

**STRATEGIC CHOICE AND PERFORMANCE OF AUDIT FIRMS IN
KENYA**

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DECLARATION

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

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DEDICATION

This work is dedicated to my family who offered me moral and financial support throughout the process of conducting this study. God bless you abundantly.

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ABBREVIATIONS AND ACRONYMS

ICPAK	Institute of Certified Public Accountants of Kenya
IOE	Industrial Organization Economics
RBV	Resource Based View
SPSS	Statistical Package For Social Science

ABSTRACT

The business environment within which the audit firms operate has been very volatile. Audit firms respond to competition in different ways. Some opt to move into service improvement, some into divestiture and diversification, while others enter into new markets and others merge or buy out competitors. 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. There is limited empirical evidence on the strategies used by audit firms to improve performance in Kenya. This study sought to fill the existing research gap by answering the following research questions, is there a relationship between strategic choice and performance of audit firms in Kenya? This research problem was studied through the use of a census survey. The population of this study comprised of 156 employee of (4) Four Audit Firms (Ernst & Young, Price Waterhouse Coopers, KPMG and Deloitte & Touche) at their Head Offices in Nairobi. A sample of 78 respondents was selected for this study. The study used a survey questionnaire administered to each member of the sample population. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (Version 22) and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open ended questions. The study revealed that cost leadership strategy protects the organization from new entrants, which can be attributed to their adoption of the cost leadership strategy, which has helped them have lowest costs as well as offer their services in a broad market at the lowest prices. The study further revealed that perceived quality and brand loyalty insulates company from competition in an industry. The study further revealed that firms that adopt the focus strategy have been able to target a particular segment of the market. There is need for the audit firms to differentiate their services so as to stand out from the crowd. This way, the firms will be able to offer unique services that are not being offered by their competitors. Potential investors be informed on various strategies adopted or applied by audit firms already operating and therefore prepare themselves accordingly before entering the industry. The study finding will assist Partners and top management managers to know the appropriate strategies applicable by audit firms and adopt the same. The research findings are useful to policy makers on design policies to assist audit firms in Kenya to improve performance. The study findings will be useful ICPAK to put in place policies which will promote competition in the audit industry and put measures in place which will ensure growth of audit firm. The study findings will add to the existing body of knowledge on strategies used by audit firms to improve performance.

CHAPTER ONE

INTRODUCTION

1.1 Background

Strategic choice can also be referred as a tool for organizing the present on the basis of the projections of the desired future. The purpose of strategic or long-range planning is to assist an organization in establishing priorities and to better serve the needs of its constituency (Haines, 2004). The strategic plan defines the performance to be measured, while performance measurement provides the feedback that keeps the strategic plan on target (Lorenzen, 2006). A firm's strategy is managements' action plan for running the business and conducting operations (Thompson et al, 2007). Strategy can be defined as the balance of actions and choices between internal capabilities and external environment of an organization. The turbulence in organization operating environment necessitate the adoption of strategies for organization to remain competitive and enhance its performance.

This study will be guided by theories which have been advanced explaining the strategies as applicable by organizations in order to gain competitive advantage, the theories are, and game theory and resource based view. All the theories in one way or another, they relate or link in aspect of market structure. For game theory, the theory covers static and dynamic nature under perfect or imperfect information (Nash 1950). Both perfect and imperfect are forms of market structure. To industrial economics theory, according to Parnell, (2011) profitability is merely function of industry of market structure within which the firm operates. For resource based view, according to Foos & Knudsen (2007) superior performance is based on combining both internal and external aspect of a firm. External environment to the firm consists of market and its structure.

The environment within which 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 strategies. Audit firm need strategic choice to guide how to achieve objectives and how to pursue the organization's mission. Strategy choice is making all about how - how to reach performance target, how to out compete rivals, how to seek and maintain competitive advantage, how to strengthen the enterprises long-term business position (Thompson & Stickland, 1970).

Audit firms in Kenya are faced with various challenges emanating from the external and internal environment such competition, socio-cultural changes, technological changes, economic challenges, systems and structures and inadequate resources. These challenges pose a serious threat to such organizations. This therefore calls for better strategies that capture the industry dynamics and that are premised on radical changes reminiscent of the industry for swift responses may such occasions arise and more importantly the implementation of the identified strategies. This study sought to establish the strategic choice and performance of audit firms in Kenya

1.1.1 Concept of Strategy

Strategy is the pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organization's mission. Organization needs strategy to guide how to achieve objectives and how to pursue the organization's mission. Strategy making is all about how - how to reach performance target, how to out compete rivals, how to seek and maintain competitive advantage, how to strengthen the enterprises long-term business position (Thompson & Stickland, 1970). The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial and market performance (Johnson & Scholes, 2008). A Firm's strategy is managements' action plan for running the business and conducting operations (Thompson et al, 2007). Strategy can be defined as the balance of actions and choices between internal capabilities and external environment of an organization.

Accordingly, strategy can be seen as a plan, play, pattern, position and perspective (Mintzberg et al, 2009). According to Bateman and Zeithman (1993), a strategy is a pattern of actions and resource allocations designed to achieve the goals of the organization. The strategy an organization implements should be directed towards building strengths in areas that satisfy the wants and needs of consumers and other key actors in the organizations' external environment. It therefore forms a comprehensive modern plan that states how the organization will achieve its mission and objectives, maximizes competitive advantage and minimizes competitive disadvantage.

There are different forms of strategy (Johnson *et al.*, 2008). Corporate level strategy is concerned with the overall scope of an organization and how value will be added to the different parts (business units) of the organization. This could include issues of geographical coverage, diversity of products/services of business units, and how resources are to be allocated between different parts of the organizations. The second level is the business level strategy, which is about how to compete successfully in particular markets or how to provide best value services in the public services. This concerns which products or services should be developed in which markets and how advantage over competitors can be achieved in order to realize the objectives of the organization. The third level of strategy is at the operating end of the organization. These strategies are called operational strategies, which are concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people.

1.1.2 Strategic Choice

It is useful to consider strategy formulation as part of a strategic management process that comprises three phases. These phases are diagnosis, formulation, and implementation. Strategic management is an on-going process to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates (Fuerer and Chaharbaghi, 1997). Diagnosis includes performing a situation analysis (analysis of the internal environment of the organization), including identification and evaluation of current mission, strategic objectives, strategies, and results, plus major strengths and weaknesses. Analyzing the organization's external environment, including major opportunities and threats and identifying the major critical

issues, which are a small set, typically two to five, of major problems, threats, weaknesses, and/or opportunities that require particularly high priority attention by management.

Formulation, the second phase in the strategic management process, produces a clear set of recommendations, with supporting justification, that revise as necessary the mission and objectives of the organization, and supply the strategies for accomplishing them. In formulation, we are trying to modify the current objectives and strategies in ways to make the organization more successful. This includes trying to create "sustainable" competitive advantages although most competitive advantages are eroded steadily by the efforts of competitors.

A good recommendation should be effective in solving the stated problem(s), practical (can be implemented in this situation, with the resources available), feasible within a reasonable time frame, cost-effective, not overly disruptive, and acceptable to key "stakeholders" in the organization. It is important to consider "fits" between resources plus competencies with opportunities, and also fits between risks and expectations. According to early scholars in this field such as Andrews (1971), strategy is a rational decision-making process by which the organization's resources are matched with opportunities arising from the competitive environment.

Aldrich (1979), state that the environment has a strong deterministic influence on the strategy-making processes in organizations. On the other hand, proponents of the resource-based view argue that it is not the environment but the resources of the organization which form the foundation of firm strategy (Grant, 1991). Despite the differences, all these frameworks have one thing in common which is that they all aim at maximizing the performance of an organization by improving its position in relation to other organizations operating in the same competitive environment. This, however, becomes more and more difficult as the level of competition in different competitive environments continues to intensify.

There is a growing cognizance that in highly dynamic environments, traditional approaches to strategy development often do not lead to the intended results, and that organizations must move towards a more dynamic concept as the underlying conditions change before formulated strategies can be fully implemented (Fuerer and Chaharbaghi, 1994). However, the way in which a dynamic approach to strategy development can be achieved is not clear.

1.1.3 Organizational Performance

Organizational Performance has been defined as the ability of an organization to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results. It comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives) (Wikipedia). Organizational performance is not only measured by the goals and objectives set in the initial planning but also the financial returns, in terms of profits and revenues.

According to the Business Dictionary, within corporate organizations, there are three primary outcomes analysed; financial performance (Measuring the results of a firm's policies and operations in monetary terms), market performance (the behaviour of a security or asset in the marketplace), and shareholder value performance (an individual, group, or organization that owns one or more shares in a company, and in whose name the share certificate is issued). Organizational performance is determined at the end of a certain period in time. According to Wikipedia, It can involve studying processes/strategies within organizations, to see whether output is in line with what was intended or should have been achieved. Moulli (2011) defines performance measurement as "the process of evaluating how well organisations are managed and the value they deliver for customers and other stakeholders". Good performance is the criterion whereby an organization determines its capability to prevail.

1.1.4 Strategic Choice and Organizational Performance

Strategic choice can be defined as the process of using systematic criteria and rigorous investigation to formulate, implement and control strategy and formally document organizational expectations (Higgins and Vincze, 1993; Mintzberg, 1994; Pearce and Robinson, 1994). It is a process by which we can envision the future and develop the necessary procedures and operations to influence and achieve that future. The strategic planning process is enabled by several factors in the organization such as the vision, mission, goals and core values. SWOT analysis and environmental scanning are also key contributors to the process.

Strategic choice consists of a set of underlying processes that are intended to create or manipulate a situation to create a more favourable outcome for a company. According to Berry (1997) Strategic planning is a tool for finding the best future for your organization and the best path to reach that destination. The strategic planning process begins with an assessment of the current economic situation and examining factors outside of the company that can affect the company's performance. It provides overall direction for specific units such as financial focuses, projects, human resources and marketing. Strategic planning may be conducive to productivity improvement (better performance) when there is consensus about, vision, mission and core values and when most work procedures depend on technical or technological considerations. The strategic plan depends very much on these factors which act as the guiding tools to future business activities.

1.1.5 Professional Firms in Kenya

The accountancy practice in Kenya comprises of traditional financial accounting, taxation and auditing functions as well as other important services such as business advisory, business consultancy and management accounting (Haria, 2011). This is an industry with an important unique role in preserving transparency and improving the functioning of capital markets in any economy, Kenya's capital markets rely on financial statements certified by independent auditors. If the integrity of those statements could not be trusted, investment would come to a halt and economic growth would be paralyzed (Doogar & Easley, 1998).

The industry is characterized by a dual market structure in such a way that suppliers for audit service in the market are the Big four multinationals accounting firms which commands up to 80% of all audit engagements in the Kenyan economy and up to 99% of all the audit fees by the publically traded companies (Watts & Zimmerman, 1983). On the other hand, the second category player in this practice consist of a large number of small and medium auditing firms whose clients are mainly SMEs enterprises in the economy.

These SMPs are locally incorporated and are one or two partner (s) auditing firms (Makori, 2014).Examining the competitiveness in the accounting practice, the market is characterized by a high level of concentration, a given demand for audits as publically traded firms are compelled by legislative or other regulatory requirements to purchase audit services, and high entry barriers due to reputation effects and need for specialized knowledge. The market is segmented into an oligopolistic segment of large accounting clients and a competitive segment consisting of small and medium clients (Wieteke & Marleen, 2009).

1.1.6 Audit Firms in Kenya

There are a number of audit firms in Kenya but only a few of them have extended their operations internationally. As per the Institute of Certified Public Accountants of Kenya (ICPAK) the number of registered audit firms operating in Nairobi, Kenya as at September 2014 was 619. Out of these, only a few have extended their operations internationally. These audit firms include: Ernst & Young, Price Waterhouse Coopers, KPMG and Deloitte & Touche which are both local and international oriented.

These firms are registered as local partnerships and operate under the mandate of Institute of Certified Public Accountants of Kenya. They are subject to international quality performance reviews from the global network to ensure optimum performance and manage reputational risk. The accounting profession in Kenya is dominated by the four international accounting firms. These four firms are the auditors of all the publicly traded companies in Kenya; about 50 companies are listed on the Nairobi Stock Exchange. The partners of these firms both local and expatriate actively participate in various committees of the accountants' professional body.

The auditing industry is very competitive and due to increased competition, the firms have placed emphasis on corporate strategy. The audit industry in Kenya is dominated by four (the Big 4) auditing firms, all of which have international backgrounds. The four firms are the auditors of practically all the publically traded companies in Kenya. The difference in their strategies development and implementation is that whereas local audit firms independently develop and implement their own strategies, the Big 4 more often than not have their strategies developed and implemented following global firm wide guidance and standards.

According to Marx (2011), external auditing has evolved from routine checking of the books of accounts to a vital part of the governance process of companies. Factors such as the volume of transactions, information technology, globalization and the constant increase in the complexity and number of laws, regulations and standards governing entities and their auditors have all impacted drastically on the evolving role of the registered auditing profession. The corporate collapses, business failures and fraudulent financial reporting

scandals of the late 1990s and early 2000s led to a very turbulent time and resulted in a credibility crisis for the auditing profession Marx (2011). A further consequence was the interventions by governments, regulators and the auditing profession itself, which have given rise to various and onerous new laws, regulations and standards that govern financial reporting and the auditing thereof.

Generally, the challenges that audit firms face are fraudulent financial reporting and audit failures, new legislation, regulation and standards, audit costs and audit fees, staff training, transformation and retention, auditor independence and the provision of non-audit services, the audit expectation gap and auditor litigation. This has forced audit firms to come up with new strategies to counter these challenges and improve their performance.

1.2 Research 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 strategies.

Audit firms respond to competition in different ways. Some opt to move into service 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 audit firms to the adaptation of changing business environment.

Empirical studies done in Kenya on auditing firms in Kenya includes; Agina (2013) did a study on adoption and implementation of key performance indicators by auditing firms in Kenya in their International Operations, Barongo (2012) conducted a study on competitive strategies adopted by small and medium audit firms in Nairobi City County, Kenya, Polle (2012) did a study challenges of strategy implementation facing audit firms in Nairobi, Kenya, Nyakang'o (2007) did a study on competitive strategies adopted by audit firms in Nairobi, Mwando (2012) did a study on the related diversification as a strategic orientation among mid-tier audit firms in Kenya and Ngendo (2012), did a study on the entry strategies used by multinational auditing firms in Kenya.

To the researcher's knowledge there is limited empirical evidence on the strategies used by audit firms to improve performance in Kenya, hence the research gap, this study sought to fill the existing research gap by answering the following research questions, is there a relationship between strategic choice and performance of audit firms in Kenya?

1.3 Research Objectives

The study was guided by the following objectives

- i. To establish the strategic choice adopted by audit firms in Kenya
- ii. To establish the effect of strategic choice on performance of audit firms in Kenya

1.4 Value of the Study

The study finding is useful to potential investors in the audit industry specifically in Kenya. They will be informed on various strategies adopted or applied by audit firms already operating and therefore prepare themselves accordingly before entering the industry. The study will inform them on the effect of strategies on performance of audit firm in Kenya. Also will help Investors to learn in advance challenges Audit business environment so that they will put measures in place to mitigate this challenges.

The study finding is useful to audit firms Partners and top management managers to whom their business are not performing well in Kenya business environment to know the appropriate strategies applicable by audit firms and adopt the same. The study findings will be useful for them to be aware of the strategy adopted by audit firms to improve their performance.

Finally, the research findings are useful to the Kenyan Government by informing the policy makers on strategies used by audit firms in Kenya to improve performance. Also the study findings will be useful to the business regulators in the county and audit industry regulatory body (ICPAK) to put in place policies which will promote competition in the audit industry and put measures in place which will ensure growth of audit firm.

The study findings are of great importance to future scholar's and academicians as it has added to the existing body of knowledge on strategies used by audit firms to improve performance, this will assist future scholar in forming the basis for future research .

1.5 Chapter Summary

This chapter reviews the introduction to the study on effect of strategic choice on performance of audit firms in Kenya. The areas of discussion contained are as follows; background, research problem, research objectives and value of the study. Chapter two is the literature review, chapter three will be research methodology, chapter four will be results and findings and chapter five will be the discussion, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the literature related to establish the strategies used by audit firms in Kenya to improve performance. The study mainly focuses on various theories underpinning the study (the game theory, industrial organization economic theory, the strategic conflict model and Resource based view), concept of strategy and competitive strategies. The main literature sources of information were theoretical literature, books, research papers, and academic publications printed as well as internet sources.

2.2 Theoretical Foundation

This study will be based on game theory and resource based view. These theories put forward what have been already confirmed to improve organizational performance hence they give solutions how to fix issues related to competitive advantage. The theories are covered in detail below.

2.2.1 Game Theory

Game theory by Nash 1950 which sometimes known as zero-sum theory it covers static and dynamic nature under perfect or imperfect information. It puts much emphasis on the importance of being proactive or thinking ahead, considering alternatives and anticipating the reactions of other competitors and other players in the game (Branden & Nale, 1995). Game theory has been applied in the way firms compete in a particular industry, their relationships and interactions in competition situations whereby one firm gains while another one loses.

The choice of strategy depends highly on the information that each party has. Game theory is applied in competitive strategy in business situations such as raising product or services prices, new product introduction, advertising, regulation and in choice of either to undertake licensing or produce, (Heap & Varoufakis, 2004).

2.2.2 Resource Based View

Resource Based view by Barney 1986 contend that above normal returns accrue due to valuable, rare, non-imitable immobile and non-substitutable resources. It views firm as a unique bundle of resources that is all assets and capabilities, organizational process, firm attributes, information, knowledge controlled by a firm that enable the firm to conceive and implement strategies that improves its efficiency and effectiveness, hence outperform the competitors in the industry (Barney,2007).

Foos and Knudsen (2005) asserts that resource based view (RBV) tends to focus on resource and capabilities that are long lived & difficulty to imitate. Superior performance therefore will be based on developing a competitively distinct set of resources and deploying them in a well-conceived strategy. The theory assumes that firms within an industry may be heterogeneous with respect to the strategic resources they control and the resources may not be perfectly mobile across firms and thus heterogeneity can be long lasting.

2.3 Concept of Strategy and Strategic Choice

Stock (1999) 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. Organizations are open systems; they receive inputs from the environment, transform them into outputs and discharge them back into the environment. Thus organizations are environment dependent and environment serving. Strategy therefore relates a firm to its environment (Porter, 1980). It is the link between a firm and its environment.

The role of the organization then is to manage its business units and products so that each is competitive and so that each contributes to the organization's purposes (Porter, 1980). Strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders (Johnson & Scholes, 1999). Strategy helps to define the specific business of the firm in terms of products, markets and geographical scope. Strategy can also be considered as a firm's game plan that enables the firm to create competitive advantage (Pearce & Robinson, 2000). The firm needs to look at itself in terms of what the competitions are doing. This is critical because firms in the same industry tend to compete for the same customers (Cox & Britain, 2000).

2.4 Competitive Strategies

If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1980). A firm positions itself by leveraging its strengths. Porter (1980) has argued that a firm's strengths ultimately fall into one of two categories, namely: cost advantage or differentiation.

By applying these strengths in either a broad or narrow scope, three generic strategies result. These are cost leadership, differentiation, and focus. These strategies are applied at the business unit level. Walker (2004) points out that in order to achieve competitive advantage, a firm must offer value to customers at a cost that produces economic performance superior to rivals. The firm must then defend this position from competitors.

2.4.1 Cost Leadership Strategy

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices (David, 2001). Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantage. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants (Porter, 1996).

Firms that succeed in cost leadership often have the following internal strengths (Porter, 1996): access to the capital required to make a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome, skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process, high level of expertise in manufacturing process engineering, and efficient distribution channels. Each generic strategy has its risks, including the low-cost strategy. For example, other firms may be able to lower their costs as well.

2.4.2 Differentiation Strategy

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (Stock, 1999). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry.

Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. 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. Firms that succeed in a differentiation strategy often have the following internal strengths (Porter, 1996).

2.4.3 Focus Strategy

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs (Harrison 2011).

However, the risks involved in focus strategy include being the mercies of powerful suppliers since such a firm will buy in smaller quantities. Small volume also means higher production cost leading to loss of economies scale (Porter, 1980). The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation (Porter, 1986).

2.5 Organizational Performance Measurement

Performance measurement has been explained by Neely (2009) as the process of quantifying the efficiency and effectiveness of past actions, while Moulin (2009) argues that it is the process of evaluating how well organisations are managed and the value they deliver for customers and other stakeholders. Robert (2005) states that, there is considerable interest in the role of strategic performance measurement systems (SPMS), such as balanced scorecards, in assisting managers develop competitive strategies.

Performance Measurement is addressed in Step Five of the Nine Steps to Success TM methodology. In this step, Performance Measures are developed for each of the Strategic Objectives. Leading and lagging measures are identified, expected targets and thresholds are established, and baseline and benchmarking data is developed. The focus on Strategic Objectives, which should articulate exactly what the organization is trying to accomplish, is the key to identifying truly strategic measurements (Harrison 2011). Strategic performance measures monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance and determine organization effectiveness and operational efficiency (Harrison 2011).

2.6 Empirical Studies and Research Gaps

Musya (2013) sought to examine the strategic planning and performance in Audit Firms in Nairobi County. Regression and correlation analysis were used. The regression analysis was used to describe the relationship between strategic planning and performance while the correlation was used to test the statistical significance of the association. The findings showed that, proper strategic planning leads to better performance in Audit firms in Nairobi County. It was recommended that for a good performance, decision makers in organizations should employ strategic planning best practices as a guide to a better future performance. For future research, researches should look into challenges facing strategic planning process and performance assessment in Audit firms.

Nyakang'o (2007) did a study on the competitive strategies adopted by audit firms in Nairobi. The study adopted a cross-sectional survey in its methodology. 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, and training of staff, adhering to ethical standards, effective recruiting policies and use of technology. Barongo (2014) did a study on the competitive strategies adopted by small and medium audit firms in Nairobi city county, Kenya. The study concluded that most of the SMEs audit firms in Nairobi City County, had already adopted competitive strategies to respond to ever changing customer needs and competitive marketing nature where by Market penetration.

Polle (2012) did a study on the challenges of strategy implementation facing audit firms in Nairobi, Kenya. The study used descriptive design in its methodology and adopted a cross sectional survey approach where the units to be studied were audit firms in Nairobi. The study found that there are several challenges facing audit firms in the implementation of strategy, mostly due to insufficient financial resources and that the audit firms are not only technical efficient but have also embraced technology in their operations. Mwando (2012) did a study on the related diversification as a strategic orientation among mid-tier audit firms in Kenya. The study found that all the firms had adopted related diversification strategy. The results also showed that most of the respondents agreed that related diversification lead to firm growth. To the researcher knowledge there is limited empirical evidence on the strategies used by audit firms to improve performance in Kenya , hence the research gap, this study seek to fill the existing research gap by answering the following research questions ,
What are the strategies used by audit firms in Kenya to improve performance?

From the above literature review both the theoretical and the empirical; it's evident that there is need for further research to be done on the effect of strategic choice on performance of audit firms. There has been no study carried out on strategic choice and performance of audit firms in Kenya. Therefore a research gap exists that need to be filled by doing a thorough study on this topic. Both in developed and developing economies investors are faced with the dilemma on which strategies to be adopted in order to improve organization performance. This research will help address some of these pertinent concerns that have faced by audit firm in Kenya operating in turbulent environment. This study sought to fill the existing research gap by conducting study to establish the effect of strategic choice on performance of audit firms in Kenya.

2.7 Chapter Summary

This chapter review the existing literature on effect of strategic choice on performance of audit firms in Kenya, in specific it review the theoretical foundation, concept of strategy and strategic choice, competitive strategies, organizational performance measurement, empirical studies and research gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology, which was used to carry out the study. It further describes the type and source of data, the target population and sampling methods and the techniques that was used to select the sample size. It also describes how data was collected and analysed.

3.2 Research Design

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project. This research problem was studied through the use of a census survey. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

This study therefore is able to generalize the findings to all the enterprises. This method concerned the intense investigation of problem solving situations in which problems are relevant to the research problem. The project focused to establishing the strategies used by audit firms in Kenya to improve performance.

3.3 Population of the Study

Target population in statistics is the specific population about which information is desired. My target population was the big four audit firms in Kenya as follows: Price Waterhouse Coopers (PwC); Ernest & Young; KPMG; and Deloitte & Touche. According to Kombo and Tromp (2006) a population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated generalize the results.

This definition assumed that the population is not homogeneous. The population of this study comprised of 156 employee of (4) Four Audit Firms (Ernst & Young, Price Waterhouse Coopers, KPMG and Deloitte & Touche) at their Head Offices in Nairobi as shown in Table 3.1.

Table 3.1: Target Population

Category	Population	Percentage
Top Management	26	16.7
Middle Level Management	48	30.8
Low Level Management	82	52.6
Total	156	100

Source, HRM Records (2015)

3.4 Sample Size

Stratified random sampling technique was used to select the sample. According to Kothari, (2006) the technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. The study group the population into three strata that is low level, middle level and top level management. This in turn increases the precision of any estimation methods used.

The study selected a section and particularly the staffs at the head office since they are the ones conversant with the strategies used by audit firms in Kenya to improve performance. A sample of 50% was selected from within each group in proportions that each group bears to the study population; this generates a sample of 78 respondents which the study sought information from. This made it easier to get adequate and accurate information necessary for the research as shown in Table 3.2.

Table 3.2: Sampling Frame

Sections	Frequency	Sample Ratio	Sample
Top Management	26	0.5	13
Middle Level Management	48	0.5	24
Low Level Management	82	0.5	41
Total	156	0.5	78

Source, Author (2015)

3.5 Data Collection

With regard to establish the strategies used by audit firms in Kenya to improve performance, the study used a survey questionnaire administered to each member of the sample population, who were senior employee of four audit firm at their head office in Nairobi. The questionnaire had both open and close-ended questions. The close-ended questions provides more structured responses to facilitate tangible recommendations.

The closed ended questions were used to test the rating of various attributes and this helps in reducing the number of related responses in order to obtain more varied responses. The open-ended questions provided aadditional information that may not have been captured in the close-ended questions. The questionnaire was carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

3.6 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (Version 22) and presented through percentages, means, standard deviations and frequencies.

The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS (Version 22) to communicate research findings. Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open ended questions. This study was interested in establishing the strategies used by audit firms in Kenya to improve performance.

3.7 Chapter Summary

This chapter has described the research methodology used in this study including the population, sampling design and size, data collection and analysis methods. In the data analysis and presentation, both quantitative and qualitative methods of analysis were used. The population consisted of employees of small and medium enterprise. The data was collected using a structured questionnaire designed by the researcher and analyzed by the use of SPSS (Version 22). The next chapter reviews the data analysis and presentation.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents and the findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 78 respondents from which 60 filled in and returned the questionnaires making a response rate of 76.9 percent. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (1999), a response rate of 50 percent is adequate for analysis and reporting; a rate of 60 percent is good and a response rate of 70 percent and over is excellent. Based on the assertion, the response rate was considered to excellent.

4.2 Demographic Information

In this section the study sought to establish the background information of the respondents including respondents' age, gender, level of education, duration of work in the organization and level of management in the organization.

Age of the Respondents

The study requested the respondents to indicate their age.

Table 4.3: Age of the Respondents

Age Category	Frequency	Percentage
20 to 25 years	3	5.0
26 to 30 years	28	46.7
31 to 35 years	21	35.0
36 to 40 years	8	13.3
Total	60	100.0

Source, Author (2015)

The study findings revealed that most of the respondents as shown by 46.7% were aged between 26 and 30 years, 35% of the respondents were aged between 31 and 35 years, 13.3% of the respondents indicated that their age category was 36 to 40 years and 5% of the respondents indicated 20 to 25 years. These findings show that all the age categories were represented in this study.

Gender of the Respondents

The study sought to determine the gender of the respondents.

Table 4.4: Gender of the Respondents

Gender	Frequency	Percentage
Male	32	53.3
Female	28	46.7
Total	60	100.0

Source, Author (2015)

Majority of the respondents were males as shown by 53.3% whereas 46.7% of the respondents were female. These findings depict that the audit firms have employees from both genders who fairly participated in the study and thus the results will not suffer from gender biasness.

Respondents' Level of Education

The study sought to establish the respondents' highest educational level and therefore requested them to indicate their highest education in the provided categories.

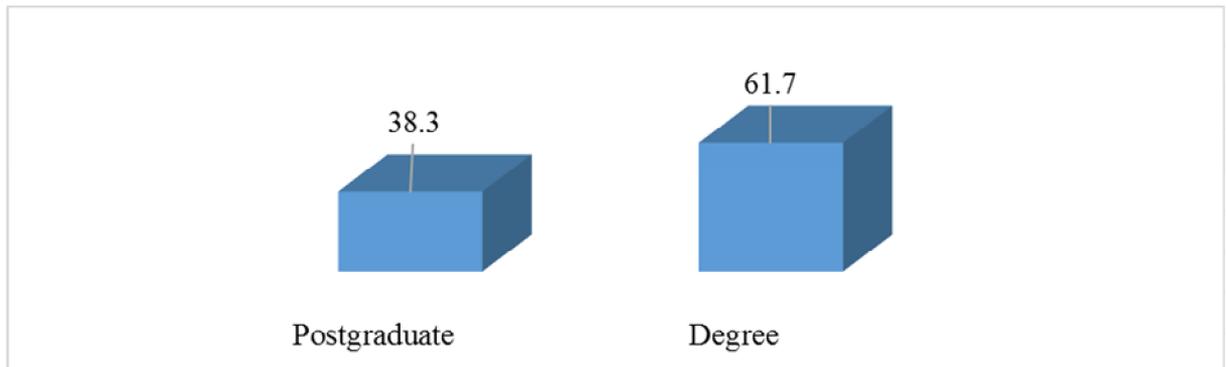


Figure 4.1: Highest Level of Education

Source, Author (2015)

From the findings, majority of the respondents indicated that they had attained a degree as shown by 61.7% while 38.3% of the respondents indicated that they had attained a postgraduate degree. This is an indication that all the respondents were educated and thus would understand the questions to give credible information related to this study.

Respondents' Length of Service

The study further requested the respondents to indicate the length of time they had worked in their organizations.

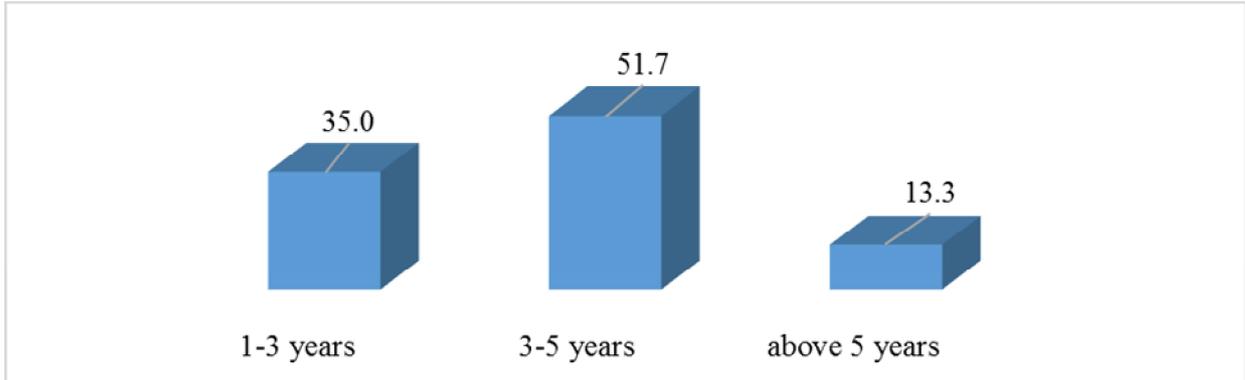


Figure 4.2: Length of Service in the organization

Source, Author (2015)

Majority of the respondents indicated that they had been working in their organizations for between 3 and 5 years as shown by 51.7%, 35% of the respondents had been in their organizations for between 1 and 3 years while 13.3% of the respondents indicated that they had been working in their organizations for above 5 years. This is an indication that the respondents had worked for long enough in their organizations to understand the strategies that influence performance in their audit firms.

Respondents’ Management Level

The respondents were requested to indicate their levels of management in their firms.

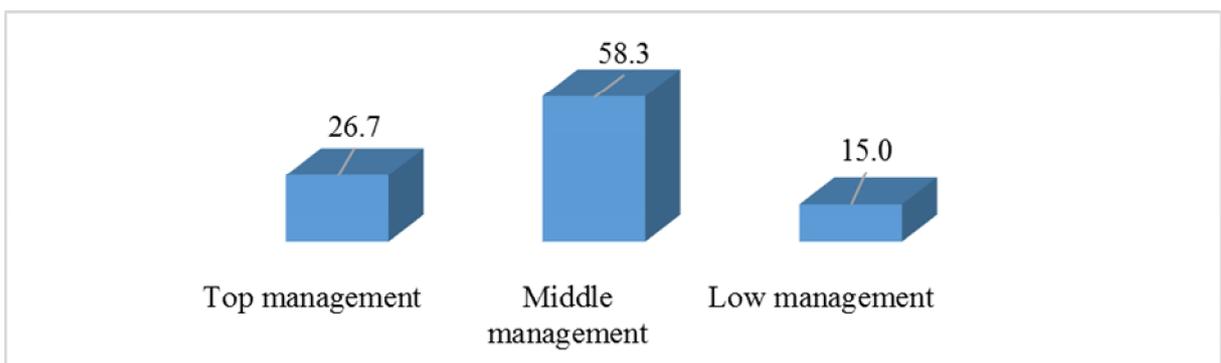


Figure 4.3: Level of management in the organization

Source, Author (2015)

The findings revealed that majority of the respondents were middle management level as shown by 58.3%, 26.7% of the respondents were in the top management level and 15% of the respondents were in the low management level. These findings reveal that all the levels of management were represented in this study. The respondents also indicated that their firms do have strategies that influence performance.

4.4 Cost Leadership Strategy

The study requested the respondents to indicate the extent to which cost leadership strategy influence performance in the audit firms in Kenya.

Table 4.5: Extent to Which Cost Leadership Strategy influence Performance

Opinion	Frequency	Percentage
Very great extent	19	31.7
Great extent	35	58.3
Moderate extent	6	10.0
Total	60	100.0

Source, Author (2015)

From the study findings, majority of the respondents indicated that cost leadership strategy influences performance of audit firms to a great extent as shown by 58.3%, 31.7% of the respondents indicated to a very great extent and 10% of the respondents indicated to a moderate extent. These findings indicate that cost leadership strategy influences performance of audit firms to a great extent.

The study also sought to establish the respondents' level of agreement with some statements relating to the influence of cost leadership strategy on performance of the audit firms.

Table 4.6: Statements Relating to Cost Leadership Strategy

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std Deviation
It is through cost leadership strategy that firms strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices	21	25	6	7	1	2.033	0.276
Low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them, are some of the characteristics of cost leadership	24	23	4	6	3	2.017	0.222
Cost leadership strategy protects the organization from new entrants	19	31	9	1	0	1.867	0.412
Cost leadership strategy calls for being the low cost producer in an industry for a given level of quality	20	30	3	7	0	1.950	0.384
Firms that succeed in cost leadership often have internal strengths	23	22	5	3	7	2.150	0.225
The low-cost strategy is risky especially when other firms are in a position to lower their costs as well	22	28	4	4	2	1.933	0.315

Source, Author (2015)

From the findings majority of the respondents agreed that cost leadership strategy protects the organization from new entrants, as shown by a mean of 1.867, the low-cost strategy is risky especially when other firms are in a position to lower their costs as well, as shown by a mean of 1.933, cost leadership strategy calls for being the low cost producer in an industry for a given level of quality, as shown by a mean of 1.950, low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them, are some of the characteristics of cost leadership, as shown by a mean of 2.017, it is through cost leadership strategy that firms strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices, as shown by a mean of 2.033 and that firms that succeed in cost leadership often have internal strengths, as shown by a mean of 2.150. These findings were found to concur with the findings of Porter (1996) who argued that firms that succeed in cost leadership often have the internal strengths such as access to the capital required to make a significant investment in production assets, which represents a barrier to entry that many firms may not overcome, skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process, high level of expertise in manufacturing process engineering, and efficient distribution channels. He also noted that that each generic strategy has its risks, including the low-cost strategy, where other firms may be able to lower their costs as well.

4.5 Differentiation Strategy

The study requested the respondents to indicate the extent to which differentiation strategy influence performance in the audit firms in Kenya.

Table 4.7: Extent to Which Differentiation Strategy influence Performance

Opinion	Frequency	Percentage
Very great extent	21	35.0
Great extent	32	53.3
Moderate extent	7	11.7
Total	60	100.0

Source, Author (2015)

Majority of the respondents indicated that differentiation strategy influences performance of audit firms to a great extent as shown by 53.3%, 35% of the respondents indicated to a very great extent and 11.7% of the respondents indicated to a moderate extent. These findings indicate that differentiation strategy influences performance of audit firms to a great extent.

The study also sought to establish the respondents' level of agreement with some statements relating to the influence of differentiation strategy on performance of the audit firms.

Table 4.8: Statements Relating to Differentiation Strategy

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std Deviation
A firm offers products or services with unique features that customers value through differentiation	19	20	12	5	4	2.250	0.169
The key characteristic of differentiation strategy is perceived quality	20	30	2	6	2	2.000	0.357
Perceived quality and brand loyalty insulates company from competition in an industry	17	29	8	4	2	2.083	0.318

Firms that succeed in a differentiation strategy often have certain internal strengths	18	30	2	8	2	2.100	0.364
The differentiation strategy can be risky when there is imitation by competitors and changes in customer tastes	20	25	7	6	2	2.099	0.249

Source, Author (2015)

The findings revealed that majority of the respondents agreed that the key characteristic of differentiation strategy is perceived quality, as shown by a mean of 2.000; Perceived quality and brand loyalty insulates company from competition in an industry, as shown by a mean of 2.083; the differentiation strategy can be risky when there is imitation by competitors and changes in customer tastes, as shown by a mean of 2.099; Firms that succeed in a differentiation strategy often have certain internal strengths, as shown by a mean of 2.100; and that a firm offers products or services with unique features that customers value through differentiation, as shown by a mean of 2.250. The findings were found to be consistent with the findings of Stock (1999) who noted that the value added by the uniqueness allows the firm to command a premium price. He also noted that the key characteristic of differentiation strategy is perceived quality and this may be through superior product design, technology, customer service, dealer network or other dimensions. He added that the advantage of differentiation is that perceived quality and brand loyalty insulates company from threats.

4.6 Focus Strategy

The study further requested the respondents to indicate the extent to which focus strategy influence performance in the audit firms in Kenya.

Table 4.9: Extent to Which Focus Strategy influence Performance

Opinion	Frequency	Percentage
Very great extent	22	36.7
Great extent	36	60.0
Moderate extent	2	3.3
Total	60	100.0

Source, Author (2015)

Majority of the respondents indicated that focus strategy influences performance of audit firms to a great extent as shown by 60%, 36.7% of the respondents indicated to a very great extent and 3.3% of the respondents indicated to a moderate extent. These findings indicate that focus strategy influences performance of audit firms to a great extent.

The study also sought to establish the respondents' level of agreement with some statements relating to the influence of focus strategy on performance of the audit firms.

Table 4.10: Statements Relating to Focus Strategy

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std Deviation
Focus strategy involves targeting a particular market segment	20	25	9	4	2	2.050	0.258
Advantages of focus strategy include having power over buyers since the firm may be the only source of supply	19	24	6	9	2	2.183	0.257
The firm adopting focus strategy can easily stay close to customers and monitor their needs	15	27	8	6	4	2.283	0.255

The focus strategy can be risky since small volume means higher production cost leading to loss of economies scale	18	32	8	2	0	1.900	0.413
A firm using a focus strategy often enjoys a high degree of customer loyalty	21	29	3	7	0	1.933	0.371
Firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers	16	30	11	2	1	2.033	0.378

Source, Author (2015)

From the study findings, majority of the respondents agreed that Advantages of focus strategy include having power over buyers since the firm may be the only source of supply, as shown by a mean of 2.183, the focus strategy can be risky since small volume means higher production cost leading to loss of economies scale, as shown by a mean of 1.900, a firm using a focus strategy often enjoys a high degree of customer loyalty, as shown by a mean of 1.933, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers, as shown by a mean of 2.033, focus strategy involves targeting a particular market segment, as shown by a mean of 2.050, advantages of focus strategy include having power over buyers since the firm may be the only source of supply, as shown by a mean of 2.183 and that the firm adopting focus strategy can easily stay close to customers and monitor their needs, as shown by a mean of 2.283. These findings are consistent with those of Porter (1980) who noted that the risks involved in focus strategy include being the mercies of powerful suppliers since such a firm will buy in smaller quantities. He further added that small volume also means higher production cost leading to loss of economies scale.

4.8 Chapter Summary

The chapter presented the results of the study .The data obtained from the survey was analyzed using descriptive statistics. The study found that cost leadership strategy protects the organization from new entrants and, the study further revealed that perceived quality and brand loyalty insulates company from competition in an industry, the study also found that firms that adopt the focus strategy have been able to target a particular segment of the market.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objective of the study. The researcher had intended to establish the effect of strategic choice on performance of audit firms in Kenya.

5.2 Summary

5.2.1 Cost Leadership Strategy

The findings revealed that cost leadership strategy influences performance of audit firms to a great extent. The study also unfolded that Cost leadership strategy protects the organization from new entrants, the low-cost strategy is risky especially when other firms are in a position to lower their costs as well, Cost leadership strategy calls for being the low cost producer in an industry for a given level of quality, Low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them, are some of the characteristics of cost leadership.

It is through cost leadership strategy that firms strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices and that Firms that succeed in cost leadership often have internal strengths. These findings were found to concur with the findings of Porter (1996) who argued that firms that succeed in cost leadership often

have the internal strengths such as access to the capital required to make a significant investment in production assets, which represents a barrier to entry that many firms may not overcome, skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process, high level of expertise in manufacturing process engineering, and efficient distribution channels. He also noted that that each generic strategy has its risks, including the low-cost strategy, where other firms may be able to lower their costs as well.

5.2.2 Differentiation Strategy

The study established that differentiation strategy influences performance of audit firms to a great extent and that the key characteristic of differentiation strategy is perceived quality, Perceived quality and brand loyalty insulates company from competition in an industry, the differentiation strategy can be risky when there is imitation by competitors and changes in customer tastes.

Firms that succeed in a differentiation strategy often have certain internal strengths, and that a firm offers products or services with unique features that customers value through differentiation. The findings were found to be consistent with the findings of Stock (1999) who noted that the value added by the uniqueness allows the firm to command a premium price. He also noted that the key characteristic of differentiation strategy is perceived quality and this may be through superior product design, technology, customer service, dealer network or other dimensions. He added that the advantage of differentiation is that perceived quality and brand loyalty insulates company from threats.

5.3.3 Focus Strategy

From the study findings it was revealed that focus strategy influences performance of audit firms to a great extent. The findings also unfolded that Advantages of focus strategy include having power over buyers since the firm may be the only source of supply, the focus strategy can be risky since small volume means higher production cost leading to loss of economies scale, a firm using a focus strategy often enjoys a high degree of customer loyalty.

Firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers, Focus strategy involves targeting a particular market segment, Advantages of focus strategy include having power over buyers since the firm may be the only source of supply and that the firm adopting focus strategy can easily stay close to customers and monitor their needs. These findings are consistent with those of Porter (1980) who noted that the risks involved in focus strategy include being the mercies of powerful suppliers since such a firm will buy in smaller quantities. He further added that small volume also means higher production cost leading to loss of economies scale.

5.3 Conclusion

The study revealed that cost leadership strategy protects the organization from new entrants and thus concludes that improved performance of audit firms in Kenya can be attributed to their adoption of the cost leadership strategy, which has helped them have lowest costs as well as offer their services in a broad market at the lowest prices.

The study further revealed that perceived quality and brand loyalty insulates company from competition in an industry. This study concludes that audit firms in Kenya have been able to

remain competitive in the industry through the adoption of the differentiation strategy. The study draws further conclusions that firms that adopt the focus strategy have been able to target a particular segment of the market.

5.4 Recommendations

From the findings, the study recommends that audit firms should adopt the cost leadership strategy due to the fact it is associated with internal strengths such as access to the capital required to make a significant investment in production of their services, since this always presents a barrier to entry that many firms may not overcome.

There is need for the audit firms to differentiate their services so as to stand out from the crowd. This way, the firms will be able to offer unique services that are not being offered by their competitors. However, the firms should be on the lookout in case of imitation from their competitors.

5.5 Area for Further Research

The study sought to establish the effect of strategic choice on performance of audit firms in Kenya. The study recommends that a study should be done on the challenges faced when determining the strategic choice in audit firms in Kenya.

5.6 Implication of the Study on Policy, Theory and Practices

The finding of the study will assist potential investors in the audit industry in Kenya. They will be informed on various strategies adopted or applied by audit firms already operating and therefore prepare themselves accordingly before entering the industry.

The study finding will assist Partners and top management managers to know the appropriate strategies applicable by audit firms and adopt the same. The research findings are useful to policy makers on design policies to assist audit firms in Kenya to improve performance. The study findings will be useful ICPAK to put in place policies which will promote competition in the audit industry and put measures in place which will ensure growth of audit firm. The study findings will add to the existing body of knowledge on strategies used by audit firms to improve performance.

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APPENDICES

Appendix I: Authorization Letter

Appendix II: Questionnaire

This questionnaire is designed to collect data to establish the strategies used by audit firms in Kenya to improve performance. The data shall be used for academic purpose only and it will be treated with confidentiality it deserves. The respondents are highly encouraged and persuaded to respond to the statements in this questionnaire in the most truthful and objected way possible. Your participation in facilitating this study will be highly appreciated.

Kindly ticks in the space provided [] the correct answer or supply the required information where, required, please specify and elaborate.

Part A: Respondents Information

1. Name..... (Optional)
2. Age of the respondent
20-25 years () 26 to 30 years () 31 to 35 years ()
36 to 40 years () 41 to 45 years () 46 to 50 years ()
Above 50 years ()
3. Gender of the respondent?
Male [] Female []
4. What is your highest level of education?
Postgraduate [] Degree [] Diploma []
5. How long have you worked in the organisation?
Less than 1 year [] 1-3 years [] 3-5 years [] above 5 years []
6. Which is your management level?
Top management [] Middle management [] Low management []
7. Does your firm have Strategies that influence performance in the audit firms in Kenya?
Yes []
No []

Part C: Cost Leadership Strategy

8. Does Cost Leadership Strategy influence performance in the audit firms in Kenya?

Yes []

No []

9. To what extent does Cost Leadership Strategy influence performance in the audit firms in Kenya?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

10. Indicate your level of agreement with the following statements that relate to Cost Leadership Strategy influence on the performance in the audit firms in Kenya.

Statement	Strongly disagree	disagree	neutral	agree	Strongly agree
It is through cost leadership strategy that firms strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices					
Low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them, are some of the characteristics of cost leadership					
Cost leadership strategy protects the organization from new entrants					
Cost leadership strategy calls for being the low cost producer in an industry for a given level of quality					
Firms that succeed in cost leadership often have internal strengths					
The low-cost strategy is risky especially when other firms are in a position to lower their costs as well.					

11. How else does Cost Leadership Strategy influence on the performance of the audit firms in Kenya that is not indicated above?

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Part D: Differentiation Strategy

12. Does Differentiation Strategy influence performance in the audit firms in Kenya?

Yes []

No []

13. To what extent does Differentiation Strategy influence performance in the audit firms in Kenya?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

14. Indicate your level of agreement with the following statements that relate to Differentiation Strategy influence on the performance in the audit firms in Kenya.

Statement	Strongly disagree	disagree	neutral	agree	Strongly agree
A firm offers products or services with unique features that customers value through differentiation					
The key characteristic of differentiation strategy is perceived quality					
Perceived quality and brand loyalty insulates company from competition in an industry					
Firms that succeed in a differentiation strategy often have certain internal strengths					
The differentiation strategy can be risky					

when there is imitation by competitors and changes in customer tastes					
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15. How else does Differentiation Strategy influence on the performance of the audit firms in Kenya that is not indicated above?

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Part E: Focus Strategy

16. Does Focus Strategy influence performance in the audit firms in Kenya?

Yes []

No []

17. To what extent does Focus Strategy influence performance in the audit firms in Kenya?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

18. Indicate your level of agreement with the following statements that relate to Focus Strategy influence on the performance in the audit firms in Kenya.

Statement	Strongly disagree	disagree	neutral	agree	Strongly agree
Focus strategy involves targeting a particular market segment					
Advantages of focus strategy include having power over buyers since the firm may be the only source of supply					
The firm adopting focus strategy can easily stay close to customers and monitor their needs					
The focus strategy can be risky since small volume means higher production cost leading to loss of economies scale					
A firm using a focus strategy often enjoys a high degree of customer					

loyalty					
Firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers					

19. How else does Focus Strategy influence on the performance of the audit firms in Kenya that is not indicated above?

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Thank You