition does not exist, efficiency, innovation and excellence will suffer. By definition, one natural by-product of competition is that one or more parties will lose in a particular transaction or event. Attempting to avoid such a loss is what motivates competitors to improve and therefore achieve excellence.

Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation (Porter, 1985). Competitive rivals are organizations with similar products and services aimed at the same customer group (Johnson et al, 2004).

The principle advantage is efficient allocation of resources. When many suppliers compete for the business of consumers, prices gravitate toward costs of production and scarce resources are used for those goods and services for which there is real demand. Competition thereby produces maximum economic value from given resources, and uses minimum resources to supply a given demand (Porter, 1985). There are a number of factors that affect the degree of competitive rivalry in an industry or sector. These include; the extent to which competitors are in balance, industry growth rates, high fixed costs in an industry, exit barriers and differentiation.

2.2 Challenges of Competition

Changes in the business environment and moves by competitors erode the competitive position of organizations which, in turn, respond to countermoves (D'Aveni, 1994). D'Aveni argues that competition moves through cycles and any competitive advantage is temporary. If the process is relatively slow then there may be significant periods of time when competition in an industry settles down to a well-established pattern. In contrast, where the speed of the cycle is very high, this has been called hyper competition (Gimeno, 1996). Hyper competition occurs where the frequency, boldness and aggressiveness of dynamic movements by competitors accelerate to create a condition of constant disequilibrium and change (D'Aveni, 1994). How competition is understood and how organizations might respond is extremely important. Whereas competition in slower-moving environments is primarily concerned with building and sustaining competitive advantages that are difficult to imitate, hypercompetitive environments require organizations to acknowledge that advantages will be temporary.

Competition may also be about disrupting the status quo so that no one is able to sustain long-term advantage on any given basis. Longer-term competitive advantage is gained through a sequence of short-lived moves (McNamara et.al., 2003). Research evidence shows that overall markets are not becoming hyper competitive – although this does not diminish the benefit of understanding the concept.

Inherent within the notion of strategy is the issue of competitiveness. In business, this is about gaining advantage over competitors. Typically managers take too parochial a view as to the sources of competition, usually focusing their attention on direct competitive rivals. Porter's five forces framework was originally developed as a way of assessing the attractiveness of different industries (Johnson et al., 2004). As such it can help in identifying the sources of competition in an industry or sector. Understanding the connections between competitive forces and the key drivers in the macro-environment is essential. For example, technological changes can destroy many of the competitive advantages and barriers that have protected organizations historically. Potential new entrants finding themselves blocked may find new routes to market by bypassing traditional distribution channels and selling directly to consumers. Competitive behavior may be concerned with disrupting these forces and not simply accommodating them. Threat to entry into an industry or sector will depend on the extent to which there are barriers to entry.

Barriers to entry are factors that need to be overcome by new entrants if they are to compete successfully. These should be seen as providing delays to entry and not as permanent barriers to determined potential entrants. They may deter some potential

entrants but not others. Typical barriers may include economies of scale, capital requirement of entry, access to supply or distribution channels, customer or supplier loyalty, experience, expected retaliation, legislation or government action and differentiation (Gimeno, 1996).

Substitution reduces demand for a particular 'class' of products as customers switch to the alternatives to the extent that this class of products or services becomes obsolete. This depends on whether a substitute provides a higher perceived benefit or value (Gimeno, 1996). Substitution may take different forms which include product-for-product substitution, substitution of need and generic substitution. The power of buyers and suppliers may also pose a challenge to competition. Buyer power is likely to be high when there is a concentration of buyers, particularly if the volumes purchased by buyers are high and/ or the supplying industry comprises a large number of small operators. Similarly when the cost of switching a supplier is low or involves little risk buyer power will be high. At the same time if there is a threat of the supplier being acquired by the buyer and or the setting up in competition with the supplier, buyer power will be high. On the other hand supplier power is likely to be high when; there is a concentration of suppliers rather than a fragmented source of supply, the switching costs from one supplier to another are high and where there is a possibility of the suppliers competing directly with their buyer (Porter, 1985).

2.3 Competitive Strategy

Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1985). Competitive strategy is concerned with the basis on which a business unit might achieve competitive advantage in its market (Johnson et al., 2004).

Porter (1985) pioneered thinking in this field when he proposed that there were three different 'generic' strategies by which an organization could achieve competitive advantage. These were: 'overall cost leadership', 'differentiation' and 'focus'. There has been a lot of debate as to exactly what each of these categories meant. Many planning experts believe that the general philosophy of doing business declared by the firm in the mission statement must be translated into a holistic statement of the firm's strategic orientation before it can be further defined in terms of a specific long-term strategy (Pearce and Robinson, 2005). In other words, a long-term or grand strategy must be based on a core idea about how the firm can best compete in the marketplace.

The popular term for this core idea is 'generic strategy'. From a scheme developed by Michael Porter, many planners believe that any long-term strategy should derive from a firm's attempt to seek a competitive advantage based on one of three generic strategies. Striving for overall low-cost leadership in the industry, striving to create and market unique products for varied customer groups through differentiation and striving to have a

special appeal to one or more groups of consumer or industrial buyers, focusing on their cost or differentiation concerns.

Advocates of generic strategies believe that each of these options can produce above average returns for a firm in an industry. However they are successful for very different reasons. Pearce and Robinson (2005) emphasizes that low-cost leaders depend on some fairly unique capabilities to achieve and sustain their low-cost position. Examples of such capabilities are: having secured suppliers of scarce raw materials, being in a dominant market share position, or having a high degree of capitalization. Low-cost producers usually excel at cost reductions and efficiencies. They maximize economies of scale, implement cost-cutting technologies, stress reductions in overhead and in administrative expenses, and use volume sales techniques to propel themselves up the learning curve. Pearce also argues that a low-cost leader is able to use its cost advantage to charge lower prices or to enjoy higher profit margins. By so doing, the firm effectively can defend itself in price wars, attack competitors on price to gain market share, or, if already dominant in the industry, simply benefit from exceptional returns (Johnson et al., 2004).

Strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. By stressing the attribute above other product qualities, the firm attempts to build customer loyalty. Often such loyalty translates into a firm's ability to charge a premium price for its product. The product attribute also can be the marketing channels through which it is delivered, its image for excellence, the features it includes, and the service network that supports it. As a result of the importance

of these attributes, competitors often face “perceptual” barriers to entry when customers of a successfully differentiated firm fail to see largely identical products as being interchangeable.

A focus strategy, whether anchored in a low-cost base or a differentiation base, attempts to attend to the needs of a particular market segment. Likely segments are those that are ignored by marketing appeals to easily accessible markets, to the “typical” customer, or to customers with common applications for the product. A firm pursuing a focus strategy is willing to service isolated geographic areas; to satisfy the needs of customers with special financing, inventory, or servicing problems; or to tailor the product to the somewhat unique demands of the small –to medium-sized customer. The focusing firms profit from their willingness to serve otherwise ignored or underappreciated customer segments.

While each of the generic strategies enables a firm to maximize certain competitive advantages, each one also exposes the firm to a number of competitive risks. For example, a low-cost fears a new low-cost technology that is being developed by a competitor; a differentiating firm fears imitators; and a focused firm fears invasion by a firm that largely targets customers.

International management consultants Treacy and Wieserma (1993) propose an alternative approach to generic strategy that they call the value disciplines. They believe that strategies must centre on delivering superior customer value through one of three value disciplines: operational excellence, customer intimacy, or product leadership. Operational excellence refers to providing customers with convenient and reliable

products or services at competitive prices. Customer intimacy involves offerings tailored to match the demands of identified niches. Product leadership, the third discipline, involves offering customers leading-edge products and services that make rivals' goods obsolete.

Treacy and Wieserma (1993) argue that companies that specialize in one of these disciplines, while simultaneously meeting industry standards in the other two, gain a sustainable lead in their markets. This lead is derived from the firm's focus on one discipline, aligning all aspects of operations with it. Having decided on the value that must be conveyed to customers, firms understand more clearly what must be done to attain the desired results. They conclude that after transforming their organizations to focus on one discipline, companies can concentrate on smaller adjustments to produce incremental value.

2.4 Competitive Advantage

Competitive advantage can be defined as an edge over rivals in attracting customers and defending against competitive forces. One of the goals of crafting and implementing business strategy is to achieve a sustainable competitive advantage. (Porter, 1985) identified two basic types of competitive advantage being cost advantage and differentiation advantage.

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables

the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation (Riley, 1987).

Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. A firm positions itself in its industry through its choice of low cost or differentiation. This decision is a central component of the firm's competitive strategy. Another important decision is how broad or narrow a market segment to target. Porter (1985) formed a matrix using cost advantage, differentiation advantage, and a broad or narrow focus to identify a set of generic strategies that the firm can pursue to create and sustain a competitive advantage.

As firms are faced with slower growth and stronger competition, competitive advantage become crucial to the maintenance of superior performance (Porter, 1985). Competitive advantage grows fundamentally out of the value a firm is able to create for its customers. Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price (Porter, 1985).

The fundamental basis of above-average performance in the long run is sustainable competitive advantage. Though a firm can have a myriad of strengths and weaknesses

vis-à-vis its competitors, there are two basic types of competitive advantage a firm can possess: low cost or differentiation. The significance of any strength or weakness a firm possesses is ultimately a function of its impact on relative cost or differentiation. Cost advantage and differentiation in turn stem from industry structure. They result from a firm's ability to cope with the five forces better than its rivals.

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. The focus strategy has two variants, cost focus and differentiation focus.

Porter (1985) explains that each of the generic strategies involves a fundamentally different route to competitive advantage, combining a choice about the type of competitive advantage sought with the scope of the strategic target in which competitive advantage is to be achieved. The cost leadership and differentiation strategies seek competitive advantage in a broad range of industry segments, while focus strategies aim at cost advantage (cost focus) or differentiation (differentiation focus) in a narrow segment. The specific actions required to implement each generic strategy vary widely from industry to industry, as do the feasible generic strategies in a particular industry. While selecting and implementing a generic strategy is far from simple, however, they are the logical routes to competitive advantage that must be probed in any industry.

The notion underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy, and achieving competitive advantage requires a firm to make a choice - if a firm is to attain a competitive advantage, it must make a choice about the

type of competitive advantage it seeks to attain and the scope within which it will attain it. Being "all things to all people" is a recipe for strategic mediocrity and below-average performance; because it often means that a firm has no competitive advantage at all (Johnson et al., 2004)

Business managers evaluate and choose strategies that they think will make their businesses successful. Businesses become successful because they possess some advantage relative to their competitors. Those that create competitive advantages usually experience above-average profitability within their industry. Those that lack a cost or differentiation advantage usually experience average or below-average profitability. Recent studies by Dess (2002) found that businesses that do not have either form of competitive advantage perform poorest among their peers while businesses that possess both forms of competitive advantage enjoy the highest levels of profitability within their industry.

Table 1: The average returns on investment for over 2,500 businesses across seven industries were;

| Differentiation Advantage | Cost Advantage | Overall Average ROI across Seven Industries |
|---------------------------|----------------|---|
| High | High | 35.0% |
| Low | High | 26.0% |
| High | Low | 22.0% |
| Low | Low | 9.5% |

(Source: Pearce J.A, 2005)

Initially, managers were advised to evaluate and choose strategies that emphasized one type of competitive advantage. Firms were encouraged to become either a differentiation-oriented or low-cost oriented company. In so doing, it was logical that organizational members would develop a clear understanding of company priorities and, as these studies suggest, likely experience profitability superior to competitors without either a differentiation or low-cost orientation.

The studies indicate that the highest profitability levels are found in businesses that possess both types of competitive advantage at the same time. In other words, businesses that have one or more value chain activities that truly differentiate them from key competitors and also have value chain activities that let them operate at a lower cost will consistently outperform their rivals that don't. So the challenge for today's business managers is to evaluate and choose business strategies based on core competencies and value chain activities that sustain both types of competitive advantage simultaneously (Johnson et al., 2004).

The analysis and choice of the ways a business will seek to build competitive advantage can be enhanced when managers take industry conditions into account. Small companies, at least the better ones, usually thrive because they serve narrow market niches. This is usually called "focus", the extent to which a business concentrates on a narrowly defined market. What is important to recognize as managers evaluate opportunities to emphasize a narrow set of core competencies and potential competitive advantages is that different sets appear to be more useful in different, unique industry environments. Managers use

these ways to evaluate their value chain activities and then select the ones around which it is most critical to build competitive advantage (Porter, 1985).

2.5 Value Chain

The value chain, also known as value chain analysis, is a concept from business management that was first described and popularized by Michael Porter in his 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance*. A value chain is a chain of activities. Products pass through all activities of the chain in order and at each activity the product gains some value. The chain of activities gives the products more added value than the sum of added values of all activities. It is important not to mix the concept of the value chain with the costs occurring throughout the activities. A diamond cutter can be used as an example of the difference. The cutting activity may have a low cost, but the activity adds much of the value to the end product, since a rough diamond is significantly less valuable than a cut diamond.

The concept of value chain has proved very useful in Business Process Re-engineering (BPR) as a strategy for increasing customer value and shareholder value at the same time. A fundamental assumption in the value chain approach is that the basic purpose of business is to create and deliver value to customers (Ansoff and McDonnell, 1990). Value chain management has generated a lot of interest in the academics, consultancy and managerial circles especially due to the current competitive environment and the new production and operations concept of the world-class manufacturing (Stanton, 1994). This interest is understandable given the magnitude of the benefits that can be achieved

when business entities begin to comprehend and manage the entire chain of processes required to convert market demand into profit (Christopher, 2005).

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals .To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (Porter, 1985).

(Porter, 1985) categorized the value chain activities into two being the primary and the support activities. The primary value chain activities are inbound logistics being the receiving and warehousing of raw materials and their distribution to manufacturing as they are required, operations being the processes of transforming inputs into finished products and services, outbound logistics being the warehousing and distribution of finished goods, marketing and sales being the identification of customer needs and the generation of sales and service being the support of customers after the products and services are sold to them (Mintzberg and Quinn, 1991).

The primary activities are directly concerned with the creation or delivery of products or services. Any or all of these activities may be vital in developing a competitive advantage. For example, logistical activities are critical for a provider of distribution services, and service activities may be the key focus for a firm offering on-site maintenance contracts for office equipment. These five categories are generic and portrayed here in a general manner. Each generic activity includes specific activities that vary by industry.

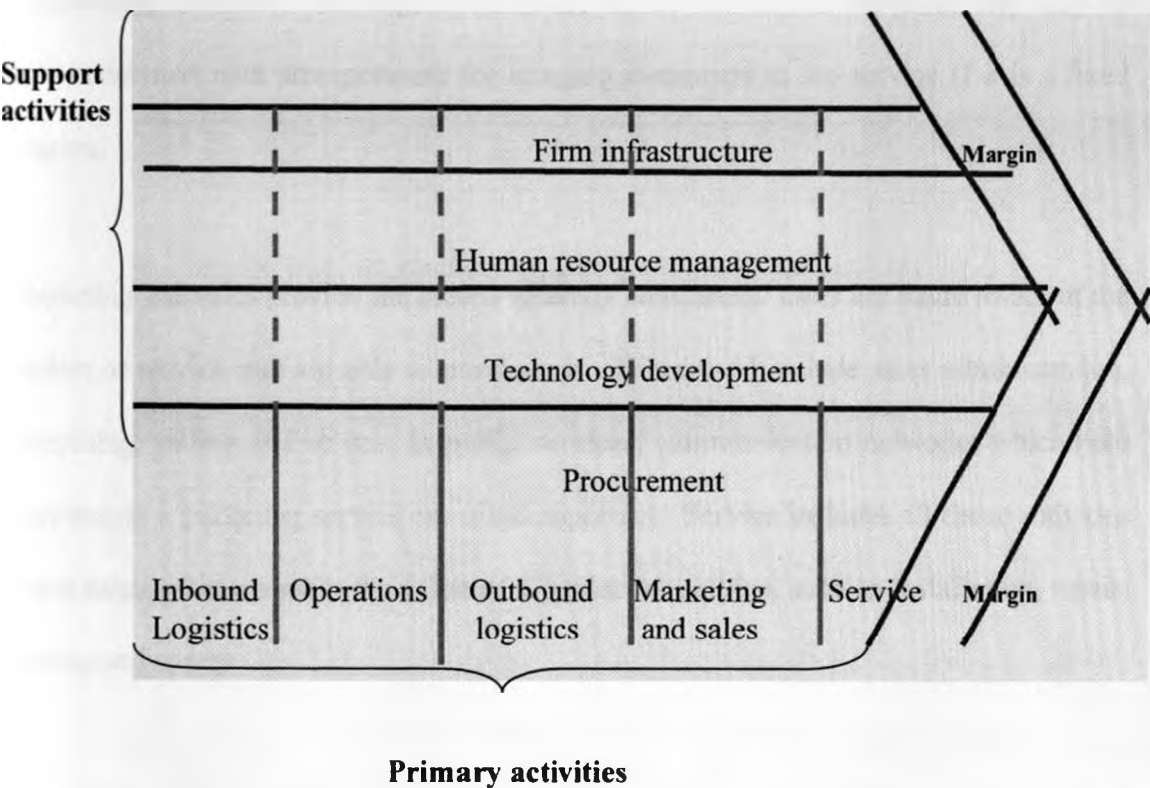
Porter (1985) identified four generic categories of support activities which are; procurement - the function of purchasing the raw materials and other inputs used in the value-creating activities, technology development - includes research and development, process automation, and other technology development used to support the value-chain activities, human resource management - the activities associated with recruiting, development, and compensation of employees and firm Infrastructure which includes activities such as finance, legal and quality management. Support activities often are viewed as "overhead", but some firms successfully have used them to develop a competitive advantage an example being developing a cost advantage through innovative management of information systems. These activities help in enhancing efficiency and effectiveness of the primary activities. Costs and value drivers are identified for each value activity.

The value chain framework quickly made its way to the forefront of management thought as a powerful analysis tool for strategic planning. The simpler concept of value streams, a cross-functional process which was developed over the next decade, had some success in the early 1990s. The value-chain concept has been extended beyond individual organizations. It can apply to whole supply chains and distribution networks. The delivery of a mix of products and services to the end customer will mobilize different economic factors, each managing its own value chain. The industry wide synchronized interactions of those local value chains create an extended value chain, sometimes global in extent. Porter (1985) terms this larger interconnected system of value chains the "value system." A value system includes the value chains of a firm's supplier (and their suppliers

all the way back), the firm itself, the firm distribution channels, and the firm's buyers (and presumably extended to the buyers of their products, and so on).

The following diagram is a representation of a value chain:

Figure 1: The value chain within an organization



(Source: Porter M.E, Competitive Advantage: Creating and Sustaining Superior Performance, Free Press, 1985)

The strategy-making lesson of value chain analysis is that increased company competitiveness entails concentrating resources on those activities where the company can gain dominating expertise to serve its target customers. Primary activities are directly concerned with the creation of or delivery of a product or service and can be grouped into five main areas.

Inbound logistics are activities concerned with receiving, storing and distributing the inputs to the product or service. They include materials handling, stock control, transport, etc. Operations transform these various inputs into the final product or service: machining, packaging, assembly, testing, etc. Outbound logistics consist of collection, storage and distribution of products to customers. For tangible products this would be warehousing, materials handling, distribution, etc. In the case of services, they may be more concerned with arrangements for bringing customers to the service if it is a fixed location.

Marketing and sales provide the means whereby consumers/ users are made aware of the product or service and are able to purchase it. This would include sales administration, advertising, selling and so on. In public services, communication networks which help users access a particular service are often important. Service includes all those activities which enhance or maintain the value of a product or service, such as installation, repair, training and spares.

Each of these groups of primary activities is linked to support activities. These help to improve the effectiveness or efficiency of primary activities. The support activities include procurement which refers to the processes for acquiring the various resource inputs to the primary activities and as such it occurs in many organizations. All value activities have a 'technology', even if it is just know-how. The key technologies may be concerned directly with the product (e.g. research and development, product design) or with processes (e.g. process development) or with a particular resource (e.g. raw

materials improvements). This area is fundamental to the innovative capacity of the organization and is referred to as technology development.

Human resource management is another important area which transcends all primary activities. It is concerned with those activities involved in recruiting, managing, training, developing and rewarding people within the organization. The systems of planning, finance, quality control, information management, etc. are also important to an organization's performance in its primary activities. Infrastructure also consists of the structures and routines of the organization which are part of its culture (Porter, 1985).

These descriptions of different activities within the firm can be thought of in at least two ways such that they can contribute to the analysis of the strategic position of the organization. First, they can be seen as generic descriptions of activities that might be mapped in an activity system. Managers might be able to see if there is a cluster of activities providing particular benefit to customers located within particular areas of the value chain. Perhaps the firm is especially good at outbound logistics linked to its marketing and sales operation and supported by its technology development. It might be less good in terms of its operations and its inbound logistics (Johnson et al., 2004).

2.6 Value Chain and Competitive Advantage

In competitive terms, value is the amount buyers are willing to pay for what a firm provides them. Porter uses the concept of a value chain to disaggregate buyers, suppliers and a firm into the discrete but interrelated activities from which value stems. Such a

process is necessary in order to understand the behaviour of costs and the sources of differentiation. According to Porter, value chain management is the process of managing integrated information about product flow from suppliers to end users to reduce defects and inventories, speed time to market and improve customer satisfaction. The goal of value chain is to attain full and seamless interaction among all members of the chain, resulting in lower inventories, higher customer satisfaction and shorter time to market. In the long run integrated value chains can save money, thanks to lower transaction costs at each link of the chain.

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. Michael Porter identified two basic types of competitive advantage: cost advantage and differentiation advantage (Porter, 1985).

To analyze the specific activities through which firms can create a competitive advantage, it is useful to model the firm as a chain of value-creating activities. Porter (1985) introduced a generic value chain model that comprises a sequence of activities found to be common to a wide range of firms. The goal of these activities is to offer the customer a level of value that exceeds the cost of the activities, thereby resulting in a profit margin.

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables

the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation (Mark and Spencer, 1998).

A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily. The following are some examples of such resources, patents and trademarks, proprietary know-how, installed customer base, reputation of the firm and brand equity. Capabilities refer to the firm's ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage (Porter, 1985).

Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. A firm positions itself in its industry

through its choice of low cost or differentiation. This decision is a central component of the firm's competitive strategy. Another important decision is how broad or narrow a market segment to target. Porter formed a matrix using cost advantage, differentiation advantage, and a broad or narrow focus to identify a set of generic strategies that the firm can pursue to create and sustain a competitive advantage (Johnson et al., 2004).

The firm creates value by performing a series of activities that Porter identified as the value chain. In addition to the firm's own value-creating activities, the firm operates in a value system of vertical activities including those of upstream suppliers and downstream channel members. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer Pearce and Robinson (2005).

Thompson and Strickland (1993), noted that the reasons for a competitive strength assessment were to reveal strength of a firms competitive position, show how a firm stacks up against rivals, Indicate whether a firm is at a competitive advantage or disadvantage against each rival, provide insight into how the firm can build its strategy on its competitive strengths and provide insight into how the firm can make strategic moves to alleviate its competitive weaknesses. Competitive strengths and competitive advantages empower a company to improve its long term market position.

The strategy making lesson of value chain analysis is that increased company competitiveness entails concentrating resources on those activities where the company can gain dominating expertise to serve its target customers.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a case study design. This involved an in-depth, longitudinal examination of a single instance; Deloitte & Touché, Kenya in this case. Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. Odero (2006), Kandie (2001) and Koigi (2002) have used the case study design in related studies.

3.2 Data collection

Primary data was obtained by interviewing respondents using an interview guide to ensure standardization in data collected. The content and format of the interviews included participants' role within the organization; their work history and understanding of their role in value chain activities and competitive advantage of the firm. The study was carried out in the two Deloitte & Touché offices in Kenya based in Nairobi and Mombasa. The research targeted all the heads of departments in each of the 16 departments to ensure a clear understanding of all the value chain activities in all the departments. Secondary data was collected through company magazines, newsletters and journals. The study was concerned with the value chain analysis activities adopted by Deloitte & Touché in Kenya and how these activities link to the firms competitive advantage.

3.3 Data Analysis

All interviews were fully transcribed. After the transcript is checked by the researcher, a copy was given to the interviewee. This was done to provide them with some feedback to the process and give them an opportunity to clarify or add to anything that had been said in the interview. Content analysis was used to analyze the data.

CHAPTER FOUR: FINDINGS AND INTERPRETATIONS

4.0 Introduction

This chapter presents the research findings and interpretation of study data. Raw data was obtained through face to face interviews with heads of various departments. The research entailed 14 successful interviews out of the 16 proposed interviewees, this translate to a response rate of 82 percent. The researcher took notes during interviews. Content analysis was used to analyze the themes arising from the interviews as guided by the research objectives. The following are the findings of the study.

4.1 Interviewee Length of Service

Respondents length of service in an organization is an important factor as it reflects on the amount of experience such respondent has within the organization. In this case the respondents had different levels of experience within the organization. Interviewees in the study had length of services between 0- 20 years, most of the interviewees had between 6-10 years of working experience with the organization. It can be observed that respondents had good experience with the organization and therefore were in a position to provide quality information necessary for this study.

4.2 Value Chain Activities

Various organs of the organization embrace discrete characteristic activities defining the organization's value chain. In this study there were four departments that undertook primary activities as identified from the interviews. These were; audit, tax, consulting/ business development and financial advisory services. However, numerous support

activities also existed in the organization. Therefore this section of the study sought to describe the various value chain activities in the respective departments in the organization. It was observed from the interviews that although most of the departments in the organization undertook support activities, departments offering primary activities had embraced at least two strategic support activities in the value chain.

Primary activities identified were auditing of financial statements to ensure they are in compliance statutory requirements, review of client's internal controls, project audits, ensuring tax compliance, advisory services, business development, project management, company secretarial service, share registration, bond registration, note trustee and shares nominee activities. On the other hand support activities include; marketing activities, corporate social responsibility, environmental issues, staff recruitment and placement, training and development, retention and facilitation of separation, financial development, brand development, financial reporting, treasury, payroll administration, system administration, acquisition and replacement of staff, training and development, retention practices, information technology support, system rollout, project management, telecommunication, hardware support and maintenance, back checks, conflict checks, marketing and communications, business development and developing policies and procedures for the operation of the organization.

4.3 Interdependence of Value Chain Activities

In a bid to better understand the firms value chain activities the study also sought to establish the interdependence of value chain activities among various departments within the organization's value chain. Results from the interviews established that some of the department's value chain activities were an input to another or other departments within the organization. This was an indicator of integration of activities within the organization's service value chain. Further clarification on the specific details of activities shared among departments indicated that whereas there was high integration of organization specific support activities across departments within the organization, there exists a degree of integration of activities between departments offering primary activities. Some of the primary activities of one department were inputs to another department's primary activities. Such phenomenon was evident between the four departments.

The study results showed that minimal reverse integration existed among the departments. As observed the departments initiated independent primary value chain activities which were then passed over to other departments offering primary activities. However support activities were found to be spontaneously generated within the independent departments and then passed over to other respective primary or support departments. The spontaneous generation of activities within a department could be interpreted as a sign of creativity and innovation at departmental level within the organization.

4.4 Value Chain Activities and the Firms Objectives

In order to establish the link between value chain activities and the firm's competitive advantage, the interviews also sought to establish the link between the value chain activities and the firm's objectives. A firms objectives, mission and vision statements would also be geared towards ensuring that the firm remains competitive. The interviewees were asked to explain how department performance was measured in view of the overall organizational objectives. The organization's mission is to "help our people and clients excel", while its vision is to "be recognized as the best professional services firm in the world". It was observed that different parameters of performance measurement of value chain activities link to the firms overall objectives.

Financial performance measurement which entailed meeting budget plans and revenue targets was the widely used parameter for establishing the link between value chain activities and the firms objectives. Client satisfaction was the second most used parameter linking the value chain activities with the overall objectives, profit level, compliance with quality standards, human resource management, winning new clients, good cost recoveries on assignments undertaken and achievement of global performance goals were some of the other global performance benchmark parameters. It can be observed that value chain activities must be strategically focused on the organization's overall objectives.

4.5 Value chain activities and Competitive Advantage

The value chain consists of a series of activities that create and build value. They culminate in the total value delivered by an organization to its customers. A value chain

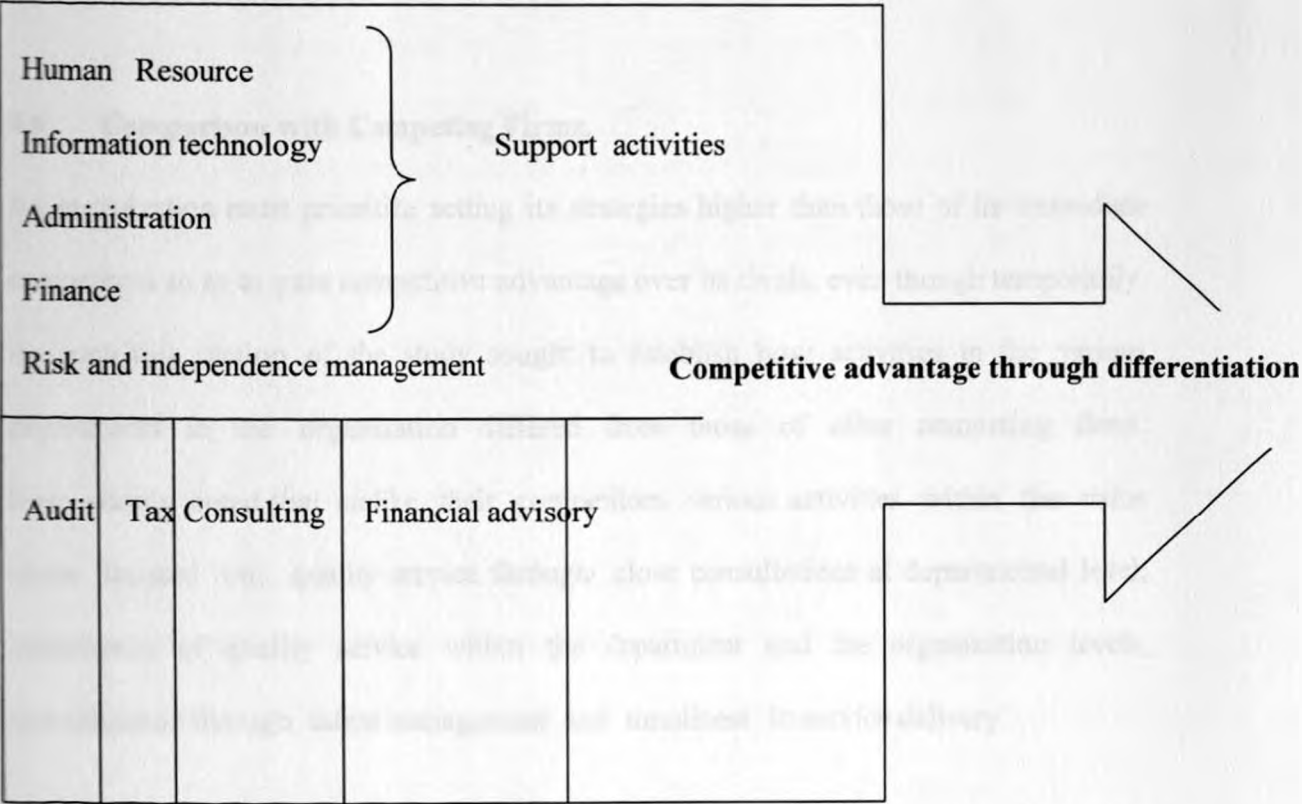
analysis explicitly recognizes the interdependencies and the profit cost efficiencies accruing from exploiting linkages among value activities across the organization. By focusing on such linkages, the value chain analysis provides a powerful tool for strategic thinking to gain sustainable competitive advantage. Respondents were asked to identify which activities in the value chain were strategically linked to the organization's competitive advantage.

An overwhelming majority of the respondents indicated that value chain activities in their department were strategic for achieving competitive advantage in the organization. The identified value chain activities focused on human resource management practices that include; recruiting quality employees, effective retention, employee reward and motivation, learning and development and talent management; service delivery system, and quality service which involved innovative and creative solutions, integration of primary activities within the organization; and client value focused value chain activities such as quality relationships ,client workshops and seminars. It can be observed that unlike in the manufacturing industry, the service industry value chain activities have emphasized highly on human resource management practices that ensure that services offered are a cut above the rest of the service providers.

Porter (1985) identified four generic categories of support activities which are; firm infrastructure, procurement - the function of purchasing the raw materials and other inputs used in the value-creating activities, technology development - includes research and development, process automation, and other technology development used to support the value-chain activities and human resource management. He further noted that these

activities help in enhancing efficiency and effectiveness of the primary activities. Unlike in a manufacturing industry, the services industry value chain model is unique. The following Figure 1 presents the study value chain model.

Figure 1: Organization Value Chain Model



(Source: Researcher's data)

The study observed that although support activities interacted closely with the organization's primary activities, the service industry value chain lacked an elaborate process of interaction amongst the primary activities. In addition it was noted that most of the company's primary activities are highly regulated by applicable standards including International Financial Reporting Standards, International Auditing Standards and the laws of the country. Firms therefore find themselves offering almost the same

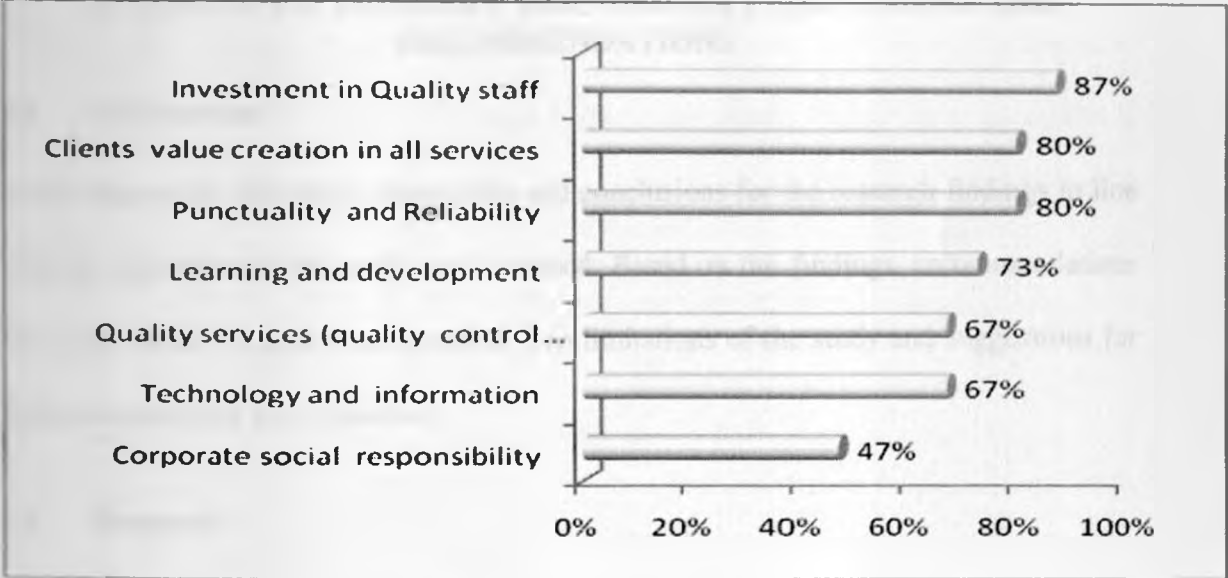
product offerings. The mode of offering the service however was noted to be the greatest contributor to the firm's competitive advantage. It was also observed that the organization gained its competitive advantage from the differentiation of both primary and support activities in the value chain. Cost leadership and market focus were not considered as major factors defining the organization's competitive advantage.

4.6 Comparison with Competing Firms.

An organization must prioritize setting its strategies higher than those of its immediate competitors so as to gain competitive advantage over its rivals, even though temporarily. As such this section of the study sought to establish how activities in the various departments in the organization differed from those of other competing firms. Respondents noted that unlike their competitors various activities within the value chain focused on; quality service through close consultations at departmental level, consistency of quality service within the department and the organization levels, specialization through talent management and timeliness in service delivery.

The respondents were asked to give their opinion on value chain activities that made Deloitte & Touché, Kenya stand out as leading organization in Kenya. Results were as tabulated in Figure 3.

Figure 3: Activities Making the Organization Stand out/ gain Competitive Edge



The results indicated that investment in quality staff across the value chain was the greatest contributor that made Deloitte & Touché, Kenya stand out as a leading organization in Kenya. Other activities mentioned include; punctuality and reliability, clients values creation activities, learning and development activities, technology and information, quality services and corporate responsibility activities respectively . Deloitte & Touché, Kenya is an organization that has achieved a competitive edge due to focusing on the strength of its people and value creation in clients service.

CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter the summary, discussions and conclusions for the research findings in line with the objectives of the study are discussed. Based on the findings, recommendations have been made for policy and practice. The limitations of the study and suggestions for further research are also presented.

5.1 Summary

Respondents in the study had working experience of 0- 20 years in the organization. More specifically majority (64%) of the respondents had length of services between 6-10 years working experience. These respondents had good experience with the organization and therefore were in a position to provide quality information on the organization's value chain activities. The study identified four departments that carried out primary activities within the organization. They include; audit, tax, consulting/ business development and financial advisory services. However, the rest of the departments carried out support activities in the organization's value chain. The study revealed that although most of the departments in the organization undertook support activities, departments offering primary activities in the value chain utilized at least two strategic support activities within the value chain.

The study revealed that most of the respondents acknowledged that at least their department value chain activities were an input to another/other departments within the organization. This was an indicator of integration of activities within the

organization's service value chain. Further clarification on the specific details of activities shared among the departments indicated that whereas there was high integration of organization specific support activities across departments within the organization, a lesser degree of integration of activities between departments offering primary activities was observed. Some of the primary activities of one department were an input to another department's primary activities .

Findings revealed that parameters of performance measurement of value chain activities linked to the firms objectives. Financial performance was the key parameter for the performance within the departments. The financial performance measurement included; meeting budget plans and revenue targets. Client satisfaction was the second most used parameter linking the value chain activities with the overall organizational objectives, profit level ,compliance with quality standards, human resource management, winning new clients and achievement of global performance goals, were some of the other performance benchmark parameters. It was observed that there was strong strategic linkage between the value chain activities and overall organizational objectives.

An overwhelming majority of the respondents indicated that value chain activities in their department were strategic for achieving competitive advantage in the organization. It was observed that value chain activities were strategically tailored to gaining competitive advantage. These value chain activities focused on human resource management practices that include; recruiting quality staffs, effective retention, employee reward and motivation, learning and development and talent management; service delivery

system and quality service which involved innovative and creative solutions, integration of primary activities within the organization; and client value focused value chain activities. The study observed that that unlike in the manufacturing industry, the service industry value chain activities greatly focus on human resource management in gaining competitive advantage.

The study also found out that activities in the respective departments in the organization differed from those of competitors. Respondents noted that unlike their competitors various activities within the value chain focused on; quality service through close consultations at departmental level, consistency of quality service within the department level then organization level, nationally and globally, specialization through talent management and timeliness in service delivery.

Results indicated that majority of respondents noted investment in quality staff across the value chain was one of major value chain activities that made Deloitte & Touché, Kenya to stand out as a leading organization in Kenya. Notably other activities mentioned were; punctuality and reliability, clients values creation activities, learning and development activities, technology and information, quality services and corporate responsibility activities respectively.

5.2 Discussions

According to Odero (2006), technology and innovation, human resource management and customer focus are more critical in competitive advantage within the corporate banking industry. The findings of this study revealed that investment in quality staff, client's

value creation in all services, punctuality and reliability; learning and development, quality control, technology and information as well as corporate social responsibility were the seven key activities that contributed to the firm's competitive advantage.

According to Mark and Spencer (1998) competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Similar observation were made in this study as respondents noted that unlike their competitors various activities within the value chain focused in creating superior value services. Activities in the value chain include; on service designs, service quality and consistency of quality service within the department level then organization level had contributed to the organization's competitive advantage.

Recent studies by Dess (2002) found that businesses that do not have either form of competitive advantage perform poorest among their peers while businesses that possess both forms of competitive advantage enjoy the highest levels of profitability within their industry. The results of this study depicted that the value chain activities were strategically tailored to differentiating the services rendered as a strategy in gaining competitive advantage. These value chain activities focused on human resource management practices; service delivery system and quality service which involved innovative and creative solutions, integration of primary activities within the organization; and client value focused value chain activities.

Service value chain is highly different from product value chain in that it lacks an elaborate process between primary activities. Johnson et al., (2004) notes that

strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. By stressing the attribute above other product qualities, the firm attempts to build customer loyalty. Often such loyalty translates into a firm's ability to charge a premium price for its product. Unlike Porter's (1985) value chain model that focuses on the products and integration of value chain activities process in the values, the service industry is a little different as primary activities are characterized by high level independence. In this study the organization gained competitive advantage from the differentiation of activities within the value chain. This resulted to high quality service design and quality.

The study support Treacy and Wieserma (1993) alternative approach to generic strategy that they call the value disciplines, that strategies must centre on delivering superior customer value through one of three value disciplines: operational excellence, customer intimacy, or product leadership. Operational excellence refers to providing customers with convenient and reliable products or services at competitive prices all of which focuses on differentiation. This study revealed that though study cost advantage was a consideration in terms of offering competitive fees for the services rendered, this was not a very key consideration by the organization but instead value adding activities leading to differentiation in the mode of service offering were the organization's top priority. The firm is keen in ensuring that they obtain a fair fee for the services rendered. Considering that the largest cost in the service offering is human capital remuneration and that the retention of staff is highly pegged to the levels of remuneration as compared to the remuneration by competitors and other industry players, the low cost advantage was not strongly pursued by the firm in gaining competitive advantage.

Study findings support Hamel (1990) observation that a firm's competitive edge is based on its ability to perform competitively using crucial activities along with its value chain to achieve better results than its rivals. Similarly, the study organization stood out from competitors due to its investment in quality staff across the value chain, punctuality and reliability, client's values creation activities, learning and development activities, technology and information, quality services and corporate responsibility activities respectively. Porter (1985) notes that competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. Through utilization of human resource capabilities, Deloitte & Touché, Kenya has differentiated its services from the rest of its competitors.

5.3 Conclusion

It can be concluded that Deloitte & Touché, Kenya has adopted strategic value chain activities in various departments, however such activities differed across the different departments. Some degree of integration of value chain activities existed between departments undertaking primary activities. Linkage of primary value chain activities could be highly attributed to high quality service. The support activities in the value chain were highly linked to the rest of the departments in the organization.

The service value chain is different from product value chain in that it's characterized by a high level of independence amongst the primary activities. In this study the organization gained competitive advantage from the differentiation of activities within the value chain. This resulted to high quality service design and quality. Cost advantage

was not high in consideration by the organization but instead value adding activities for differentiation of the mode of service offering was the organization's top priority.

The study also concludes that there was strategic linkage of value chain activities to the overall organizational objectives and competitive advantage. Value chain activities were strategically tailored to adding value to the organization overall competitive advantage. A lot of emphasis across the value chain activities focused on human resource management practices and offering high quality services to clients.

5.4 Limitations of the Study

The most important limitation of this research is that the findings cannot be directly generalized to the larger population. The findings of this study can therefore not be generalized to the entire professional services industry.

The professional services industry's value system is not limited to a simple linear two dimensional view. Any business does not operate in isolation. There is micro (internal) and macro (external) environmental factors all of which would have a bearing on the firm's competitive advantage. This study focused mainly on the activities leading to competitive advantage and thus could have missed out on important interactions of a facet of interrelationships that contribute to the firm's competitive advantage.

The study focused on the interviewing the heads of departments who could have felt obliged to depict the best view of the organization's value chain activities, resulting to a lack of better understanding of the value chain activities. This social desirability would have led interviewees to self censor their actual views.

5.5 Suggestions for Further Research

For a firm to survive in today's competitive business environment, it must attain competitive advantage even though temporarily. The business environment is characterized by rapid changes and developments. A strategy that used to work, may not necessarily work today. Firms are thus left with no options but to re define their strategies to cope with the ever changing business environments. Many other strategies could be adopted by firms to ensure that they not only attain but that they also sustain competitive advantage. This could form the basis of further study in establishing other strategies that firms in different industries could use to attain and sustain competitive advantage.

The study focused on the link between value chain activities and competitive advantage in a specific professional services firm. Replica studies could be undertaken on other service industries to further build knowledge on the specific application of the value chain model in the service industry. This would contribute to the already existing knowledge on value chain and competitive advantage in the service industry in Kenya.

Gabriel (2005) developed a specific model of Value Chain for Services (VACSE). He concluded that the Porter's value chain cannot do the whole thing in the value system of the service sector. He however acknowledged that it has built a good foundation to this

new dimension. The unique characteristics of services make it necessary to propound a new dimension of value chain. A study could thus be carried out to critique the Porter's Value chain Model or the proposed value chain for services (VACSE) model as proposed by Gabriel (2005).

5.6 Recommendations for Policy and Practice

According to Porter (1985) competitive advantage cannot be understood by looking at a firm as a whole. Advantage stems from many discrete activities a firm performs- designing, producing, marketing, delivering and supporting activities. The operations in the manufacturing sector are far different to those in the service industry. In the manufacturing industry, the operations can take place in isolation of the customer. In the service industry, production and usage of the service occur simultaneously. A service is a complicated phenomenon, which cannot be easily described by a few words. The word is used in many meanings, ranging from personal service to service as a product. A service is normally perceived in a subjective manner.

Value created by an organization can be defined as the customer's perception about whole bundle of benefits, being tangible or intangible, which satisfy the needs of the customer timely, effectively and efficiently. It must be borne in mind that the satisfaction ought to be from the customer's point of view. The following study recommendations were made from the study conclusions and summary of findings. The study recommended that unlike value chain in the product industries, the service industries should focus on human resources management value chain activities so as to capture the best of its people. They should therefore be driven by the strength of its people

who would ensure that high quality services which are a cut above the rest are offered to their clientele. The efforts should thus focus not only on recruitment of high quality staff but also on their training and development to ensure they remain relevant to the ever changing world. Whereas primary activities largely utilize the professional skills possessed by the staff, the support activities should largely focus on empowerment and retention of human resources for high quality professional and client service.

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APPENDICES

Appendix: Interview Schedule

This interview guide is designed to collect information on Deloitte & Touché value chain activities and to establish the link between these activities and the firms competitive advantage.

Part A: General

What is your Job Title? _____

How long have you worked for the company? _____

Part B: Value chain activities in the department

What activities does your department carry out? _____

Are these activities primary or support activities? _____

Are there activities in your department that are inputs to other departments? _____

Are there activities in your department that require input from other departments before you can carry them out? _____

Part C: Value chain activities and the link to the firms objectives

How do you measure the departments performance in view of the firms overall objectives? _____

Part D: Value chain activities and link to competitive advantage

Do the departments activities assist the firm in gaining competitive advantage? _____

In what ways do these activities contribute to the firms competitive advantage? _____

How do the activities in your department differ from those of similar departments in major competing firms? _____

In your view which of the identified activities make Deloitte & Touché, Kenya the number one choice within the Kenyan Market?_____