STRATEGIES USED BY PRICEWATERHOUSECOOPERS KENYA TO GAIN A SUSTAINABLE COMPETITIVE ADVANTAGE

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DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

Signed ……………….........   Date …………………

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D61/62908/2010

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

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DEDICATION

I dedicate this project to my family for their continued support of my initiatives for growth and self-improvement.

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I thank God for the strength to be able to undertake and complete this project. I also thank him for the financial resources and technical ability to undertake this degree.

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ABSTRACT

This research analysed the strategies used by PwC Kenya to obtain a sustainable competitive advantage. PwC Kenya is one of the leading professional services firm in Kenya. The organization however exists in a highly competitive environment together with three other large professional services firms and other small to medium sized players all competing for a similar market.Most of the services offered by the different professional services firms are similar in nature given the regulatory environment in which they operate. Each organisation must thus come up with a robust strategy in order to remain ahead of the pack. The research focused on two broad views that can be employed to obtain a sustainable competitive advantage. The first is the resource based views in which organization leverage on their internal capabilities while the second is industrial organisations views in which organisations leverage on opportunities presented by the external environment in order to be competitive. The literature review looked at scholars who have contributed to these views. It analysed the importance of strategy in organisations and the need for organisations to select a suitable strategy to navigate the turbulent environment and remain relevant and successful. The research then looked at the theories on sustainable competitive advantage as well as the challenges in obtaining it. The research looked at the role that differentiation, resources, innovation and core competencies play in creating value addition and as such sustainablility. The study focused on the role that knowledge management system play as a form of resource based views to obtain a sustainable competitive advantage. The research also looks at the empirical and knowledge gaps especially in the utilization of knowledge management systems for sustainability.The research was conducted via a case study and content analysis was used to compile the report. The research revelead that PwC Kenya is deliberate about strategy formulation and has focused on three strategeies to ensure it is competitive. These are a robust marketing strategy, a service delivery strategy and a focused human resource strategy. The research also revelaed that PwC leverages on its core competencies in order to implement and drive these strategies. The core competencies identified are subject matter experts, knowledge based systems and good information technology systems. The researcher linked the strategies employed in relation to the theories introduced.The researcher revealed that PwC leverages on its internal environment as well as responds to pressures exerted by the external environment. PwC thus employs a hybrid method that borrows both from resource based and industrial organization views. The researcher also compares the study to other global and local research conducted on competitive advantage. The common themes that emerge are innovation, differentiation and information systems as key to driving competitive advantage. The researcher however notes that the differentiator is the focus on knowledge management systems. The limitation is that focus was only placed on one organization in Kenya and thus additional avenues of research into other professional services firms in the region is recommended.

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CHAPTER ONE

INTRODUCTION

1.1 Background

The world is a global village and the business environment is dynamic. The ability of an organisation to differentiate itself in the market place and get ahead of the competition determines its success and survivability. In order to do this, organisations must formulate strategies to ensure that they create value for their customers and curve a niche in the market place. Porter (1996) posit that strategy is the creation of a distinct and valuable position that involves different set of activities. The formulation of strategies is not merely enough and organisations must ensure that they follow through their strategies to fruition in order to realise the objectives that they set out to. This is achieved through strategic management.

Hambrick and Chen (2007) opine that strategic management entails the definition and execution of the main objectives and activities taken by an organization's top administration for the benefit of proprietors, in light of resources and an appraisal of the internal and external environment in which the company competes. One of the major objectives of strategic management is to develop core competencies that organisations can exploit in order to create a competitive advantage. Christensen (2003) defined competitive advantage as the ability of an organisation to have a higher performance relative to its competitors by taking advantage of their unique resources.

Achieving a competitive advantage strengthens and positions a business better within its business environment. Once an organization obtains a competitive advantage, it must come up with ways to sustain this competitive advantage in order to ensure that it continues to be relevant in its competitive space. A company that achieves a sustainable competitive advantage is able to simultaneously add value to the customer as well as generate excess return on capital thereby increasing shareholder wealth.

This advantage ensures the survivability of the organization as well as ensures that it continues to thrive in the dynamic business environment. It also ensures that the organisation is able to ward off any advancement by its competitors. There are two broad views that explain the way in which organisations can achieve a sustainable competitive advantage. The first is the resource based view that focuses on an organisation's ability to utilise it resources to achieve superior performance. An organisation achieves this by developing and exploiting internal resources which are valuable, rare and not easy to replicate or substitute. The other view is the industrial organisation view that focuses on studying the external environment and then exploiting the opportunities presented by the external environment. In this school of thought, an organisation must create a niche for itself and operate in that space.

The professional services space in Kenya is very competitive. It is dominated by four major players which are PricewaterhouseCoopers Limited, Deloitte Limited, Ernst & Young and KPMG. These are collectively known as the "Big Four". They are however a number of small players who demand a sizeable piece of the market share. These are PKF, SAP consulting and AON Consulting. A number of international players such as Mckinsey and Dalberg are also looking to firmly entrench themselves in the market. Due to this growing competition, PwC Kenya must establish a sustainable competitive advantage in order to keep its position as the market leader.

1.1.1 The Concept of Strategy

Strategy are a set of rules that guide decision making in a given organization (Ansoff and McDonnell, 1990). They stated that a good strategy was one that ensured an organization's continuity by guiding its direction of growth. Chandler (1998) defined strategy as the establishment of organisational long term goals, and the subsequent resource allocation and adoption of action that are necessary to carry out the set goals. Both sets of scholars believed strategy to be a plan that charts the route that an organization will follow in its quest to be successful. A strategy needs to be carefully thought out and developed before being adopted by the management and the organization as a whole if it is to be successful.

Ansoff (1998) argued that a good strategy was one that equipped an organization with the ability to deal with and react to change that is brought about by environmental factors. Mintzberg (1987) on his part stated that a good strategy was one that provided the direction for the operations of an organization. This is especially important as the environment in which an organization exists is turbulent and an organization must adapt to these changes and conduct its operations in a manner that is beneficial to it. A good strategy equips the organization with the capability to match and overcome the turbulence that it is facing. It should be flexible and adaptable and ensure the fulfilment of an organization's mission and objectives.

1.1.2 Sustainable Competitive Advantage

One of the earliest contributors to the concept of sustaining a competitive advantage was Alderson (1965) who advanced the concept of competitive adaptation. He argued that in order to remain ahead of the park, organisations needed to differentiate themselves by customizing their products in accordance to the needs of the market. He argued that in order to do this, organisations needed to segment the market place in order to tailor products that would meet the needs of the their target customers. He stressed that organisations needed to reinvent themselves and be innovative in the way they met their customers' demands. He also argued that organisations should invest in marketing and innovation in order to increase their visibility in the market place. In doing so, he called for differentiation, customization, segmentation and innovation. His futuristic ideas are some on the building blocks that scholars after him have advanced in the discussion about gaining a sustainable competitive advantage.

Hall (1980) and Henderson (1983) in turn advanced on the idea of differentiation by touching on the concept of core competencies. They stated that for survivability and sustainability, organisations needed to present offerings that would give them an advantage over the competition. They stated that for an organisation to survive, it needed to create a unique distinguishing characteristic. Barnely and Hesterly (2008) echoed this same school of thought when they stated that a good strategy was one that generated a competitive advantage for the organization by giving it an edge that was not easy to replicate. Hamel and Prahalad (1989) further advanced the need for differentiation by expounding on the concept of core competencies. The pair argued that a core competency is one that adds value to the consumer, can be re-used widely for a range of product and services and one that is not easy for competitors to replicate. Organizations should thus identify and establish core competencies in order to distinguish themselves from other organizations in the industry in which they compete.

Porter (1985) argued that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. He argued that competitive advantage rests on the notion that cheap labour is ubiquitous and natural resources are not necessary for a good economy. Porter argued that organization gain a competitive advantage when they acquire attributes or a combination of attributes that allows them to outperform their competitors. These attributes can come in various forms such as access to raw materials such as oil and minerals, access to skilled labour, access to superior distribution and communication lines or access to innovation and technologies that transform the way the organization conducts business. The acquisition of these attributes can in turn lead to the organization either offering similar quality goods at a lower price or having a justification for the higher priced goods of superior quality. Porter went on to introduce four generic strategies that could be adopted by an organization in order to gain a competitive advantage. These strategies can be broadly summarized as cost focus, cost leadership, differentiation and differentiation focus. Differentiation and cost leadership strive to gain competitive advantage in a broad market or industry while differentiation focus and cost focus strive to gain a competitive advantage in a narrow market or industry.

Barney (1991) in turn looked at how a firm can employ its resources in order to gain a sustained competitive advantage. He argued that organisations must establish strategies that both capitalise on their internal strengths while at the same time neutralise external threats. He analysed the role in which resources can be utilised to build a sustainable competitive advantage. He argued that the resources were immobile and heterogeneous across firms and needed to have certain qualities in order to be exploited for a competitive advantage. The resources need to be rare, not easily substitutable, valuable and not easily imitable.

1.1.3 Audit Firms in Kenya

PricewaterhouseCoopers Limited Kenya is part of a network of firms in 158 countries with more than 180,000 people working in a cross section of service lines that is part of the PwC Global Firm. Globally PwC is a leading professional service firm. Globally, PwC and Deloitte interchangeably dominate the first and second spot and are closely followed by Ernst and Young and finally KPMG. The four professional services firms constitute what is known as the “Big Four” and together they account for the lion’s share of professional services to both private and public sector companies. Together the Big Four have created an oligopoly in the professional services firm space.

Given that the professional services firms offer the same services to their clientele; the level of differentiation between the firms has come under scrutiny over the last few years not only in the global scene but also locally with majority of the clientele not being able to differentiate the firms in terms of the difference in service provision. This has largely contributed to the stiff competition between PwC global and Deloitte global which has seen the firms trade the number one slot amongst themselves over the last five years. This has in turn led to a need for the firms to re-invent themselves in order to be better differentiated in the market space. In Kenya, PwC is the leading professional services firm however, it must continue to re-invent itself in order to both keep the number one slot as well as continually increase its market share.

1.1.4 PriceWaterhouseCoopers Kenya Limited

PricewaterhouseCoopers Kenya Limited is one of Kenya's leading professional service firms that provide an array of services ranging from advisory to tax and finally assurance services. The goal of the organization is to create value for its clients and as such achieve a competitive advantage in terms of their operations and thus ensure continued sustainability.

Historically, PwC has enjoyed dominance in the Kenyan market and has largely been considered the market leader. This dominance is however being challenged by the other Big Four firms and entrants of new players into the market. This is attributed to the fact that the firms offer similar services to the market. These services are largely governed by regulation and as such are easily replicatable and substitutable across firms. The fact that the services offered by the different organisations are largely homogenous makes it easier for staff to move from one organisation to another. This has in turn led to expertise being distributed among the Big Four firms thus making it harder for the organisations to be differentiable.

These new challenges are making it harder for PwC Kenya to differentiate itself from the rest of the Big Four firms and making it harder to retain and grow its market share. In order to do this, PwC Kenya must develop strategies to ensure that it separates itself from the rest of the pack. Regulators are also calling for rotation of audits for listed clients in the financial services space. These regulations are driven from a global perspective and are largely impacting the local professional services space by striving to even out the market space. This has led to PwC Kenya losing some of its clientele to the competition in order to comply with regulations. In order to retain dominance, PwC Kenya must critically review itself, develop new products and establish internal competencies that cannot be easily replicated by the competition in order to overcome this turbulent time.

PwC Kenya offers a wide range of services to its clients across its different departments that are audit & assurance, tax and advisory. It also has a fully-fledged operations department that supports the other three departments in their day to day activities. The firm constitutes of about 500 employees who work hand in hand to realise the organisation's dream of world class delivery to clientele.

The assurance department is the biggest and most mature business unit at PwC. The assurance department is the cash cow of the business and ensures a steady flow of resources into the organisation's kitty. This is largely fuelled by regulatory requirements that demand annual statutory audits. The tax department is the second most mature business unit at PwC. Tax works hand in hand with assurance to ensure comprehensive financial advice to the client. The strict regulation within the region has largely contributed to the success of this business unit. It is currently being situated as the future cash cow of the business.

The advisory department is the third revenue generating business unit at PwC. The advisory department offers a wide range of activities not normally associated with traditional professional services firms and is largely viewed as the brain child to revolutionize the professional services space. The department can be described as the question mark of the organisation and as such needs further cementing in the market in order to register steady and impressive cash flows. The last department is the operations department. The department is not actively involved in revenue generating activities and is considered the dog in the organisation. The department should reinvent itself in order to generate revenue and play a more active and visible role in the organisation.

It is clear that PwC needs to play a more aggressive and active role in establishing its foot hold in the market. Given the increased competition, PwC must devise more aggressive strategies to obtain additional clients as well as retain their current clientele. They must also devise a way to retain their staff and ensure that they are easily differential from the rest of the professional services firms.

1.2 Research Problem

Organisations operate in a turbulent business environment. Organisations must as such device strategies that ensure that they are competitive over their life span and as such devise a sustainable competitive advantage. Porter (1985) stated that in order for an organization to stand out in the market place, it needed to come up with a competitive strategy that will give it a profitable and sustainable position against the competitive industry forces. An organisation must understand the different forces in play in the environment in order to understand the attractiveness of the industry and its ability to operate and thrive in that industry. A well implemented strategy will assist the organisation to cope with the changing environmental forces and prudently utilise its resources in order to be competitive over a period of time (Pearce and Robinson, 1997).

Professional services firms in Kenya offer a variety of services in the audit, tax and advisory space. Most of the services offered are controlled by strict regulation and as such tend to be homogenous in nature. This has in turn led to complaints by the clientele who argue that it is hard to differentiate between the services offered by the different professional services firms. This is especially so when it comes to differentiating the performance of the big four firms in Kenya.

Several studies have been carried out to try and establish how organizations in service industry can employ strategies to gain a sustainable competitive advantage. Globally, Ehmke (2008) looked at the strategies used for competitive advantage and linked this to the top ten reasons why businesses succeed. In his research, he looked at the various ways an organisation can gain a competitive strategy through differentiation and how it can evaluate the competitive strategy it has chosen to explore. Hemataffar (2010) looked at the role that information systems play in giving an organization an edge over their competitors and he explored the role of information systems in employment of robust strategies by providing paramount information to guide the strategy formulation. Idris (2014) studied the strategies used by Halaal food companies to gain a foot hold in the small and medium sized enterprises in Malaysia. She focused on the role that innovation and product quality played in gaining a sustainable competitive advantage. Odoom (2012) looked at the strategies that small and medium sized organizations employ for development in Ghana. He looked at the need for local organizations to differentiate themselves given the pressures of competition from international firms given the liberated trade market in Ghana. These studies provide insights as to how organisations are striving for a competitive advanatage in the global market.

Locally, several studies have also been carried out to query the strategies used by organisations to gain a competitive advantage in the highly competitive local market. Wasike (2010) studied the strategies that can be employed by Barclays Bank to counter industry competition while Nzioki (2010) studied the strategies used by Standard

Chartered Bank to build a sustainable competitive advantage in international markets. Gatwiri (2012) examined the competitive strategies adopted by private IT financial services firm – Esri East Africa to gain a competitive advantage while Ngethe (2011) looked at the factors determining a sustainable competitive advantage for the Institute of Advanced technology. These provide insights as to how local organisations in the professional services firms are striving to gain a competitive advantage.

The above studies points to the fact that organisations are on a quest to remain ahead of their competitors by establishing a sustainable competitive advantage and curving out their niche in the market. PwC Kenya is no exception to the rule and it must continue to differentiate itself from its competition and continue to be the market leader. What strategies are used by PwC Kenya to gain a sustainable competitive advantage?

1.3 Research Objectives

The objective of this study is to determine the strategies used by PwC Kenya to gain a sustainable competitive advantage.

1.4 Value of the Study

This study analyses the strategies used by PwC Kenya to gain a sustainable competitive advantage over its competitors. It is of value to the strategic leaders who are trying to chart the organisation forward in this turbulent environment. It also identifies the business areas that PwC Kenya needs to fortify and improve on in order to ensure that its internal competencies are continually strengthened.

The report generated form this study is also of value to stakeholders, policy makers and members of the public who are interested in the welfare of PwC Kenya. It gives valuable insights to practitioners in the service industry on how to be competitive and remain relevant in the market space. PwC Kenya is a key professional services player and thus this report is useful to policy makers in making decisions on how to manage professional services organizations. The research also offer academicians additional avenues for research that can be further looked into for the benefit of Kenyan consumers as a whole in regard to the professional services space.

This study is also useful to scholars as it analyses how professional services organizations draw on the theories such as resource based views and industrial based views to obtain a sustainable competitive advantage. The study gives a pragmatic view of the application of strategies to gain a sustainable competitive advantage. In doing so it helps to empirically establish the link between theoretical views and sustainable competitive advantage

1.5 Chapter Summary

This chapter begins by stating the need for organisations to adopt the correct strategy in order to remain relevant in the turbulent business environment. The reseracher thus begins by defining the meaning of strategy and strategic management. Effective strategic management leads to the development of core competencies that differentiate an organisation and give it an edge over its competitors. In so doing, an organisation is able to establish a competitive advantage over other players in the sector. This study looks at two main views used to gain a sustainable competitive advantage. These are resource based views and industrial organisation views. Resource based views advocate for exploitation of internal resources to gain a competitive advantage while industrial organisation views focus on the exploitation of external factors to gain a competitive advantage.

The chapter then goes on to set the context of the research by defining the organisation under review PwC Kenya. The firm is one of the main players in the professional services space. The study then highlights the structure of the organisation and the key services it offers. The chapter also gives a view of professional services firms in Kenya and the key challenges facing these organisations. Key among these being the provision of homogenous services that make it hard to make the firms distinguishable. The chapter then delves into the research problem where the researcher reviews global and local studies in order to analyse how organisations employ strategies to gain a sustainable competitive advantage.

Once the context has been set, the researcher then introduces the objective of the study which is to establish the strategies used by PwC Kenya to gain a sustainable competitive advantage. The researcher then defines the value of the study. The study is expected to benefit PwC Kenya's top leadership as they steer the organisation to greater heights. It is also expected to be of great value to stakeholders who are interested in the welfare of professional services firms as well as scholars analyzing the pragmatic application of resource based views and industrial organisation views to gain a sustainable competitive advantage.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review sharpens and deepens the theoretical foundation of the research (Kombo and Tromp, 2006). This is because it helps to define the relevance of the area of study and justifies the approach that a scholar takes to undertake their work. It also enables the scholar to establish a theoretical framework and methodology onto which the research will be built and showcases the originality and relevance of the research work and demonstrates the scholar's mastery of their work.

This chapter looks at the review of literature on sustainable competitive advantage. It looks at different strategies used by organizations to gain a sustainable competitive advantage as well as the challenges that they face. It also covers the theoretical framework and conceptual framework.

2.2 Theories on Sustainable Competitive Advantage

There are two broad views advanced by scholars when analysing the strategies that an organisation can utilise in order to gain a sustainable competitive advantage. The resource based view focuses on an organisation's ability to leverage on its internal resources to achieve superior performance while the industrial organisation view focuses on taking advantage of the external environment to gain superior performance. Organisations thus have a choice of where to focus in their quest to obtain a sustainable competitive advantage.

2.2.1 Resource Based View

The resource based view to obtain a competitive advantage emerged in the 1980's and 1990's. This view focuses on an organization's ability to utilise its tangible and intangible resources to give it superior performance and thus sustain its competitive advantage. Organisations thus look to themselves to establish a competitive advantage.

Alderson (1965) first hinted at this by arguing that suppliers needed to specialize their products in order to meet consumer demands. This school of thought was at the time known as competitive adaptation. He proposed that organizations' must develop unique characteristics that would serve to differentiate them in the eyes of the consumer. He argued that the search for a differential advantage was the driver in the dynamics of competition. In many ways, his ideas formed the foundation on which other scholars would in turn build on to articulate the concept of building a sustainable competitive advantage.

This thinking was subsequently advanced by scholars in the 20th century such as Hall (1980) and Henderson (1983). The two scholars argued that organizations needed to have a unique advantage over their competitors if they were to survive and remain relevant in today's economic space. The pair also argued that it was possible to achieve differentiation at a reasonable cost thus arguing that achieving a competitive advantage was attainable to a different array of organisations in the market space. Barney (1991) in turn looked at the role that heterogeneous and immobile resources play in converting a short run competitive advantage into a sustainable competitive advantage by fortifying the internal competencies of the organisation.

2.2.2 Industrial Organization View

The industrial organisation view on the other hand examines the structure between organisations and markets. It builds on the theory of the firm by striving to predict the nature of a firm in relation to its market. It places emphasis on the external environment when determining how to achieve a sustainable competitive advantage. A great contributor to this view is Porter (1985) who proposed the theory of competitive advantage. He focused on the importance of the external conditions faced by an organisation by focusing on five forces that affect organisational performance and strategy. These are the entry barriers, threat of substitution, bargaining power of buyers, bargaining power of suppliers and competitive rivalry. He argued that competitive advantage rests on the notion that cheap labour is ubiquitous and natural resources are not necessary for a good economy. He believed that organisations should create a market position and defend themselves from the competitive forces or influence these forces in order to put itself ahead of the competition.

Resource based views focus on exploiting internal resources while industrial organisation views place emphasis on the external environment. Organisations have the choice of selecting the approach that suits them and will yield the best results. It is however possible for organisations to combine both approaches by examining and capitalising on both external and internal factors in order to achieve and sustain a competitive advantage.

2.3 Strategy in Organizations

Campbell et al., (2002) viewed strategy as a tool that organisations use to review past performance in order to shape future plans and activities in a bid to achieve and sustain superior performance. Organisations must thus invest sufficient time and resources in developing a strategy as it is the vehicle that will steer them into the right direction. Thompson and Strickland (1998) belived that a good strategy needs to be 'well matched' to the external environment. As such, organisations should scan the external environment in order to develop an appropriate and responsive strategy. Organisations should as such be open to changing their strategy in order to respond to changes in the environment brought about by social, political, technological or economic developments. A good strategy must thus align an organisation to the turbulent environment.

In his analysis of strategy, Porter (1980, 1985) argued that organizations differentiate themselves in two generic ways. First organizations' can employ a cost advantage that would allow them to deliver similar benefits as their competitors but at a lower cost. Organizations also have the option of employing a quality advantage that would allow them to justify higher costs for better quality. In both instances, the result would be the creation of superior value to the clientele and this would in turn translate to superior profits for the organization in question.

Given one of the two focuses, the next step would be for an organization to decide on how broad or narrow a segment of the market to target. Both Porter (1985) and Alderson (1965) stressed on the importance of curving out a market segment. This eventually led to Porter (1985) coming up with four generic strategies that an organization can adopt to gain a competitive advantage. An organization could thus opt to adopt differentiation focus, cost focus, cost leadership or differentiation as its generic strategy.

2.4 Sustainable Competitive Advantage

A sustainable competitive advantage can be defined in one of many ways. For some, it is the ability to sustain profits that exceed the industry average while for others it is the ability to outperform competitors by developing or acquiring a set of unique attributes. The term sustainable competitive advantage however emerged in 1985 when Porter (1985) explored the generic strategies that an organization can employ to achieve and in turn maintain a competitive advantage. Barney (1991) in turn sought to build on Porter's school of thought when he stated that "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy ".

Given the above schools of thought, a number of definitions have emerged to try and explain the concept of a sustainable competitive advantage. To summarize the available definitions, a sustainable competitive advantage can be described as a long-term competitive advantage that is not easily duplicable or surpass able by the competition. This definition draws on concepts advanced by scholars such as Porter (1985), Alderson (1965) and Henderson (1983) and is acceptable for the discussions advanced in this paper.

Porter (1985) presented the four generic strategies that an organization can employ to gain a competitive advantage from a position perspective. By applying the generic strategies an organization gains a position in the market segment as a leader in either cost or differentiation. He also appraised the role that resource and capabilities contributed towards the achievement of a competitive strategy. He argued that an organization must have superior resources and capabilities in order to prevent the competition from replicating their actions and diluting their competitive position.

From a resource based view, he argued that resources are firm specific assets useful for creating cost or differentiation advantage and few competitors can acquire them. The example of such resources are patents, proprietary know how, clientele base, brand and reputation of the firm. On the other hand, capability is the firm's ability to utilize resources effectively for example the ability to bring a product to market faster than competitors. These resources are embedded in the routines of organizations and as such not easily documented as procedures and difficult for competitors to replicate. He advanced the argument that the combination of resources and capabilities form an organization's distinctive competencies. These competencies in turn enable innovation, efficiency, quality and customer responsiveness, all of which are leveraged to create a cost advantage or differentiation advantage.

Hamel and Prahalad (1989) in turn advanced the concept of core competencies. The pair argued that core competencies are strengths posed by an organization that leads to the creation of additional value in the industry in which the organization operates. These competencies take on various forms ranging from technical to knowledge based matters. They stated that organizations build few but fundamental competencies that allow them to claim leadership in the industry that they are operating in. They defined a core competency as one that adds value to the consumer, can be re-used widely for a range of product and services and one that is not easy for competitors to replicate. In developing these competencies, an organization is able to distinguish itself from other organizations in a similar industry.

Barney (1991) looked at how a firm can employ its resources in order to gain a sustained competitive advantage. He analyzed how firms can employ resources in order to come up with a sustained competitive advantage. Barney analyzed the role in which immobile resources play in giving an organization a sustainable competitive advantage. Barney focused on the concept of building valuable resources that were neither perfectly imitable nor substitutable without great effort and which would in turn give the organization a sustainable competitive advantage.

Christiansen (2003) stated that organizations were better off relying on discontinuous innovations. In his book, the Innovators dilemma, he argued that organizations should develop discontinuous innovations to prevent other companies displacing them as leaders in the competitive space. He however warned that although such innovations can give one a competitive advantage, they could also disrupt the flow of operations in the organization in question. This in turn called for an organization to be aggressive enough in order to continuously outperform the competition. He emphasized the need for innovation and cautioned large companies against large overheads that could hinder the funds allocated to research and design for innovation exploration. In doing so, he implied that organizations must carry out a delicate balance between investing in innovation initiatives and ensuring the smooth running of the organization in order to gain a competitive advantage.

2.5 Challenges in Obtaining a Sustainable Competitive Advantage

Pearce and Robinson (1997) stated that in order to ensure the success of a selected strategy, it needed to be translated into carefully implemented actions. Many organizations clearly craft strategies but fail to implement the strategies to achieve their objectives. A major impediment to the successful implementation of strategies is the lack of appropriate leadership and management skills to execute the strategy. According to Lyles (1992), management in most organizations fails to meet expectation. Organizations must as such ensure that they have a strong and committed management team that will see that the selected strategy is appropriately implemented. In order for strategies to be successfully implemented, they must be clearly defined and detailed.

Today's environment can be described as hypercompetitive thus rendering a chosen strategy redundant. Customers demand faster, better and cheaper goods and services to meet their needs. Organizations have to be continually innovative and heavily invest in research and development to ensure they churn out innovations that keep them ahead of the competition. They must also ensure that they invest in marketing research to ensure that they keep up to speed with their customer's expectations. Successful strategic implementation thus demands the allocation of appropriate resources to appropriate functions to ensure proper execution (Steiner 1997).

Finally management must continually review the strategy to ensure that it is meeting the objectives for which it was set. Management must then make a decision of whether to continue with the chosen strategy, amend it or abandon it and select a new strategy. This is a cyclic activity that is inevitable as the organization continues to develop in an ever changing environment.

2.6 Empirical Studies and Knowledge Gaps

Strategic management focuses on establishing sustained competitive (Barney 2001). A number of factors have been credited with enabling an organisation to gain a competitive advantage such as the ability of a firm to differentiate its products as well as knowledge management (Johansenn & Olsen, 2003). However, the role that knowledge management plays in developing a sustainable competitive advantage is underdeveloped empirically and theoretically. Proponents of this view link it to the resource based view in which an organisation attains a sustainable competitive advantage by investing in firm wide capabilities that are valuable and hard to imitate.

Scholars argue that the external sources of knowledge to an organisation are easily accessible, rather it is how firms leverage their knowledge management resources to create unique knowledge management capabilities that determine a firm's overall effectiveness (Gold, Maholtra & Segars, 2001). Similar sets of information and knowledge are available to competitors but it is how an organisation utilises this knowledge that will differentiate it. Extending the traditional resource based views to a firm's knowledge base is relatively new and this paper will strive to explore the theoretical links between knowledge management capabilities and competitive advantage.

2.7 Chapter Summary

This chapter begins by looking at the theories on sustainable competitive advantage. The two views discussed in this chapter are resource based views and industrial organisational views. Organisations that utilise resource based views focus on their internal resources both tangible and intangible to gain a sustainable competitive advantage. On the other hand, organisations that utilise industrial organisation views leverage the external environment to get this advantage.

The chapter then looks at the literature review on strategy in organisations. Strategy is important as it steers the direction of an organisation and ensures its achieves sustainable performance. A good strategy should be responsive to the external environment in order to ensure that the organisation survives the turbulent environment. The chapter then looks at the literature review on sustainable competitive advantage.

The research looked at the role that differentiation, resources, innovation and core competencies play in creating value addition and in turn a sustainable competitive advantage. The research then goes on to look at the challenges that organisations face in obtaining a sustainable competitive advantage. The challenges range from management failures to turbulent environments that render strategies redundant. Lastly, the chapter concludes by looking at the empirical and knowledge gaps. In particular, the research will aim to demonstrate the role that knowledge management plays in aiding to develop a sustainable competitive advantage.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and highlights the data collection and data analysis that was utilised to conduct the study. It highlights the plan followed for the collection, measurement and analysis of data. Specifically this chapter covers the research design, data collection and data analysis.

3.2 Research Design

The research was conducted through a case study of PricewaterhouseCoopers Limited, Kenya. The research called for a keen understanding of the organization as a whole and thus a case study was selected as the optimal mode of research. Donald (2006) stated that a case study demands for a detailed study of the organization with the aim of holistically examining the organization and analyzing and organizing the available data. The study involved a longitudinal examination of PwC Kenya and thus facilitated a systematic way of analyzing the organization, collecting data, analyzing information, and reporting the results.

A case study is also a robust form of quantitative analysis. It demands a detailed and in depth analysis of an organization and its data .Its aim was to equip the researcher with specific information of the strategies used by PricewaterhouseCoopers Limited Kenya to gain a sustainable competitive advantage over the rest of the competition. The case study was an optimal research design as it involved in-depth analysis and study of PwC Kenya and its related data.

3.3 Data Collection

The study relied on primary data. The primary data was gathered through the use of interviews. A comprehensive interview guide was used to guide the interviews. The interview guide was divided into four distinct sections. Section one comprised of general information, while section two aimed to determine PwC Kenya's identifiable core competencies. Section three and four looked at challenges faced in gaining a sustainable competitive advantage and ways to overcome these challenges.

Four levels of staff were interviewed. The respondents ranged from associates, senior associates, managers and senior management. Particular emphasis was placed on the response from senior management who have a clear vision on the strategic direction that the organization is taking.

3.4 Data Analysis

The data was organized, classified and analyzed in order to draw useful conclusions from it. The researcher thought through the data in order to determine the contents of the data. The researcher also ensured that the data was presented in a way to convey the information it intended to communicate.

Content analysis was used to compile the report. According to Cooper and Schindler (2003) content analysis is used to measure the semantic content of data to guard against its selective interpretation. The analysis was used to disseminate useful information from the data received from the different respondents. The data was classified to ensure that the content was appropriate and key conclusions could be drawn from it.

3.5 Chapter Summary

The chapter begins by stating the research design. The research was conducted via a case study. The case study was selected in order to undertake a deep understanding of the organization. The research relied on primary data and interviews with different levels of staff within the organization was conducted. The data was then classified and analysed in order to identify trendsa and draw useful conclusions.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The information was collected, analysed and interpreted in order to fulfil the objective of the study, namely to identify the strategies used by PwC Kenya to gain a sustainable competitive advantage. In conducting the study, the researcher also sought to understand the competencies developed by the firm to obtain a sustainable competitive advantage and how the firm was utilizing these competencies to overcome challenges it encountered as it applied the noted strategies. The data was collected through the use of an interview guide that contained opened ended questions to facilitate the further probing of the interviewees. The interview guide is attached on Appendix II.

4.2 Strategies Used by PwC Kenya to Gain a Sustainable Competitive Advantage

The findings of the research revealed that PwC Kenya has clearly identified its key competencies and the key challenges that it is exposed to. The firm has then devised strategies that leverage on the key competencies and that combat the noted challenges. The research also established that the senior management is actively involved in the formulation and monitoring of the strategies that the firm employs. The key vision of the firm is to deliver value to clients and to answer hard questions posed by clients. For the firm to do this, it must employ strategies that ensure they are up to date with the industry trends and must continually communicate with their clients in order to ensure that they are meeting their needs and delivering the quality and the right kind of service suited to the clientele.

The research revealed that at the beginning of every financial year, senior management meet to analyse how well the strategy is being executed and to set the budget for the year in line with the communicated strategy. The outlined strategy is set firmwide and is further tweaked and customized for the respective departments and business units. The strategy is communicated annually during the firmwide meeting known as Arena. It is also communicated during the respective departmental meetings with are held semi-annually. These meetings are important as they allow management to take stock of the performance of the organisation so far as well as to set and analyse the budget for the financial year. The meeting also gives an avenue for senior management to communicate the strategy to all members of staff and for staff to clarify on aspects of the strategy that are not clear them. From our research, we determined that these meetings are mandatory for all members of staff and that senior management ensures that staff are continually aware of the strategic direction of the organization. The strategies employed by PwC Kenya as revealed by the research are discussed below.

4.2.1 Robust Marketing Strategy

PwC has a large number of clients who range from medium to large enterprises. The firm is traditionally known for providing audit and assurance services. This is justifiable as audit and assurance form the lion's share of the firm's revenue. The firm is however a fully-fledged professional services firm with service offerings in the tax and advisory space. Tax and advisory offer an avenue for PwC to further grow its revenue as the firm has been growing over the years. In order for this growth to be recognized, PwC must make sure that its clients are aware of all the services that it provides in the professional services space.

PwC Kenya also audits a number of foreign subsidiaries that have operations in Kenya. Global corporate governance laws have called for rotation of audit firms in a bid to foster independence in the audit space. This is especially so for organisations incorporated in the United Kingdom. This has had an adverse impact on PwC Kenya who generated sizeable revenue from the audit of such local subsidiaries. This loss of revenue has had to be catered for in other ways and PwC has had to invest significant funds in the marketing strategy in order to popularize its other service offerings to such clients and as such maintain them in their portfolio.

In order to grow its current portfolio as well as retain clients lost to rotation, PwC Kenya has developed a robust marketing strategy to ensure clients are aware of the different service offerings that the firm offers in the market place. Professional services firms in Kenya are not explicitly allowed to market their services in the media. They as such, have to come up with innovative ways to make themselves visible in the market place.

PwC Kenya has thus tailored a marketing strategy that focuses on the niche market that it targets i.e. large and medium sized enterprise businesses. A key marketing initiative that the firm has taken is to hold forums to inform clients of the emerging trends in the industry. These forums are held periodically across different sectors e.g. manufacturing, telecommunication, infrastructure and financial services. During these forums, PwC gets to inform clients of the different service offerings they have in the tax, assurance and advisory space.

PwC also hosts several training forums. In particular, the firm carries out board training, management trainings and general staff trainings. The firm has invested in a fully-fledged training school known as the PwC Business School. The marketing team is tasked with developing brochures on the different PwC offerings. These are then printed out on staff notebooks or handed out during trainings. Staff from different departments also have avenues to interact with clients on training as the training facility is within the PwC building and as such can inform clients on the different service offerings.

The research revealed that PwC also hosts informal events such as golf tournaments, dinners and luncheons. This provides a relaxed environment for senior management to interact with both current and potential clients and to inform them of the different service offerings. These events also allow for the current clients to give feedback on the services they have received so far as well as to clarify and demand for new service offerings. The new service offerings are then routed to the business development team driven by the marketing team for consideration and possible development.

These avenues presents and excellent opportunity to inform clients of different services offerings provided by PwC. These avenues also allows PwC to market themselves as a trusted business advisor and to gain the trust of their clients. The research revealed that the success of the strategy is anchored on the key competencies developed by PwC Kenya over its life span. One of the key competencies that the marketing strategy relies on is the use of subject matter experts to drive the marketing initiatives such as industry forums and trainings.

The research revealed that once an employee joins PwC Kenya, they are mapped to one of the departments in the organisation. They are then exposed to a two year trainee program before they are handed out more specialized tasks. The employees are further grouped into different industry lines to ensure that they are more specialized. This is in an effort to ensure that subject matter experts are trained and developed for each department.

The subject matter experts are then used to give specialized advice to clients as well as to update knowledge management databases that PwC has invested in. The experts are also subjected to specialized trainings to ensure that they are growing in their technical areas of expertise. The subject matter experts also act as coaches to less experienced staff and train them on emerging trends in the business world. This plays a key role in business continuity management as new leaders are being continually trained to take over the business.

From the research, it was clear that these subject matter experts are paramount in guiding and driving the marketing strategy. They are the used to give clients updates on the industry trends and new products. They also work directly with the marketing team to develop brochures and materials to be used during all technical forums. They are also used to give the clients valuable advice and market themselves as a trusted business advisor for clients. The research thus revealed that the marketing strategy is paramount to the growth and expansion of the organisation and is a key strategy that the firm has invested in, in its quest for a sustainable competitive advantage.

4.2.2 Service Delivery Strategy

PwC has a strict service delivery strategy that focuses on identifying the key risks that their clients are faced with and ways to mitigate against these risks. The strategy calls for a strict performance based methodology that has identified key performance indicators that all teams in PwC must benchmark themselves against to ensure that they are delivering value to their clients. The key indicators focus around quality, technical competence, timely delivery of work and communication. Every team must be able to demonstrate the ways in which they comply with these metrics during execution of client work.

The research revealed that in order to ensure that the teams are well equipped to deliver quality and value to their clients and as such success of the risk based service delivery strategy, PwC has capitalized on another of its core competencies – knowledge management systems. PwC global has built a global knowledge management database. This database has been developed for the different services that PwC offers. The database is maintained by different subject matter experts nominated from the different countries in which PwC operates. The database also has an online portal that allows for real time interaction with staff from different territories and countries.

The database is occasionally updated in line with the emergence of new technology as well as to reflect the changing industry trends. The online portal also allows users to ask questions and receive answers from their colleagues across the globe. This has allowed PwC employees to be technically equipped and to be regularly updated on emerging global trends. This database is readily accessible by PwC Kenya staff and thus enables them to respond to array of queries raised by their clients. PwC Kenya's employees also contribute to the database and as such ensure they continually sharpen their technical skills in order to remain relevant in the dynamic industry space.

The research revealed that the easy access of the portal is facilitated by the firm's investment in state of the art technology. PwC Kenya has invested in cutting edge technology to ensure that the sharing of information is quick and efficient. It has also ensured that all information systems are interconnected for the quick dissemination of information. The organization procures laptops and modems for all their employees to enable the real time processing and sharing of information. The organization has also invested in a private local area network through which employees can log in and connect to the firm wide databases such as the knowledge base database on site and remotely.

The research further revealed that PwC Kenya has invested in a fast and efficient wide area network with great internet speed and an interconnected phone network. The phone network is integrated for the entire African region and thus facilitates calls made within the region at low costs. The local intranet is also connected to the Enterprise Resource Planner through which all the employees fill their time sheet as well as record all other costs incurred during the provision of client services. The interconnection of the business system means that PwC employees are able to quickly turn around client requests and they also ensure that the business has appropriate oversight on the costs being incurred by the business on a daily basis.

PwC's ability to leverage on knowledge management systems and state of the art technology has gone a long way in ensuring the service based strategy is effective and efficient. Staff have access to quick information that they can use to upskill themselves and cater to client's queries and concerns. This has allowed for PwC clients to experience a differentiated experience when working with PwC. The differentiated experience is brought about by the provision of high quality services that encompasses technical information, high turnaround of request, frequent communication and professionalism. This has gone a long way in combating the complaint by clients that professional services firm offer homogenous service offerings.

The professional services space is generally characterized by service offerings in three main areas: audit, tax and advisory. These broad areas are largely driven by regulation instituted by the government and regulatory bodies as well as by corporate governance and global best practice. This makes it very difficult for organizations to differentiate themselves in terms of service offering due to the strict regulations imposed on them.

PwC Kenya is no exception to the rule and has in the past been criticized for being too rigid and not differentiable from the competition. Client are calling for more customized solutions and more specialized attention. The service delivery methodology has allowed PwC to offer a differentiated experience to its clientele and thus set aside from its competitors. This has led to high retention rates of current clients as organisations turn to PwC in order to get the value they are looking for. This has turn translated to growing revenue projections for PwC. The service delivery strategy is as such a great contributor to the growth and sustainability of the firm.

4.2.3 Focused Human Resource Strategy

PwC appreciates that people are its most value resource. It has as such heavily invested in the personal development of the staff it has employed. All staff are taken through a rigorous training programme on enrollment. All staff are also put on annual refresher courses to ensure that they are adequately trained to perform their roles. The knowledge management systems play a key role in the success of this strategy as the PwC global team develops the global curriculum that is rolled out to constituent countries such as PwC Kenya through the knowledge based database. Management then ensures that all staff are put on challenging assignments to grow their technical skills and that they are appraised annually to ensure they are continually fortifying their strengths and improving on their areas for development.

The human resource strategy also ensures that all staff are mapped to a mentor in the office known as a coach. A coach is someone who has had sufficient time both in PwC and in the industry and who will help to shape the career paths of the less experienced staff members. Each member of staff is required to develop a performance plan for the financial year with the coach handed the responsibility of taking stock and ensuring the staff meets their targeted performance metrics. Coaches meet with their assigned staff several times in a year and guides them on their professional walk. The coach also represents the staff at the annual performance appraisal meeting and ensures that the staff is adequately represented and fairly appraised.

The research revealed that the human resource strategy has ensured that the firm has invested in a number of benefits ranging from negotiated rates for car loans and insurance. The firm has also put in place a good medical scheme for staff and good pension schemes. The research also revealed that staff are rewarded with competitive salaries and are enrolled on to performance and sales bonus schemes. PwC measures the satisfaction of their staff annually using a performance engagement index. The results of this index are then used to improve the working conditions of the firm in an effort to make PwC the ideal working place.

The human resource strategy has also ensured that a significant budget is allocated to the continual training of staff. In addition to the one month intensive training on recruitment and annual refresher trainings, the firm has also invested in an online e-learning database that allows staff to upskill themselves at any point in the year. The firm has also invested in a number of soft skill trainings in order to ensure that staff are holistic in their approach to dealing with clients and one another.

This has however turned out to be a double edged sword as various firms in the industry try to poach the subject matter experts in an effort to capitalize on the intensive training and skill sets of the personnel. The attrition level at the firm is relatively high as staff leave the organization for more lucrative positions in the market. The firm has thus had to more heavily invest in its remuneration package and introduced additional incentives such as secondment opportunities to foreign locations in order to improve staff morale and bring done the attrition levels.

According to the findings of the study, PwC Kenya has taken a proactive approach to the identification of strategies that it employing in order to gain a sustainable competitive advantage. The organization has done this through a structured format where it has first identified its key strengths and competencies. It has then come up with ways to ensure it continues to grow its strengths in the market place. The firm has also clearly identified the key challenges it faces and formulated ways to combat these challenges. Lastly, the firm has selected the strategies it is employing to gain a sustainable competitive advantage. These strategies exploit the identified competencies to strengthen the position of PwC Kenya in the market place as well as combat and minimize the effect of the challenges that the firm faces.

4.3 Discussion

The research revealed that PwC Kenya has clearly identified the strategies it used to obtain a sustainable competitive advantage. A robust marketing strategy helps to inform current and potential clients of the different service offerings that PwC Kenya offers and thus contributes to the growth of the firm by increasing the uptake of additional services. The service delivery methodology ensures that clients receive a differentiated service offering and thus keep procuring additional services while the focused human resource strategy ensures that staff are motivated to work and give their all to the job.

4.3.1 Comparison with Theory

Hamel and Prahalad (1989) advanced the concept of core competencies.In their view, core competencies are strengths posed by an organization that leads to the creation of additional value in the industry in which the organization operates. PwC on its part has identified and leveraged on the core competencies it uses to advance itself in the market place. These are robust knowledge management systems that centralise information ; subject matter experts with technical knowledge about the services that PwC provides as well as a fast and efficient network to facilitate work. These core competencies have allowed for quick turn around and up to date solutions for client queries thereby helping to give PwC a competitive strategy.

Barney (1991) looked at the role that immobile resources play in giving an organisation a sustainable competitive advantage. PwC on its part has focused on building a robust knowledge management system that covers a wide range of technical topics. The database allows its staff to quickly upscale themselves and offer valuable and up to date information to client. This database gives PwC staff leverage over the competition and is consistent with Hall (1980) and Henderson (1983) views on obtaining differentiation through a unique advantage.

Alderson (1965) argued that organisation's needed to segement their customers and customise products for the identified market segments in order to stay ahead of the pack. PwC Kenya has borrowed from this by segmenting the market space and focusing on the medium to large based organisations. It has then tailored services around tax consulting and advisory in the human resources, information technology, strategy and financial advisory space. This is because such organisations are complex in nature and require checks and balances to ensure they are complying with stated regulations and best practise.

Porter (1985) places emphasis on the external environment and believed organisations needed to study external forces and leverage on opportunities presented by the external environment. The entry barriers are high for an organisation looking to target the medium and large size enterprises. This is because of the level of experience demanded by such organisations as well as the workload experienced on the assignments. This has restricted most of the opportunities to the Big Four firms and this works to PwC's advantage.

On the down side, because they are other three firm's that the clients can select from, the threat of substitution , competitive rivalry and the bargaining power of buyers is high among the Big Four firms. PwC has thus been forced to differentiate itself and in some cases, lower the price for their services in order to be competitive. As a result, PwC has had to continually reinvent itself in order to remain relevant.

Results of the study indicate that PwC is both borrowing from the resource based views as well as the industrial organisational views. By understanding the external environment, segementing its customers and positioning itself to compete with the other big professional services firms, it is employing strategies outlined by the industrial organisation views. On the other hand, by strengthening its internal resources and leveraging its core competencies, PwC is borrowing from the resource based views. PwC can thus be seen to employ a hybrid method in its quest to obtain a sustainable competitive advantage.

4.3.2 Comparison with Other Studies

Several studies have been put in to identify how service organisations can obtain a sustainable competitive advantage. Hemataffar (2010) and Gatwiri (2012) looked at the role that information systems play in obtaining a sustainable competitive advantage. On its part, this research shows that PwC Kenya has identified state of the art information systems as one of the key competencies responsible for its success. This is consistent with resource based views that call for organisations' to leverage internal resources such as information systems to gain a sustainable competitive advantage.

Ehmke (2008) focused on the role of differentiation to gain a competitive advantage. His study focused on the farming sector where the market is characterized by the production of similar products. He stated that farmers needed to produce differentiated products and aggressively market them in order to gain a sustainable competitive advantage. This would pose a challenge to PwC as most of the services it offers are regulatory in nature and homogenous to other professional services firms. PwC on its part, however offers its clients top notch services and as such gives its clients differentiation. It also has an aggressive marketing campaign to alert clients of new service offerings and changes in the regulatory and business framework.

Idris (2012) looked at the role that innovation plays in enabling small and medium sized enterprises to gain a competitive advantage in Malysia. She appreciated the challenges that these enterprises face due to a lack of a notable brand name and lack of adequate financial muscle. This is in direct contrast to PwC that has a well established brand name and is one of the biggest players in the financial sector both locally and globally. PwC, however appreciates the role of innovation in some of its service offerings such as the Advisory space that is not as heavily regulated as the Tax and Assurance business.

Nzioki (2010) analysed the way Standard Chatered bank Kenya leverages on the international competencies e.g. coordinated systems to gain a sustainable competitive advantage. PwC Kenya has also leveraged on avenues availed by international channels such as knowledge management systems to gain a sustainable competitive advantage.

Both research articulate the need to make use of global networks and resources to capture the local market.

The above research as such draws parallels between strategies employed by PwC Kenya to gain a sustainable competitive advantage and the research by different scholars on the same subject. The research agrees with other studies that point out information systems, differentiation and innovation as key contributors to gaining a sustainable competitive advantage. The research also agrees with studies that emphasize on the need to leverage opportunities presented by international networks to be sustainable. This researcher differs form the other quoted research as it shows the role that knowledge management systems play in contributing to a competitive advantage. In doing so, it paints a pragmatic approach of how knowledge management systems can be leveraged to obtain a sustainable competitive advantage.

4.4 Chapter Summary

The chapter begins by explaining that the data received for this research was collected, analysed and interpreted in order to acurrately draw conclusions from it. The researcher then makes us aware of the strategies that PwC Kenya uses to gain a sustainable competitive advantage. These are a robust marketing strategy, a service delivery strategy and a focused human resource strategy. The researcher also explains how PwC has been able to leverage on its core competencies in order to implement and drivethese strategies. The core competencies identified are subject matter experts, knowledge based systems and good information technology systems.

The researcher then analyses the strategies that PwC Kenya has employed in relation to the theories introduced at the beginning of the study i.e. resource based views and industrial organisation views as advanced by different scholars . The researcher notices that PwC leverages on its internal environment as well as responds to pressures exerted by the external environment. The research thus concludes that PwC is employing a hybrid method that borrows both from resource based and industrial organization views.

The chapter concludes by the researcher comparing the research to other global and local research conducted on competitive advantage. The common theme emerging are innovation, differentiation and information systems are key to driving a competitive advantage. The researcher however points out the differentiating factor on this research is the role of knowledge management systems as a resource based view to obtain a sustainable competitive advantage.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings of the study as well as the conclusion and implication of the study. It also focuses on the implication of the study and makes suggestions for further research. The chapter then concludes by focusing on the implication of the study on theory, policies and practices.

5.2 Summary

The purpose of the study was to find out the strategies used by PwC Kenya to gain a sustainable competitive advantage. The research was conducted by use of interviews and was administered to five levels of staff. The research first sought to find out the internal competencies that PwC capitalized on in its quest to gain a sustainable competitive advantage. Once these competencies were identified, the research sought to establish the challenges faced by the firm in its quest to obtain a sustainable competitive advantage. Lastly the research sought to establish the strategies employed by the firm to both capitalize on their competencies and combat their challenges and thus ensure a sustainable competitive advantage.

From the interviews conducted, it was clear that PwC has formulated strategies to deal with the pressures of the external environment and to ensure that it gains a sustainable competitive advantage. The strategies are formulated by senior management and periodic meetings are held to measure the key performance indicators such as revenue and staff attrition in order to gauge whether the strategy has been effective or not. The strategy is communicated to staff annually during the PwC close of year meeting known as Arena. The strategy is further broken down and interpreted to the different departments that PwC operates. The contribution of the department to the overall organization's strategy is communicated and staff are made aware of their role in contributing to the strategy.

The research also showed that PwC has embarked on deliberate strategies to ensure that they maintain their position as the market leader. They are cognizant of their strengths and competencies and have also taken note of the challenges they face in their objective to be the number one professional services firm in Kenya. The employees are also aware of the strategies that the firm is looking to employ. The process of implementing these strategies is driven by management together with the cooperation of staff. The strategy is evaluated on a quarterly and half year basis and annual basis by senior management. This evaluation allows management to track the effectiveness of the strategy as well as to assess the need to tweak the strategy.

The research identified the key competencies displayed by PwC as being good knowledge management systems, state of the art technology and subject matter experts. The main challenges faced by PwC Kenya are staff attrition, lack of product differentiation and strict regulatory requirements that have led to loss of previous clients due to retention. PwC has in turn responded to these challenges through a marketing strategy that makes clients aware of new and current service offerings thus helping to grow the current client portfolio. A focused human resource strategy is helping to reduce staff attrition rates and the risk focused service delivery strategy ensures that staff get quality service and as such a specialized experience when dealing

5.3 Conclusion

The objective of the study was to determine the strategies used by PwC Kenya to gain a sustainable competitive advantage. According to the results from the respondents, PwC Kenya is aware of its internal competencies and capitalizes on them. The organization is also aware of the external environment and the pressures brought about by it and takes deliberate measures to combat and respond to external pressures. PwC is thus applying a hybrid approach where it is utilizing both resource based views and industrial organization views to gain a sustainable competitive advantage.

From a resource based perspective, PwC has been able to identify and develop its internal core competencies in an effort to strengthen itself. Its internal resources such as quality knowledge management systems, state of the art systems and capable subject matter experts have contributed to the quality of services that they offer to clientele. These resources are embedded in the firm's way of life as are part of the policies and procedures that it uses to onboard staff and govern its service to client. This is turn has led to the strengthening of the firm's other intangible resources such as brand quality, reputation and proprietary knowledge. This has in turn grown the firm's ability to curve a niche for itself and gain a sustainable competitive advantage.

From an industrial organization perspective, the research showed that PwC Kenya in proactive in identifying the threats and opportunities presented by the external environment. The regulatory environment introduced rotation that produced a threat to the firm due to the loss of previous audit clients to other professional service organisations. The firm in turn has responded to this by developing new service offerings outside of audit in order to retain the clients. This is advantageous to the firm because they get to retain the clients and the revenue they were previously receiving. The firm has also responded to the loss of staff to other organisations by improving its human resource policy. Lastly the firm has heeded to the client's calls for specialized attention by having a client based risk based service offering.

PwC is thus employing a hybrid approach where it is using both resource based views and industrial organisation views to obtain a sustainable competitive advantage. The firm is both looking in itself and to the external environment in order to neutralize threats and overcome weaknesses as well as capitalizing on strengths and opportunities to get ahead. The study has thus painted a pragmatic view on how to utilize strategies to gain a sustainable competitive advantage.

5.4 Implications of the Study

The study greatly contributed to the pragmatic use of knowledge management practises as a tool of resource based views in order to gain a sustainable advantage. PwC operates in the professional services space and thus must be continually updated on the trends in the industries in operates in order to give valuable advice to its clients. Additionally, PwC has a regional and global foot print and must be aware of the global trends and changes. This can be increasingly difficult due to dynamism of the environment it plays.

Knowledge management systems as such play a vital role in ensuring that an organisation can keep up with the environmental changes. The use of subject matter experts to update the databases and the real time availability of this information gives the firm a cutting edge over its competitors. The interconnectivity of its information systems also ensures that clients can get advice from a wide array of professionals not necessarily those in their geographical area. This is especially important for clients with a global foot print or for those looking to diversify into new markets.

The research shows that PwC keeps up to date with changes in the external environment and responds to the threats and opportunities presented by it. Its hybrid approach of embracing both industrial organization views and resource based views ensures that it makes the best of both worlds. The organisation is clearly looking both in itself and to the external environment and exploiting the opportunities presented by both. The study clearly highlights the strategic initiatives of the organisations and thus enables stakeholders to support the organisation in achieving its strategic vision.

5.5 Limitations of the Study

Limitation is an aspect of research that may influence the results negatively, but over which the researcher has no control (Mugenda and Muganda 1999). The researcher was not able to interview all the members of the senior management team but a good portion of the management team was interviewed. Some of the information such as the corporate strategy document was also not availed to the researcher due to privacy and proprietary restrictions. This is in an effort to ensure that future implementation of strategic efforts are not availed to competitors. The findings of the research were thus based on the responses received from the respondents.

The study was limited to the strategies used by PwC Kenya to gain a sustainable competitive advantage. The research should be replicated to other professional services firms in Kenya in order to gain a broader view of the strategies employed and challenges faced by organisations in their quest to gain a sustainable competitive advantage. This would be particularly important in advising the regulations set by the government and regulatory bodies such as the Capital Markets Authority that heavily regulate the sector.

5.6 Suggestions for Further Research

The suggestion from research borrow heavily from the areas of limitations highlighted above. Further research on strategies employed to gain a sustainable competitive advantage in other professional services firms should be conducted. The results should be compared with the findings in this research to establish trends in the industry. These trends should be used by regulators and the government to update the regulations applied to the sector. The regulators should enforce regulations that ensure quality service to clients as well as ensure the sector is attractive and profitable for the current stakeholders. The regulations should also largely contribute to the maturity of corporate governance laws which are an emerging area in Kenya.

The study further recommends that another study is taken to compare the strategic initiatives of professional service firms in the regions. This is especially in light of the East Africa integration initiatives. This will largely assist the formulation of regulation that allow for seamless business operations across the East African region.

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APPENDICES

Appendix I: Letter of Introduction

Dear Respondent,

<u>RE: REQUEST FOR RESEARCH DATA:</u>

I am a postgraduate student pursuing a Masters degree in Business Administration in the School of Business, University of Nairobi. As a requirement for the completion of my studies, I am conducting a research on the strategies used by PricewaterhouseCoopers Kenya to gain a competitive advantage.

To successfully undertake the study your cooperation and timely feedback will be highly appreciated. Kindly note that the information collected will be used purely for academic purposes and will be treated with utmost confidence.

Yours sincerely,

Patrose Wamuyu Chege

Appendix II: Interview Guide

Section I: **General Information**

1. What is your current role at PwC Kenya?
2. How many years have you worked at PwC Kenya?
3. For how long have you held your current position?
4. Are you familiar with and have you ever read the corporate strategy document?

Section II: PwC Kenya strategies and identifiable core competencies

5. In your opinion, what is the strategy employed by PwC Kenya to gain a sustainable competitive advantage?
6. In your own words, what does it mean to for an organisation to have a competitive strategy and what does it mean to you?
7. In your own words, what are the key competencies developed by PwC Kenya to gain a competitive advantage.
8. In what ways do the identified competencies play a role in making PwC Kenya a market leader in the professional services space?

Section III: Challenges facing strategies employed by PwC Kenya to gain a sustainable competitive advantage

9. In your opinion, what challenges are faced by PwC Kenya in differentiating itself from the competition in the professional services space?
10. To what extent has these challenges influenced the strategies employed by PwC Kenya?

Section IV: Strategies to overcome the Challenges faced during implementation of strategies to gain a sustainable competitive advantage

11. In order to ensure successful implementation of competitive strategies, PwC Kenya has developed several responses to the above challenges; kindly identify some of these response strategies.
12. How have the above response strategies been effective in the establishment of a sustainable competitive advantage?

Appendix III: List of professional services firms in Kenya

1. Aon Consulting
2. Computer Associates
3. Computer Sciences Corporation (CSC)
4. Dalberg
5. Deloitte Consulting
6. Ernst & Young
7. Gallup Consulting
8. Grant Thornton
9. Hill & Knowlton
10. KPMG Consulting
11. Manpower
12. Millward Brown
13. PriceWaterhouseCoopers (PwC)
14. SAP Consulting

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