SERVICE DELIVERY APPROACHES AND THE STRATEGIC POSITIONING OF INFORMATION TECHNOLOGY MANAGEMENT CONSULTANCY FIRMS IN KENYA

By

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Declarations

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

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ABSTRACT

Management Consultancy firms are entities which have a role to play in managing organisational change, bringing in specialist skills which may be lacking in organisations as well as supplementing the organisations management when business activities are at their peak.

These firms can be grouped into two namely: Mainstream Audit and Accounting firms and the New Consultancy firms which only specialise in providing Management Consultancy services. This researched focussed on the latter and sought to find out the role of Management Consultancy firms in meeting and satisfying customer expectations. The research was based on the hypothesis that Management consultancy firms do not do enough in terms of preparing themselves internally to address customer needs.

It was found out that all consultancy firms use a set of Assignment delivery tools and techniques (Even though some of the newer firms do not refer to them as such) which help to structure project activity and assist them in client reporting. New technologies such as the Internet and Web tools have also found their way into consultancy firms.

Consultancy firms develop client service strategies in order to manage the non-technical side of an assignment. This is usually concerned with managing the client relationship, providing help outside the assignment contract, addressing client concerns and promoting the clients interests. Though some firms have a client service strategy this is rarely put to use and instead client relationships are managed instinctively, subjectively and a result of that incoherently.

As a means of planning for new business clients use Account plans. An account plan is "hit list" of all organisations that a firm seeks to do business with. The list contains the company name, Key decision makers and influencers, buying patterns and behaviours. The plan is reviewed often and assumptions changed and modified. Not all Management Consultancy firms have Account plans. Many of them seek to obtain business through informal and personal sources and reviewing the press. This is inadequate as there needs to be a concerted effort to obtain and retain clients. This is the only way it is possible in Information Technology Consultancy firms.

After a consultancy assignment is over firms usually do little in terms of maintaining client contact other than occasional updates of firm activities and invitations to business functions and luncheons. More needs to be done in this area in terms of supporting organisations who are undergoing organisational and technical change.

This study also sought to determine the relationship between delivery models and approaches to strategic positioning. It emerged that those firms who tend to have a variety of delivery approaches and methodologies practice some form of differentiation strategy. They also have business segments in which focus strategies are employed. For those firms with few delivery tools and methodologies the strategy used is one of cost leadership and this has helped them to compete effectively against the usually larger and well-established firms.

The research argues that more attention needs to be given to client needs and that business systems should always be designed and built with the customer in mind and cater for client participation where possible.

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To the almighty God this project could not have been realised without your fatherly providence.

Dedication

I dedicate this research to the fond memories of my departed friends and relatives Eric Mugo, Tina and Rosetta Nzioka, Paul Kikata, John Muia and his children. May their souls rest in peace!

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ADTM	Assignment Delivery tools and methodologies
CRM	Customer Relationship Management
ERP	Enterprise Resource Planning
IS	Information Systems
IT	Information Technology

CHAPTER ONE: INTRODUCTION

1.1 Background

The role of Consultancy firms in the Kenyan market has centered largely on accounting and accounting based services including the performance of due diligence reviews, tax advisory services, auditing and assurance among others. It is only with audit and assurance that information technology is seen to play a role in the consultancy industry. These firms also have Information Technology consultancy practices whose operations centre around the provision of specialized and expert advise to their clients.

Consultancy firms have a special role in any economy because they use information technology strategically for their own internal purposes and also for their clients. IT is used to effectively deliver consultancy services within the Kenyan Market. IT is also one of the services that these firms provide. Information Technology is therefore for them a business line, a means of delivery as well as a strategic investment.

Consultancy firms are included among the blue chip companies in this economy and many university leavers seek to gain employment in them. There are cases where employees are students who had have previously been on attachment within these firms.

Management consultancy firms are primarily concerned with initiating and implementing technological, organisational and behavioural changes. The role of Management consultants is to provide additional expertise within a single organization and provide additional assistance where there is a temporary increase in the management workload.

The structure of these firms in terms of reporting has an implication on service delivery. This is because the structure of an organization determines how effectively customers are served as well as the efficiency of service delivery. A useful concept of studying the relationship of firms and their owners or agents is that of corporate governance. The concept of Corporate Governance has been described in the following terms: " Corporate Governance is not concerned with the running of the business of the company, per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations of accountability and regulation by interests beyond corporate boundaries." (Tricker, 1984). If corporate governance gives overall direction to the enterprise how can this be accounted for in the manner in which consultancy firms offer their services? The ownership of Consultancy firms does not pose a challenge in terms of corporate governance because these firms are owned and run by their owners who are the partners and Directors. Of interest to this research is how this fact translates to the kind and quality of service offered to clients? Does the quality of service improve in owner-managed firms? One might assume that the owners will spare no effort in delivering quality service to customers. On the other hand one can conclude that even the owners have short-term financial gains, which are not tied to value and service to customers. There results a conflict between short-term gain and building lasting customer relationships. This research proposes to study this conflict with a view to understanding the service delivery models and approaches used in Consultancy firms.

In their research, Berle and Means (Berle and Means 1932) highlighted the problem of the separation of ownership and control in public corporations. Quoted companies tend to be run by professional managers who are in practice, virtually unaccountable to the shareholders. This is because the shareholders tend to be too diffuse and too heterogeneous a body to exert effective control over management. (Berle and Means, 1932). As a result, as Jensen and Meckling (Jensen and Meckling, 1976) have pointed out, there may arise a conflict of interest between the managers and the shareholders. In consultancy firms which are run as Partnerships the Shareholders are the "owners" and "Managers". The problem of ownership and control does not arise however the issue of Service quality and delivery is one which needs to be evaluated in depth. The shareholders (partners and directors) may want profit maximization, but without much attention on how they can better serve their clients and improve the quality of their services. It is the hypothesis of this research that the primary goal of these firms is not to offer innovative services to their clients but to maximise on profit generation. The directors might reach these goals by pursuing policies of corporate growth through acquisitions, or sales maximization safe in the knowledge that they will not have to bear the economic costs of these activities. Effective rules in this area could expose management deviance from the goal of profit maximization and encourage appropriate shareholder and marketplace reaction. If as Kenichi Ohame (Ohmae, 1988) stated, Strategies should be based on customers these firms should have detailed and elaborate service delivery strategies as well as concrete approaches for managing the client-firm relationship during and after a consultancy engagement.

1.2 Statement of the problem

Consultancy firms are run as Partnerships or companies where the Shareholders are the “owners” and “Managers”. These Shareholders who may be partners or directors depending on the different firms may aim at profit maximization, but without much attention on how they can better serve their clients and improve the quality of their services. The primary goal of these firms is not to offer innovative services to their clients but to maximise on profit generation. One of the research hypotheses of this research is that the amount of money spent in customer service and relationship management is far too small compared to the earnings from clients. The directors of such firms operate on targets, which they have to attain in order to retain their Director or Partner positions. Customers on the other hand are treated as desirables, which serve no other end, but to gratify the ambitions of the directors and partners. The lavish treatment a prospective customer receives ends up being included in fee notes and invoices. Disbursements are misused to cover each and every item of expenditure without regard for the satisfaction of the customer. Effective rules in this area could expose management deviance from the goal of profit maximization and encourage appropriate shareholder and marketplace reaction. As Kenichi Ohame stated, first comes painstaking attention to the needs of customers. First comes close analysis of a company's real degrees of freedom in responding to those needs. First comes the willingness to rethink fundamentally what products are and what they do, as well as how best to organize the business system that designs and builds, and markets them. Competitive realities are what you test possible strategies against; you define them in terms of customers. (Ohmae, 1988)

The selected Information technology management consultancy firms in Kenya are all run by partners or by Directors who are the "owner managers" of their firms. These individuals have set up their firms as a means of profit generation. To them the issue of service quality and relationship with clients might play second fiddle in the face of increased competition and the rise of briefcase consultants who have minimal operational costs. Brief case consultants can charge lower fees than established consultants because they do not invest much in research and development. Some of them do not have the necessary tools and methodologies required in a consultancy engagement. In spite of this they still get business and compete with the larger firms.

The nature of consultancy firms and the services they offer aids client firms through the peaks of their operational activities. If these firms pursue narrow gains of profit maximization to the detriment of their clients how have they been able to survive this long in the market? How do they get business in the first place? What approaches are used in sourcing for clients and determining which clients to pursue? How do these firms address the issue of customer service after the consultancy engagement is over? What is the role of Information Systems in allowing strategic management to cope with the changing and varied customer needs? How do these firms use information technology to plan for services offered to the current and future customers and how do the firms determine services to offer? What kind of relationship exists between the client and the firm during systems implementation and other IT related engagements such as system reviews?

Consultancy firms are usually the first ones to adopt new technology. They ostensibly use the technology to serve their clients. An example of this is the adoption of SAP and JD Edwards by PriceWaterhouseCoopers and Deloitte and Touche respectively. PriceWaterhouseCoopers runs the biggest SAP practise in Africa. Does the fact that these firms implement specific software solutions make them less objective in advising their clients? When a new technology appears will the firms adopt it and forsake the older one which was being used by their clients or will they ask their clients to adopt this new platform? Is such an adoption in the interests of the clients?

1.3 Objectives of the Study

The objectives of this study are:

1. To determine the client service delivery approaches within consultancy firms
2. To establish the relationship between the models and strategic positioning

1.4 Significance of the Study

A lot seems to be known about what Management Consultancy firms do in the area of Financial Advisory services and taxation. Very little seems to be known about the Information Technology Management Consultancy which today plays a large part in generating revenues for these firms. This research will contribute to the body of knowledge on how management Consultancy firms seek clients and maintain the client-firm relationship.

1.5 Limitations of the study

This study focused on the practices of Information Technology Management consultancy firms. The study did not explore the workings of Management Consultancy firms in general as there are different types of such firms such as those which undertake strategic studies, Outsourcing, Financial Advisory services, Human resources and development services among others.

The study also explored the approaches to customer service, the strategic positioning of the firms and the tools and methodologies used. These are not the only variables that account for a successful consultancy engagement neither are they the only variables that determine the choice of a consultancy firm. It has been seen that certain firms who are associated to other organizations abroad have an "association policy" which dictates the firms they should approach for their consultancy work. The level of skills and experience within a consultancy stable also has an impact on the success or otherwise of a consultancy assignment but this was not studied.

1.6 Organisation of the Project Paper

This paper is divided into seven chapters according to the following description:

Chapter one is the introductory chapter in which the reader will find the statement of the research problems, issues and hypotheses that are examined in the project paper. It provides the background of the study and indicates to the reader in general terms what the research focussed on. The chapter consists of the following sub-sections: Background of the study, Research objectives, Significance of the study, Limitations of the study as well as the organisation of the project paper.

The Background of the study informs the reader about the problem to be dealt with, by establishing a frame of reference for the problem.

The research objectives section describes in detail, the research objectives, research questions, and hypotheses of the research.

The significance of the study is a section that states the contribution of the research to theory, practice and policy while the limitations of the study ,discusses the limitations and constraints of the study.

Chapter two contains the literature review and expands upon the context and background of the study, to further define the problem, and to provide empirical and theoretical bases for the research.

In Chapter three the Methodology used in the research is explained. This entails a description of the exact steps that were undertaken to address the research hypotheses and objectives.

Chapter four discusses the data analysis and uses various pictorial tools such as tables to present the research findings.

In the Conclusions Chapter the results of the research are related to theory, practice and policy by pulling together the theoretical background, literature review and potential significance for the application of the results of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Competition for clients

In the practise of consultancy firms in Kenya there seems to be great importance attached to outshining each other. "To many western managers, a successful strategy's hallmark is the creation of sustainable competitive advantage by beating the competition" (Kenichi Ohmae, 1988 P 149) Indeed it seems that they have taken the cue from their European counterparts and origins. "No matter what it takes the goal of strategy is to beat the competition" (Ibid). This view of strategy inevitably causes a lot of attention to be focused on competition in such a way that the attainment of customer objectives seems to play second fiddle. Of course it is important to take the competition into account, but in making strategy that should not come first. It cannot come first. First comes painstaking attention to the needs of customers. First comes close analysis of a company's real degrees of freedom in responding to those needs. First comes the willingness to rethink fundamentally, what products are and what they do, as well as how best to organise the business system that designs, builds and markets them. Competitive realities are what you test possible strategies against; you define them in terms of customers" (Ibid)

"The importance of information and its technology has been shown to be critical for the survival of many firms" [Johnson 1992]. This can be seen both from the point of view of the Consultancy firm as well as from the point of view of the clients who receive advisory services from the consultants.

2.2 Strategic planning for information Technology

Planning is an important and essential part of the operation of any business. Automated tools assist in the planning process. Firms need to plan for which customers to approach for business as well as how to retain these clients.

Office automation systems play a fundamental role in planning. Microsoft Excel features such as pivot tables analyse and enhance data display. IT generates more data as a company performs its activities to collect information. It plays a critical role in performing comprehensive analysis of information as well as competitor analysis. Automated systems and mechanisms are put in place to monitor:

(a) The annual amount and rate of cash flow expenditure and income on customer service related issues.

(b) The rate at which clients pay for the services. The earlier the payment the better. Most firms have a debt ageing analysis for outstanding debtors. This is carried out through traditional accounting systems such as SAGE, Pastel and QuickBooks.

It is possible to use data residing within office automation systems to be developed to plan for customer service activities. This is based on the quality and quantity of leads and the alternative strategic analysis approaches which are possible. "Deciding which companies to approach ... is based upon perceived knowledge" (Warwick, 2003)

Strategic planning for information systems (IS) is receiving considerable emphasis in many consultancy firms. This is because customers are continually asking for this kind of service. In addition, IS is increasingly perceived as having the capability to change or alter core organisational directions, to reorient corporate strategy, and to even redefine industry structure (Raghunathan and Raghunathan, 1990). With this new strategic thrust of IS comes a heightened need for planning and co-ordination of the information resource. Researchers are now advocating development of an overall company plan for information systems called an information systems architecture (ISA). To date, unfortunately, the implementation of IS strategic plans, and specifically ISAs, has not had a high success rate.

There are various approaches that can be taken in strategic plan implementation. Current research has given us insight into the value of considering the strategic importance of IS applications to the firm when implementing an IS strategic plan. Current research also stresses the importance of considering corporate culture when an organisation is undergoing any major change.

ISA is a concept centered on bringing together and co-ordinating a firm's information. Although one standard definition of ISA does not exist, several authors have provided important insights. Vogel and Wetherbe (1984) define an ISA as a road map for developing the various information subsystems that must be tied together to co-ordinate the management of different organisational efforts.

Brancheau and Wetherbe (1986) add that it is a "personnel-, organisation- and technology-independent profile of the major information categories used within an enterprise". Zachman (1987) is more specific when he adds that an ISA should define and control the interfaces and integrate all of the components of a firm's information system.

The search for one or more methods to best develop an ISA is currently in progress. The Zachman framework (Zachman, 1987), the Dooley Group approach (Senn, 1986), and Wetherbe and Davis' (Brancheau and Wetherbe, 1986) "Longrange information system architecture" are three of the more prevalent methodologies discussed in the literature. Zachman (1987) models his framework after an architect's drawings for building a structure, from a general overview down to detailed representations for data, functions and networks. He further suggests that his framework can be expanded to include descriptions for people, time, and purpose dimensions of the organisation. The Dooley Group approach (Senn, 1986) emphasizes dissection of information architecture into five levels that results in an incremental implementation of an ISA. "Long-range information system architecture" (LRISA) is a blending of three general planning techniques--IBM's business systems planning, Rockart's critical success factors, and Wetherbe and Davis' ends/means analysis in order to arrive at a more manageable and less time consuming method for developing an ISA (Brancheau and Wetherbe, 1986).

With the increased attention that ISA is receiving, a major question arises concerning the level of importance a firm should place on its strategic planning for IS. Should all organisations place the same emphasis on ISA? Research has clearly shown the answer to be "no" (Raghunathan and Raghunathan, 1990; Cash, McFarlan, McKenney, and Vitale, 1988). The importance of an ISA does vary depending on how critical information technologies (applications) are in achieving a firm's overall strategic goals. This position is strongly advocated by Raghunathan and Raghunathan (1990), and is discussed by Cash, McFarlan, McKenney, and Vitale (1988) in the context of the Information Technology Strategic Grid.

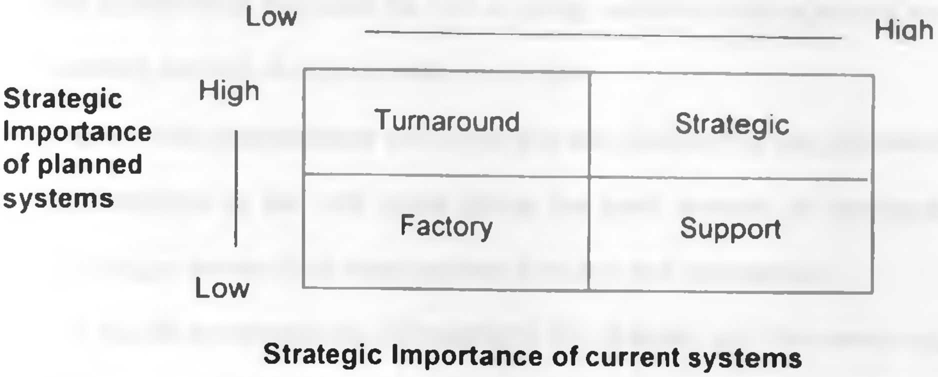
The importance of the strategic planning of information systems within a firm varies depending on how critical its information technologies (applications) are in achieving its overall strategic goals. When assessing the criticality of IS applications to a particular firm, however, a complication arises because of the changing nature of the competitive environment and IS technology.

Firms that today do not have strategically critical IS applications may, because of the thrust of its applications portfolio, have strategic applications in the future. Thus strategic planning is very important. The opposite could also be true. In firms where IS applications play a strategic operational role today, future applications may not be expected to offer the same benefits or payoff. In this case, a less intensive approach to IS strategic planning is appropriate.

The strategic grid is a well-accepted strategic planning tool for evaluating the importance of a particular organisational element to the strategic direction of the firm. Cash, McFarlan, McKenney, and Vitale (1988) applied the strategic grid to information systems and labeled it the Information Technology (IT) Strategic Grid.

The axes of the IT-strategic grid portray the current (shown as the Y-axis) and future (X-axis) strategic importance of information systems activities to a firm. As shown in the figure below, four quadrants are identified as "Strategic", "Turnaround", Factory", and "Support".

Figure 1: Mc Farlan's Strategic Importance Grid



Source: McFarlan and McKenney, (1983) The Information Archipelago, Plotting a course, Harvard Business Review, 61, 1, Page 147

Organisations classified in the Strategic cell are critically dependent on the smooth functioning of the IS activity for both their current and future IS needs.

Strong IS planning is essential and should be closely integrated with corporate planning. The impact of IS on company performance is such that there should be significant top management attention and guidance in the IS planning process.

Firms in the Turnaround quadrant of the grid are not critically dependent on IS applications for its current operations, but applications under development are expected to play a vital role in the firm's future. Similar to organisations in the strategic quadrant, turnaround firms should have significant top management involvement in their IS planning process. Since turnaround firms are not used to this type of involvement, other changes should occur to enhance senior management's understanding and overview of IS.

Organisations in the Factory quadrant are critically dependent on existing IS support systems; however, applications under development are not crucial to the firm's ability to compete successfully. Strategic IS planning and linkage to long-term corporate plans are not nearly as critical in this environment. IS planning should continue to take place with guidance as to where the firm is going, but senior management involvement in the planning process is appropriately much less.

Support cell organisations are in the low-low quadrant of the grid which suggests that organisations in this cell would place the least amount of emphasis on IS and IS planning in terms of top management concern and involvement.

The four IS environments delineated by the strategic grid framework suggest that each environment does require a different IS management approach. IS is of great strategic importance in some organisations, while it has minimal importance in others. It is inappropriate to expect both types of organisations to place the same amount of emphasis on IS strategic planning. The Cash, McFarlan, McKenney, and Vitale (1988) strategic grid is becoming an often cited framework for its assistance in determining the strategic importance of IS to firms and thereby, its affect on IS planning and plan implementation (Flaatten, McCubbrey, Riordan, and Burgess, 1989; Raghunathan and Raghunathan, 1990).

2.3 Governance issues

Hayeks fundamental question about corporate governance would be answered differently by those who adhere to the stakeholders view of the corporation. They would argue that public companies have social responsibilities to those groups who are affected by corporate activities, such as consumers, employees and the local community, and that the law ought to reflect this by imposing duties on directors to take these interests into account in corporate decision-making. With the idea of responsibility in mind one would want to know what safeguards a client has to ensure that solutions offered today will not soon be obsolete and if they are what support will they be entitled to in order to upgrade or adopt the nascent technology.

Whichever view one takes of corporate governance, the need for both good quality and timely information is an important requirement for both to enable the recipients of this information to assert their claims against the management of a company. Under present company law it is the shareholders that, in theory have the power within the corporate structure to exercise control over management. However, the public disclosure of company information may serve to encourage those groups outside the company (i.e. the stakeholders) to exert external pressure on company management to make it take into account the concerns of those who may be affected by corporate activity. [1] Information Technology management Consultancy firms in Kenya play an advisory role to companies vis-à-vis current trends in IT as well as best practice in IT systems implementation. If IT comes to be used extensively by companies in the future there is likely to be an effect on the way companies are managed and on the way in which the interests of the shareholder and stakeholder are balanced by the corporate governors, its board of directors. [2] This however does not seem to affect Consultancy firms well because they have their Partners or Directors as owners yet as Legal social persons in an economy these firms should also be subjected to some disclosure rules to their employees and other stakeholders if for nothing else to ensure accountability and improve perceptions about their firms and operations. Such disclosure would allow clients to make informed decisions about which consultancy firms to hire based on the

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[1] FT article of 12 April 2000, p.9 reported that Greenpeace and other environmental pressure group acquired shares in BP in order to gain access to the AGM and propose a resolution to prevent the company from implementing plans to drill for oil in a remote and environmentally sensitive part of Alaska.

[2] *The Economist*, 14 March 1998, p.91 notes that even if there are no new rules in disclosure, market competition may force companies to disclose more.

completeness of its service offering. Completeness in this sense refers to the idea that clients need to be supported when implementing new procedures and systems. In addition to this it also implies that the consultants should seek ways of retaining their customers in one way or the other even after the consultancy engagement is over. Consultancy firms are held in awe and their operations are not subject to much scrutiny. The Enron debacle brings up various issues with regard to Consultancy and Accounting, Consultancy and implementation as well as Consulting outside ones area of expertise. This study seeks to propose a benchmark strategic services offering policy in these firms with a view to encouraging new entrants in this area adopt similar standards as well as foster long-term firm-client relationships.

2.4 Emmerging Technologies

There has been some academic and professional speculation on what the potential benefits of the Internet might be for service innovation and corporate disclosure. (S Wallman, 'The Future of Accounting and Disclosure in an evolving World' (1995) 9 Accounting horizons, 81. and B Spaul, ' Corporate Dialogue in the Digital Age' ICAEW). Analysis of this issue has however been confined to accountants. [3] This means that the legal and strategic issues of using this technology for corporate disclosure have not yet been fully explored.

It should be technically and economically feasible for companies to provide more financial and non-financial information in more detail than ever before via the Internet.

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[3] Z Xiao, 'Financial Reporting on the Internet', Scottish Conference of the British Accounting Association, Glasgow, September 1996. A Lymer, 'Corporate Reporting via the internet – a survey of current usage in the UK and discussion of the issues', and G Flynn & C Gowthorpe, ' Volunteering Financial Data on the World Wide Web' both papers from the Financial Reporting and Business Communication Conference, Cardiff, July, 1997.

New and intelligent interpretive software should make it possible for the user to carry out the kind of quantitative and qualitative analyses that were once capable of being performed by specialists. (B Spaul, op. cit. p. 10). The Internet opens up the possibility of dialogue with a company's employees, customers, suppliers and other stakeholders. It could provide stakeholders with a new medium to communicate their concerns to the company about corporate activities. It could also provide the company with an opportunity to disseminate additional information about the companies' activities in order to dispel any unjustified concerns the public may have. (B Spaul op. cit and FT September 200, P. 18). When this takes place better corporate decisions may emerge as managers are forced to take into account a wider range of opinions coming from their stakeholders such as their customers, suppliers, creditors and employees[4].

Meetings of shareholders could take place over the Web using tools such as Net meeting. It could also encourage continuous dialogue between the company and its shareholders through the use of electronic notice boards. The Internet has hypertext/hypermedia technology, which could make the presentation of potentially complex material using graphics, sound and video more interesting to the relatively unsophisticated shareholder and customer seeking information on the company. Developments in software technology could make it possible for users of corporate information to customise their information searches so that they can acquire the information that is of most relevance to them and at the level of detail they require. (B Spaul op cit. p. 10 and Z Xiao, op. cit., p. 8 – 15).

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[4] One of the consequences of the Greenpeace's victorious campaign against Royal Dutch Shell over the disposal of the Brent Spar oilrig was that this company opened a dialogue with environmentalist groups using, among other things, the medium of the Internet.

Most current financial information could be put on the Internet. This could encourage the movement away from over-reliance on historic, aggregated financial statements. Financial statements that present historic data are of limited value to investors. Such information is not a useful predictor of future performance in many industries and the aggregated nature of these accounts often disguise the fact that in compiling these accounts a number of judgments and selections were made about the allocation and categorization of the data. If access to the raw accounting data were given to users of company financial information these users could carry out their own analyses of the data, sometimes using different hypothesis to assess the risks of investing in the company.

If corporate data on the Internet becomes the norm then it should be possible for users of the information to make comparisons with other companies' performance in any given sector to judge the relative success or failure of a company being investigated by the shareholder, stakeholder or regulator.

The Internet should become easier to use over the next few years so that even the relatively unsophisticated shareholder or stakeholder may be able to benefit from it. Efforts are being made to develop 'push technology' which will allow intelligent software agents to carry out automated searches on the web for corporate information. This technology should be able to filter out irrelevant material and help the ser categorise and prioritise the information gathered electronically on his behalf. (B Spaul, op. cit., p 17 – 18 on Intelligent Software).

It seems that this technology is not effectively used in Management Consultancy firms. Reasons why this is the case include Companies' lack of skill and experience in using technology and user inexperience or lack of access to the technology. Yes this can be used to "Provide a lot of information to clients hence improving the quality of discussions in meetings" (Warwick, 2003).

Evidence of the increasing value placed on corporate governance is found in two studies conducted by McKinsey & Company in conjunction with Institutional Investors, Inc. and published in the McKinsey Quarterly.6 Both studies concluded that major international investors were willing to pay a premium ranging from 11-16 percent in the 1996 study to 18-28 percent in 2000 for shares in a company that is known to be well governed.

Poor governance can cost millions, as illustrated in the following examples taken from recent news articles. These stories particularly illustrate the complex and costly interplay between enterprise governance and service quality.

The first example has to do with the lack of executive information. "That was no manufacturing problem putting Bridgestone/Firestone and its defective tires in the glare of an angry public. That was an information problem.... I bet we'll learn that with the right kind of integrated information system, managers...would have discovered the flaw before it became a problem. We're still in the dark about why executives at the two companies were in the dark."[7]

The second example deals with rolling up too fast. In 2000, Dallas, Texas, USA-based Dynamex, Inc. was formally investigated by the Securities and Exchange Commission, had its US $115 million credit facility frozen, was nearly de-listed off the American Stock Exchange and faced a shareholder lawsuit accusing company officials of mismanagement and fraud. Problems at the US $240 million provider of same-day delivery and logistics services were due to the abyss of accounting problems that resulted in too many mergers and acquisitions too fast to manage the resulting financial transactions.

Deloitte & Touche LLP was hired to sort out the mess but had to ask for more time citing difficulty of gathering information from so many sources.[8]

In the third place comes Lack of strategic alignment. Gartner, Inc., the consulting powerhouse, had to deal with its own alignment issues as described in the 15 November 2001, issue of CIO Magazine. In 1999, Gartner had no system to determine which IT projects would support the company's strategy. In the absence of such knowledge customers would also suffer. There were multiple projects for the same function and projects at cross-purposes. The company found it was working on too many of the wrong things. It was spending US $1 million per month on IT projects and wasting about US $8 million per year on the lack of centralized purchasing and missed opportunities to cut costs. These issues caused further problems with poor morale among staff and executives at all levels. It is believed that miscommunication also impaired Gartner's ability to make sound, strategic acquisition decisions when the acquisition of TechRepublic lost about US $107 million. This is thought to have contributed to the dramatic drop in share price from US $18 per share in March 2000 to about US $6 a year later.[9]

Inadequate technology risk management is the fourth example. "In a rare case of public finger-pointing, i2 Technologies Inc. and...Nike Inc. traded accusations over the cause of a software problem...that resulted in product shortages and excesses as well as late deliveries. Nike said it (the problem) cost it (the company) $100 million in revenue....The news caused the shares of both companies to skid about 20 percent.

And when you get right down to it, it's a people problem. Someone did not manage the risk." (Ward, Leah Beth 2001)

The fifth example is failure of line management. Oxford Health Plans "failed to catch millions of dollars in medical care costs, resulting in a US $200 million charge and a write-off of more than US $100 million in premiums it failed to collect from customers." Author Jim Champ writes, "I'm betting...(the) debacle at Oxford Health Plans will turn out to be more about failure of line management than the collapse of the HMO's elaborate IS function." (Champ, Jim 1998)

Poor quality control is listed as the fifth example. Tens of thousands of local telephone books were recalled by SBC Southwestern Bell and Gordon Publications in a suburb of Dallas after it was discovered that they contained 4,000 numbers that customers did not want published, including women fleeing abusive men and police officers who were concerned for their families. (Terry, Stephen 2002)

The overall benefits of good governance in service firms include the Maximization of revenues by deploying resources to the highest value initiatives; Minimization of business risk and adverse publicity through better planning of major enterprise initiatives (frequently overlooked by traditional risk assessments or audit plans); Saving hard dollars (in areas that often do not show up on the P & L statements) by reducing duplication, waste and cancellations, reducing loss, penalties and damages, rationalizing governance methodologies and Favorable directors and officers (D & O) insurance rates. Governance also Increases confidence in the organization for all stakeholders (employees, customers, suppliers, lenders, shareowners) and Streamlines operations and information for improved responsiveness to market conditions.

Considerable international media attention recently has been focused on the need for improved corporate governance.

However, most sources agree that strengthening corporate governance dictates improved accountability and transparency. Board independence means directors will need better information and methods to adequately assess and oversee the activities of their firms. A coordinated framework of enterprise governance can help boards and executive management teams streamline and focus their organization's strategy as well as its internal system of controls.

The expanding role of technology has caused IT governance to become a critical component of enterprise governance.
Information technology and IT departments today provide the tools to: Enable many strategic initiatives that generate competitive edge, Provide analytical and executive decision support information (including customer service measures), Track the organization's performance in nonfinancial as well as financial systems, Monitor internal control systems, Capture and store the organization's intellectual capital and Oversee corporate information policies such as security, privacy, continuity and disaster recovery questions to help organizations begin to assess their levels of enterprise governance follow.
They are broken down by area— strategic planning, financial management, operations and control framework.

2.5 Customer Service through data

Data warehouses support decision making with data. They assemble the data together for analysis using high-powered data mining techniques. These techniques aid in easy retrieval of data. The benefits gained through use of data warehousing and data mining include providing higher levels of customer service, Developing deeper customer relationships, Targeting customers more effectively, Effectively cross selling of company products and Tailoring the specific customer requirements.

Data mining techniques produce different rules and patterns, which directly influence business decisions. In the first place are associations which are occurrences that are linked to a single event where one event can be correlated to another event. This information can help in the planning of special offers and promotions. In the second place come Sequences. A sequence occurs when events are linked over time i.e. one event leads to another later event. Classifications can also be obtained. Classifications aim to recognize patterns within the database for specific groups of items. This information is used to try and predict the activity of specific items within that group. Clustering works in a similar way to classification although in this situation no groups have been defined. Data mining involves finding groups within the entire database.

Forecasting is the fifth result and is used to discover patterns in the data that can lead to prediction about the future.

2.6 IT governance and the balanced scorecard

The balanced scorecard approach is instrumental in the IT governance process. IT governance can be defined as "the organizational capacity to control the formulation and implementation of information technology strategy and guide to proper direction for the purpose of achieving competitive advantages for the corporation" (Ministry of International Trade and Industry, 1999). Concrete IT governance questions are (Van Grembergen, 1997): How does senior management get their CIO and their IT organization to return business value to them?; How does senior management make sure that their CIO and their IT organization do not steal the capital they supply or invest in bad projects? And How does senior management control their CIO and their IT organization?

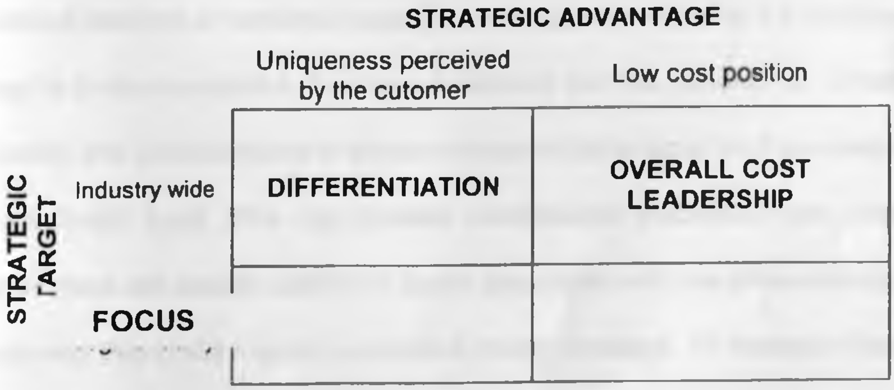
The IT balanced scorecard and its linkage to the business-balanced scorecard can provide answers to these three fundamental IT governance questions. The business BSC identifies the strategies of the organization and within the IT balanced scorecards, it is shown how these strategies will be enabled through information technology (question 1 and 2). In this way, these scorecards may uncover major problems: e.g. it may be possible that the Board of Directors of a retail bank decides to introduce web banking and that its IT organization is not at all acquainted with this technology as delineated by its IT balanced scorecard. IT governance also means that control mechanisms are to be provided to senior management (question 3). The IT scorecard provides the Board with crucial measures on IT expenses, user satisfaction, efficiency of development and operations and expertise of the IT staff. This certainly avoids the potential of IT reporting to the Board being restricted to technical matters such as the selection of a new telecommunications network. Instead, IT reporting can begin to detect inhibitors to new business strategies for decision and action by the Board.

2.7 Strategic Positioning

Michael Porter has described a category scheme consisting of three general types of strategies that are commonly used by businesses. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. *Strategic scope* is a demand-side dimension and looks at the size and composition of the market a firm intends to target. *Strategic strength* is a supply-side dimension and looks at the strength or core competency of the firm. In particular he identified two competencies that he felt were most important: product differentiation and product cost (efficiency). He originally ranked each of the three dimensions (level of differentiation, relative product cost, and scope of target market) as either low, medium, or high, and juxtaposed them in a three dimensional matrix. That is, the category scheme was displayed as a 3 by 3 by 3 cube. But most of the 27 combinations were not viable.

Porter (Porter, 1980) simplifies the scheme by reducing it down to the three best strategies. They are cost leadership, differentiation, and market segmentation (or focus). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope.

Figure 2: Porters Generic Strategies



Source: Porter M. E. (1980) *Competitive Strategy: Techniques for Analysing Industries and Competitors*, page 39

The cost leadership strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. Successful implementation also benefits from process engineering skills, products designed for ease of manufacture, sustained access to inexpensive capital, close supervision of labour, tight cost control and incentives based on quantitative targets.

The Differentiation strategy involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivalled and unequalled, the price elasticity of demand tends to be reduced and customers tend to be more brand loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy. To maintain this strategy the firms should have strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, incentives based largely on subjective measures, be able to communicate the importance of the differentiating product characteristics, stress continuous improvement and innovation and attract highly skilled, creative people.

Firms that use Market Segmentation strategies concentrate on a select few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms and has much in common with guerrilla marketing warfare strategies.

Porter (Porter 1980) also developed the Five Competitive Forces model. It is an important tool for analysing an organizations industry structure in strategic processes and is based on the insight that a corporate strategy should meet the opportunities and threats in the organizations external environment. Especially, competitive strategy should be based on an understanding of industry structures and the way they change.

Porter identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porters model supports analysis of the driving forces in an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry.

The Five Competitive Forces are Bargaining Power of Suppliers, Bargaining Power of Customers, Threat of New Entrants, Threat of Substitutes and Competitive Rivalry between Existing Players.

Igor Ansoff (Ansoff, 1957) developed a tool used by marketers who have objectives for growth. Ansoff's matrix offers strategic choices to achieve the objectives. There are four main categories for selection. These are Market Penetration, Market Development, Product Development and Diversification.

Figure 3 : Ansoff's Matrix

Product **Market**	**Present**	**New**
Present	Market Penetration	Product Development
New	Market Development	Diversification

Source: Igor Ansoff (1957)

Market Penetration entails marketing of a firms existing products to its existing customers. This means increasing revenues by, for example, promoting the product, repositioning the brand, and so on. However, the product is not altered and new customers are not sought.

Market Development is about marketing a firms existing product range in a new market. This means that the product remains the same, but it is marketed to a new audience. Exporting the product, or marketing it in a new region, are examples of market development.

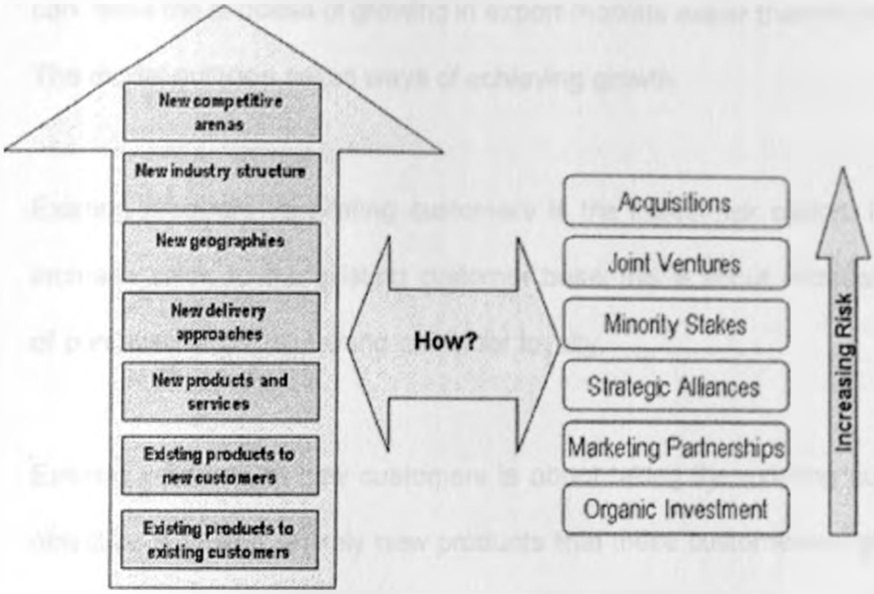
Product Development takes place when a new product is to be marketed to a firms existing customers. In this strategy firms develop and innovate new product offerings to replace existing ones. Such products are then marketed to the firms existing customers. This often happens with the auto markets where existing models are updated or replaced and then marketed to existing customers.

Diversification is the fourth strategy and it occurs when a firm markets completely new products to new customers. There are two types of diversification, namely related and unrelated diversification. Related diversification means that a firm remains in a market or industry with which it is familiar. For example, a soup manufacturer diversifies into cake manufacture (i.e. the food industry). Unrelated diversification takes place where a firm has no previous industry or market experience. For example a soup manufacturer invests in the rail business.
Ansoff's matrix is one of the most well know frameworks for deciding upon strategies for growth.

The Mckinsey growth pyramid is similar in some respects to Ansoff's Model. However, it looks at growth strategy from a slightly different perspective. The McKinsey model argues that businesses should develop their growth strategies based on: Operational skills, Privileged assets, Growth skills and Special relationships.

Figure 4 The McKinsey Growth Pyramid

Generic options and investment structures for a growth strategy



Growth can be achieved by looking at business opportunities along several dimensions as shown in Figure 4. Operational skills are the "core competences" that a business has which can provide the foundation for a growth strategy. For example, the business may have strong competencies in customer service; distribution, technology.

Privileged assets are those assets held by the business that are hard to replicate by competitors. For example, in a direct marketing-based business these assets might include a particularly large customer database, or a well-established brand.

Growth skills are the skills that businesses need if they are to successfully "manage" a growth strategy. These include the skills of new product development, or negotiating and integrating acquisitions.

Special relationships are those that can open up new options. For example, the business may have specially string relationships with trade bodies in the industry that can make the process of growing in export markets easier than for the competition. The model outlines seven ways of achieving growth.

Existing products to existing customers is the lowest-risk option; It entails trying to increase sales to the existing customer base; this is about increasing the frequency of purchase and maintaining customer loyalty.

Existing products to new customers is about taking the existing customer base, the objective is to find entirely new products that these customers might buy, or start to provide products that existing customers currently buy from competitors.

New products and services is a combination of Ansoff's market development & diversification strategy – taking a risk by developing and marketing new products. Some of these can be sold to existing customers – who may trust the business (and its brands) to deliver; entirely new customers may need more persuasion.

New delivery approaches is an option that focuses on the use of distribution channels as a possible source of growth. It explores ways in which existing products and services can be sold via new or emerging channels, which might boost sales.

New geographies is a method in which businesses are encouraged to consider new geographic areas into which to sell their products. Geographical expansion is one of the most powerful options for growth – but also one of the most difficult.

New industry structure is an option that considers the possibility of acquiring troubled competitors or consolidating the industry through a general acquisition programme.

New competitive arenas, is the last option which requires a business to think about opportunities to integrate vertically or consider whether the skills of the business could be used in other industries.

2.8 Tools and Consulting Methodologies

The key to success in a consultancy assignment is a 'best fit' combination of methodology, consultant and client firm for which both internal issues and the external business context must be taken into account.

The range of methodologies include Business Intelligence Best Practices which seeks to obtain business intelligence from the market with a view to providing pointers on which services a firm may offer and to which market.

Internet Search Tools and Methodologies are mainly used for keeping knowledge bases upto date as well as obtaining information that may be required during a consulting engagement.

Hammer (1990) and Davenport and Short (1990) have prescribed a five step Business Process Redesign methodology which culminates in the Design and Building of a Prototype of the New Process (es).

The Balanced Scorecard is another tool used in consultancy work and was conceived by Kaplan and Norton (1996). IT focused on measurement, specifically measuring variables that had some linkage to corporate financial results so that the direction of the organization could be determined prior to the occurrence of a bad quarter or two. (Kaplan and Norton, 1996)

Peter Schwartz (1996) provides a comprehensive insight into the origins of Scenario Planning which is used in planning and risk management in the consulting field. A scenario process also needs a strategy development phase to dissect the future worlds and synthesize the findings into a competitive strategy and the initiatives needed to implement it. (Janus Consulting 2004)

Joint Application Development (JAD) is a process that accelerates the design of information technology solutions. JAD uses customer involvement and group dynamics to accurately depict the user's view of the business need and to jointly develop a solution. Before the advent of JAD, requirements were identified by interviewing stakeholders individually. The ineffectiveness of this interviewing technique, which focused on individual input rather than group consensus, led to the development of the JAD approach. (Wood and Silver, 1995)

Many methodologies and techniques have been employed in managing innovation, which are implemented at every stage of the innovation process in order to make it smoother and more efficient; they are called Innovation Management Tools (IMTs) and each has its own characteristics, its own way of implementation and, depending on its special features, is applied at different stages of the innovation process.

Structured Innovation Management Tools facilitate a rapid, wide-ranging appraisal and encourage strategic thinking. They allow the consultant to highlight and probe areas of weakness and those where there is a difference in perception among staff.

They help to alert the company to strengths, weaknesses, opportunities and threats, and emphasize important human issues. Above all, they stimulate the firm to action. They can start a process in which early tangible benefits will build confidence for achieving long-term change. Such innovation management tools fall in the categories of Managerial, Product and Process.

Regarding the use of consulting methodologies and information Technology, Lance Berger of LBA Consulting Group, a Bryn Mawr, Pennsylvania-based firm says "Our practice depends heavily on interpersonal skills, the experience of our consultants, our collective ability to market our services, the methodologies we use to consult with and ultimately on quality when it comes to delivery and implementation. Computers and the like can certainly make it easier for us to accomplish some of those things. But our use of technology does not differentiate us in a competitive sense." According to him consultants spend a lot of time focusing on using technology because of a driving need to know everything yet is not always value-added.

Expert-driven consultants bring the knowledge that is in their heads and their ability to apply that insight to each client situation to meet their different needs. There is no need for some set methodology that a consultant walks in with. In that kind of business, technology takes on a whole different complexion.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Population of the study:

The population covered in this study included selected information Technology Management consultancy firms in Kenya. This excluded Hardware and Software dealers, Systems Integrators, Internet Service providers and configuration consultants. The firms that were selected are those firms which either have annual incomes in excess of Kshs 150 million or those which have clients that have annual turnovers in excess of Kshs 150 million. Preliminary investigations revealed that the figure of Kshs 150 million had only been attained by the firms listed below and who form the population of the research. The study focussed on both Multinational firms, which are normally called the big four consultancy firms as well as indigenous and regional firms operating in Kenya.

The sampling frame used to obtain the participant firms is showed in appendix 3 and includes the following firms: ABM Management and Business Consultants, AMARCO, CAL, Computech, Computerpoint, Connemara Consultants , DCDM Consulting, Deloitte and Touche, Ernst and Young, Infotech, IPAX Business Solutions, KPMG, Mantech Consultants, Orion Legacy Consulting, Osano and Associates, PricewaterhouseCoopers, Quantum Consultants, SAP, Oracle, Software Applications Limited, Symphony, TechbaseAfrica and Zedesen Associates.

On the basis of the sampling frame eight firms were selected for the research since their activities fall within the scope of this research. The other firms were not selected because they do not carry out Information Technology Management

Consultancy or do not have offices in Kenya and the study focuses on Kenyan based firms.

The firms covered by this research therefore are:

- PriceWaterhouseCoopers
- KPMG Peat Marwick
- Deloitte and Touche
- Ernst and Young
- Zedesen Associates Ltd
- Osano and Associates
- Quantum Consultants
- DCDM Consultants

3.2 Data collection:

A systematic investigation designed to develop or contribute to generalisable knowledge was designed. The relevant primary data was collected using a questionnaire that contained open–ended and close-ended questions. (Appendix 2) The questionnaire consisted of questions relating to Strategic posturing in relation to customer service and service delivery. The questionnaire was structured in such a way that the members in the population needed to show their understanding of customer service strategy and how it helps in their own internal operations as well as in those of their clients. It also sought to discover whether the business and IT strategy are aligned as a way of driving the business in the same direction. The interview instrument (questionnaire) was systematically developed and pre-tested on a small number of people drawn from the subject population so that any ambiguities or biases in the way the questions were stated could be identified and corrected. For purposes of this research the number of subjects pre-tested were six i.e. two for any of the three firms. Once the pre test had been done the questionnaire was modified to address any flaws or shortcomings that may have existed after which it was administered to the selected population.

The questionnaire also sought to understand the internal management of Information Technology and infrastructure with a view to comparing these practices within the different consultancy firms and to understand the impact of these on service delivery.

Once the questionnaires had been sent out to the Partners or directors of each of the firms in the population, a coding sheet was developed in SPSS. The coding sheet was used to assign values to the various responses where a yes was coded as a 1 while a no was assigned the value zero.

When the questionnaires were received there was a data cleaning exercise, which sought to remove unusable data. This occurred in cases where respondents gave conflicting responses or where responses did not fit in with the range of acceptable values and conditions.

Unstructured interviews were also held with various employees and managers of the consulting firms in order to obtain information relating to current customers and to address issues relating to strategy. These were usually planned and took place in the client premises. They also provided access to certain documents such as Mission statements and a hands-on appreciation of the consultancy tools available within certain firms.

It was found useful for this research to carry out a document review, which was used in collecting data available on the public websites of consulting firms. The Uniform resource locator (URL) of each firm was obtained through a search engine or informal questioning and this made it possible to access the web pages. The web pages were used to obtain additional information as well as to appreciate the features and services offered. Web sites were also useful in corroborating information that had been provided in the questionnaires

3.3 Data Analysis

The collected data was analysed using descriptive statistics. This was deemed suitable in view of the study's objectives. The data received from the questionnaires was analysed using SPSS analysis tools. This involved developing topological schemes for classifying data elements. This was important in coming up with interpretations as well as with cause and effect relationships that would emerge.

The following and other measures of central tendency were used frequencies, Averages and Percentages.

Frequencies were used in cases where data could be grouped. For example the number of employees in a given firm was tallied and compared to the other firms.

Averages were used for items such as spending on customer service, spending on customer related calls and activities.

Percentages were used in cases where the research aimed at finding out the percentage figure of firms that have a coherent customer delivery approach

In cases of open-ended questions content analysis will be used to elicit information relating to similar responses as well as to be able to arrive at a generalization that can be applicable to the population.

CHAPTER FOUR: FINDINGS

4.1 Organisation Profile

This research encompassed a population of ten firms out of which eight of them responded to the questionnaire. The firms which responded are KPMG Kenya, Deloitte and Touche, Ernst and Young, Zedesen Associates, Osano and Associates, Quantum Consultants, Ipax Business Solutions and Advantech Consultants. The last two firms had initially not been identified and the researcher discovered them while in the process of data collection. The firms that did not respond to the questionnaire were PricewaterhouseCoopers and DCDM Consulting.

Fifty percent of the firms that were surveyed were established after 1990 while the other fifty percent represents firms that were established before 1990.

Twenty five percent of the respondents were Chief Executives while other respondents were consultants, Managers or Administrators as shown in table 1 below.

Table 1: Title of Respondents

Title	Frequency	Percent
Manager, Information Risk Management	1	12.5
Consultant	3	37.5
Administrator	1	12.5
Team Leader	1	12.5
Chief Executive Officer	2	25.0
Total	**8**	**100**

Source: Research results

The respondents have worked in the different firms for periods ranging from one year to eight years. Table 2 shows that the majority of the respondents (37.5%) have worked in their current firms for a period of one year.

Table 2: Respondents duration of employment in consultancy firm

Years worked	Frequency	Percent	Cumulative Percent
1	3	37.5	37.5
4	2	25.0	62.5
5	2	25.0	87.5
8	1	12.5	100.0
Total	**8**	**100.0**	

Source: Research results

Consultancy firms are usually owned and run as partnerships, 62.5% of the firms surveyed are partnerships while the remaining 37.5% are Corporations or Limited liability companies. The majority of the firms are locally owned (50%) while 37.5% have mixed ownership. 12.5% of them are foreign owned.

Table 3 shows the different sectors in which the clients of the consultancy firms that participated in this research come from.

4.1.1 Areas of Clients operation

Table 3: Industries in which clients operate

Industry	Count	% of Responses	% of Cases
Manufacturing	6	20.7	75.0
Financial services	7	24.1	87.5
Local government	2	6.9	25.0
Central government	3	10.3	37.5
Service	8	27.6	100.0
Other	3	10.3	37.5
Total responses	**29**	**100.0**	**362.5**

Source: Research findings

4.2 Client Service Delivery approaches

Service delivery approaches are ingrained in a firms mission and actualised in a set of coherent methodologies and approaches, which a firm uses to manage its client business from the time a need is expressed right into the management of the client relationship and furthering that relationship. Invariably all firms argued that the key to success in a consultancy assignment is a best fit combination of methodology, consultant and client firm for which both internal and external business context must be taken into account.

Of the firms surveyed 75% have a mission statement while 25% do not. Of the 75% of the firms that have a Mission statement only 62.5% have it in written form.

On the basis of the mission firms have developed strategies to help them grow and manage their businesses. The responsibility of developing and updating the strategy is vested upon Partners and Directors. In only one case did the respondent say that this responsibility is vested on individuals other than Directors and Planners.

A firms strategy takes into account its internal competencies which form the basis of the services it offers. Table 3 below shows the different services offered by the Information Technology Management Consultancy firms who participated in this research.

4.2.1 IT services the firms offer

Table 4 shows the information technology service offering in consultancy firms.

Table 4: IT Services offered by consultancy firms

Service Offered	No of times mentioned	Percentage of responses	Percentage of Cases
Project management	7	17.9	100
Systems analysis	5	12.8	71.4
Requirements definition	7	17.9	100
Procedure development	5	12.8	71.4
IT security reviews	6	15.4	85.7
Systems development	2	5.1	28.6
Systems maintenance	1	2.6	14.3
Package selection	2	5.1	28.6
Strategy formulation	2	5.1	28.6
Continuity planning	1	2.6	14.3
Change management	1	2.6	14.3
Total	**39**	**99.9**	

Source: Research results

Management consultancy firms offer these services in order to assist their clients during peak periods or where client firms do not have the required skills in-house. Apart from these reasons they also try to offer innovative applications as well as trying to Minimize clients risk in technology adoption.

Information systems also play a large role in the provision of new service offerings as well as reducing the period of the consulting engagement. The use of object-oriented methodologies for example has drastically reduced the time it takes to carry out an assignment. This is in sharp contrast to the structured analysis and design techniques (especially those based on the waterfall and spiral models), which are seen to take a long time.

In addition to this the initial stages of systems development using these structured techniques results in many questions being posed as the client sees no tangible output because these stages tend to concentrate on the collection, defining and refining of system requirements. Ipax Consulting is in the process of using Object-oriented approaches in its consultancy work.

The tables on the following pages show the level of spending by Management Consultancy firms on their own internal delivery systems as well as on infrastructure and assignment delivery tools to enable them offer the different services in which they specialise.

Table five shows that in order to set up their own internal delivery systems, Management Consultancy firms need to invest in Hardware, Software and Human Resources (Staff). In addition to these items of expenditure, they also need to spend on Customer retention, customer education and customer targeting. This is because these firms cannot advertise using conventional means that are used by other business entities. Table five summarises the expenditure by these firms on these expenses.

Table 5: Spending on Hardware, Software and Customers

Item of Expenditure	Number	Range	Minimum	Maximum	Mean	Std. Deviation
Hardware (from)	3	17,500	100,000	118,500	106,166.67	10,680.980
Hardware (to)	3	105,500	250,000	355,500	285,166.67	60,910.453
Hardware (Maximum)	3	200,000	500,000	700,000	566,666.67	115,470.054
Software (from)	3	266,000	50,000	316,000	205,333.33	138,511.131
Software (to)	3	350,000	150,000	500,000	374,666.67	195,000.855
Software (Maximum	3	300,000	200,000	500,000	300,000.00	173,205.081
IT Staffing (from)	3	1,000,000	5,000,000	6,000,000	5,562,667.00	511,645.711
IT Staffing (to)	3	8,131,000	869,000	9,000,000	4,289,667.00	4,216,126.224
IT Staffing (Maximum)	3	7,800,000	1,200,000	9,000,000	4,733,333.00	3,951,371.070
Customer retention (from)	3	2,320,000	50,000	2,370,000	840,000.00	1,325,254.693
Customer retention (to)	3	3,850,000	100,000	3,950,000	1,466,667.00	2,154,259.347
Customer retention (maximum)	3	1,100,000	100,000	1,200,000	566,666.67	568,624.070
Customer education (from)	3	1,530,000	50,000	1,580,000	560,000.00	883,345.912
Customer education (maximum)	3	200,000	100,000	300,000	200,000.00	100,000.000
Customer targeting (from)	3	2,320,000	50,000	2,370,000	940,000.00	1,250,719.793
Customer targeting (to)	3	3,060,000	100,000	3,160,000	1,120,000.00	1,766,691.824
Customer targeting (maximum)	3	500,000	100,000	600,000	400,000.00	264,575.131

Source: Research results

Table 5 shows that Management Consultancy firms spend huge amounts of money on IT staffing because quality staff is what gives them a competitive edge. In any consultancy firm the human resource is the most important component of the business. It is also evident that these firms do a lot in terms of customer education in order to make them aware of the services they offer as well as updating them on new developments. This is critical for in a field as dynamic as that of Information Technology customers need to be constantly updated in order to make sure that they are maximising on the efficiency of technology adoption. Customer retention and education also form a large portion of the budget of Management Consultancy firms. There are various reasons for this. Firstly since consultancy firms are limited in the ways in which they can source business they need to do all what it takes in order to retain their current portfolio of clients. This however seems to be taken for granted as other items of expenditure are given more importance than customer retention and hence more funds. The second reason why customer retention received alot of expenditure is because customers are the main means through which a consultancy firm markets itself. Satisfied customers usually will talk to potential customers about the services they received from a certain firm. This "word of mouth" advertising pays off in terms of attracting new customers.

Once the consultancy firm has expended its funds in any of these items the expenses are apportioned to the various departments as shown in table 6. The table shows the ownership and payment of Information Technology and other delivery tools.

Table 6: Ownership and payment of IT and other delivery tools

Item of expenditure	Frequency	Mean
Infrastructure e.g. cabling and services (central department %)	3	100
Infrastructure e.g. cabling and services (individual function %)	0	
Infrastructure e.g. cabling and services (neither %)	0	
Infrastructure e.g. cabling and services (both %)	0	
Desktop computers, printers and maintenance (central department %)	4	100
Desktop computers, printers and maintenance (individual function %)	0	
Desktop computers, printers and maintenance (neither %)	0	
Desktop computers, printers and maintenance (both %)	0	
Office Software eg word-processing (central department %)	4	100
Office Software e.g. word-processing (individual function%)	0	
Office Software e.g. word-processing (neither %)	0	
Office Software e.g. word-processing (both %)	0	
Operational software e.g. contact management software (central department %)	4	100
Operational software e.g. contact management software (individual function %)	0	
Operational software e.g. contact management software (neither %)	0	
Operational software e.g. contact management software (both %)	0	
CRM Software (Central department %)	4	100
CRM Software (individual function %)	0	
CRM Software (neither %)	0	
CRM Software (both %)	0	
ERP Software (Central department %)	4	100
ERP Software (individual function %)	0	
ERP Software (neither %)	0	
ERP Software (both %)	0	
Shared services (Central department %)	4	100
Shared services (individual function %)	0	
Shared services (neither %)	0	
Shared services (both %)	0	
ADTM (Central department %)	4	80
ADTM (Individual function %)	1	80
ADTM (Neither %)	0	
ADTM (both %)	0	

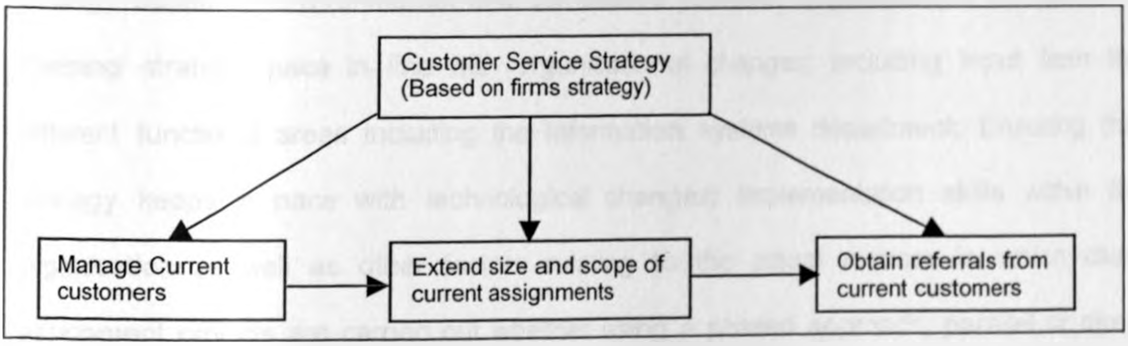
Source: Research results

Table 6 shows that in all cases other than for shared services the payment of IT services and infrastructure is done by the central department. This means that these costs are borne by a single organizational unit and are not charged or re-charged to customers or other units within the organization.

Internal delivery systems are not designed and built to cater for customer satisfaction It emerged that consultancy firms pay little attention to the importance of the customer when equipping their firms with internal delivery systems.

In order to effectively serve their customers, 50% of the firms have a client service strategy, a formal Information Technology Strategy and these strategies are aligned to each other and to other business strategies. The rest of the firms neither have IT and Customer service strategies hence do not need to address the issue of alignment. A customer service strategy makes it possible for customers to manage current clients, extend the scope of current assignments, obtain referrals from current customers as well a plan for issues relating to feedback as shown in figure 2 below:

Figure 5: Elements of a customer service strategy



Source: Research results

As can be seen from figure 2 a customer service Strategy (CSS) has two important focuses - an internal focus and an external focus. The internal focus deals with ensuring that the CSS serves the consulting firm by ensuring that client interest are well taken care of and that client business is well managed. The external focus relates to employing the

CSS to obtain additional business not from existing customers but through referrals. This is a minor component which contrary to popular belief does not occur naturally. There has to be a formal way of making clients willing to refer the consultancy firm to other organisations by feeling that doing so is in their interests as well. This results in an informal client lobby, which can be used to further client interests.

37.5% of the firms who have customer service strategies and IT strategies have multiple strategies for both business and IT. The rationale for doing this is that each Customer segment needs to be targeted and served with its own strategy as well as each business unit.

83% of the respondents stated that an IT strategy leads to better management of the business and of the customers. 25% of these firms argued that it is the presence of a strategy that has helped them retain their clients.

Factors that were attributed to the success of strategies are: The definition of specific objectives in advance with 37% of the respondents stating this as an important success factor; Crafting realistic strategy on the basis of a firms unique position; Changing of strategy based on environmental and competitive realities; Organisational commitment; Keeping strategic pace in line with organisational changes; Including input from the different functional areas including the Information systems department; Ensuring that strategy keeps in pace with technological changes; Implementation skills within the organisation as well as other factors relating to the actual manner in which client assignment projects are carried out whether using a phased approach, parallel or direct approach.

4.2.2 Tools and Methodologies used in client assignments

A client assignment refers to the task and responsibility a consultancy firm is given by an organisation to perform some work on its behalf. The consultancy firm is "assigned" to carry out certain tasks within the context of a consultancy contract.

In studying the tools and methodologies used in carrying out client work the researcher wanted to find out how consultancy work is undertaken and how it differs from ordinary dy to day work. The research questionnaire asked the respondents to select the tools and methodologies that are used within their firms. They were also asked to mention any other tools they used that had not been included in the list.

All the firms that were surveyed have access to the Internet and 75% of them argued that the Internet is very useful in the business of offering consultancy services. 75% of these firms have websites however none of them receive customer feedback on the websites because the facility to do so is not available. The websites of these firms have not been tested for readability by the visually impaired while 25% of them do not have a privacy statement. 50% of the sites have a copyright statement, which guides potential and current customers on how to use the information on the web site. None of the firms surveyed have a policy governing links to and from other sites. This is a deficiency because links to other sites provide a way through which more people can visit a firms site by making it more visible. The use of site optimisation tools such as google (www.google.com) can aid these firms in determining which sites to link to.

Table 7 summarises the relative importance firms place on their websites in terms of enhancing their competitive position compared to other organisations.

Table 7: Importance of websites for Consultancy business

	Response	Frequency	Percent
Valid	Strongly Agree	2	25.0
	Agree	3	37.5
	Neither Agree nor disagree	2	25.0
	Total	7	87.5
Missing	System	1	12.5
Total		**8**	**100**

Source: Research results

Maintenance of websites is a key aspect of consultancy business. This is because the information provided on the site is one through which customers are kept informed and it is through this information that decisions on which firm to do business with are ultimately made. From the research carried out many consultancy firms do not take time to keep their websites up to date as table 8 illustrates.

Table 8: Importance of keeping websites updated

	Response	Frequency	Percent
Valid	Strongly Agree	2	25.0
	Agree	4	50.0
	Disagree	1	12.5
	Total	7	87.5
Missing	System	1	12.5
Total		**8**	**100.0**

Source: Research results

Websites also provide a unique way of communicating to customers through the provision of dedicated services, which are uniquely available to customers due to the requirement of some login facility or passwords. Only 12.5% of the firms responded that they do offer such services, which include resources that clients can download at no extra fee to themselves. While the internet opens up the possibility of interaction with ones customers, the consultancy firms that participated in this research use the internet but have not yet begun using the interpretative softwares as well as the interactive capability of websites. Those firms that have websites use them use them more as online brochures and allow little or no customer interaction on their sites. Instead customers or potential customers are provided with contact details of key staff with whom they can discuss any matter. This removes the element of anonymity that a potential client may want when making a decision about which firm to hire.

The websites also do not offer drill down facilities that would allow clients to obtain relevant information at the level of detail they require.

Consultancy firms do not display their aggregated financial statements nor give access to the raw accounting data which would allow customers to carry out their own hypotheses in assessing the risks of doing long-term business with these firms. Firms have usually resorted to requesting for bank statements, performance bonds and other accounting records in order to assess the viability of a consulting firm in meeting the obligations of a given consulting assignment. This is a time consuming exercise, as the consulting firms themselves do not always posses this information whenever it is required.

Other than the internet and websites consultancy firms also use a variety of methodologies in order to structure in some way their intellectual work, provide a level of objectivity as well as enhancing predictability.

The firms that participated in this research have their own in house developed methodologies and they also make use of the publicly available methodologies showed in Table 9.

Table 9: Tools and Methodologies used in Consultancy firms

Tools and Methodologies used	Count	% of Responses	% of Cases
Internet search tools and methodologies	4	9.1	57.1
Business process redesign	5	11.4	71.4
Activity-based costing best practices	3	6.8	42.9
Data modelling	1	2.3	14.3
Total quality management	1	2.3	14.3
Balanced scorecard	4	9.1	57.1
Business and technology road mapping	3	6.8	42.9
Supply chain operation reference (SCOR)	2	4.5	28.6
Scenario planning	3	6.8	42.9
TRIZ methodology	1	2.3	14.3
Joint application development techniques	1	2.3	14.3
Project management best practices	6	13.6	85.7
Spreadsheets	6	13.6	85.7
Modelling and simulation tools	2	4.5	28.6
Technology analysis and forecasting method	1	2.3	14.3
Object-oriented systems analysis	1	2.3	14.3
Total responses	**44**	**100.0**	**628.6**

Source: Research results

Table 9 shows that the majority of consultancy firms use *"Project Management Best Practices"*. This is because consultancy assignments are always conducted as projects where resources such as time, human resources and Finances are not infinite and need to be managed in a coherent manner. The Project Management Best Practices provide assistance on how to manage the Time-Quality-Cost Triangle where a realisation is made that time is always a constraint on Competitive edge projects while quality is a constraint in safety critical projects. Low budget projects have cost as their constraint. This set of best practices helps in the management of these constraints.

Spreadsheets are commonly used by consultants due to the assistance they provide in data analysis. Advanced modelling using spreadsheets can be used using features such as solver where a change in one variable is examined to see how it would affect other dependent variables. This tool can be further extended to employ multiple variables and assumptions. Spreadsheets are also used for account planning where a predetermined list of potential and actual clients is entered in a column with assumptions about their likely buying behaviour and decision influencers. This is monitored periodically and assumptions modified as appropriate.

Business Process redesign is used where business processes are found to be inefficient in terms of turn around time and cost. This approach reviews each business process or a selection of business process to determine which ones need to be redesigned as well as to actually design the new processes. The result of such analysis is usually a set of flow diagrams or structured charts, which depict how the new process should be.

The research also sought to find out whether risk management procedures were built into the assignment delivery approaches and models. This is because lack of proper risk management could lead to losses to both the client and the firm. The fact that the decision on what firms to approach depends on only two variables namely the industry they belong to and their financial capability suggests that the consulting firm, while seeking to maximise revenue fails to adequately manage this risk. This happens because risk from a consulting engagement may arise from factors beyond these two variables. Other factors that could raise the risk inherent in a technology project include: the size of the project in terms of financial requirements, experience with technology, perceptions of key stakeholders, degree of structure of a project (the less structured the higher the risk), internal skills and competences among others. Though the consultancy firms claim to have scoping arrangements through which the go or no go decision is made these factors as has been pointed out are not taken into consideration.

Most of the small firms possess very few tools and methodologies. One of the firms studied has a single methodology which it uses on a variety of assignments. The range of methodologies and tools used increases the quality of work because each tool provides vital pieces of information which another tool may not be able to provide. In this regard it can be said that the quality of customer satisfaction increases in cases where assignments are well undertaken using a variety of tools as the need dictates.

4.2.3 Strategic Positioning of Consultancy firms

The strategic positioning of consultancy firms relates to both the internal and external preparedness consultancy firms have that allows them to attract business. The internal preparedness consists of the delivery systems that are put in place as well as the actions of Partners and directors. The external aspect relates to the overt actions that these firms undertake in order to obtain business. This includes strategic moves such as adopting one or other of Porters generic strategies. The strategic positioning of consultancy firms affects decisions about which potential customers to target, what services to offer, how to maintain the clients and further the business relationship. To do this, firms will either pursue strategies of differentiation, focus or cost leadership.

In examining the strategic positioning of consultancy firms the researcher intended understand how consultancy firms obtain customers and what efforts they make to grow their businesses. To do this the role of partners and directors in sourcing for new business was studied. An analysis of account planning and service offering was also done in order to understand how the strategy affects customer orientation.

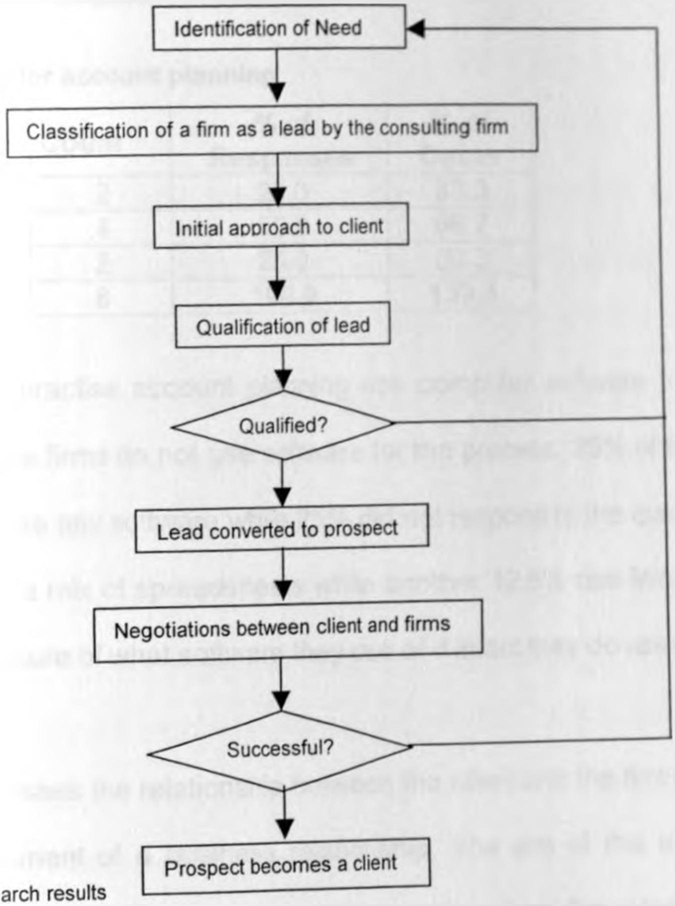
Partners, directors and Consultants source for new business in Consultancy firms. 85.7% of all consulting firms source new business through Partners, Directors and consultants while 14.3% use other persons. The belief here is that Partners and Directors are best suited to perform this role which they believe is a sensitive one and has to be handled by one who is very familiar with the basis. 50% of the firms argued that Partners and Directors were solely responsible for bringing in new business. Partners and Directors are the "owners" of Consultancy firms and it is believed that they work tirelessly to achieve the firms objectives.

The decision about which firms to target is based on the Industry the prospect belongs to, the annual revenue the potential client makes as well as other reasons of a strategic nature. 37.5% of the consultancy firms believe that the revenue a prospective client makes is the most important in deciding which firms to target while 25% of them argued that the industry they belong to was the important factor. 25% of the firms base this decision on other considerations such as friendship between various individuals, Strategic reasons such as how a prospective firm can aid a consultancy firm in its expansion or even the availability of work in the consultants offices.

In order to manage the existing businesses and to obtain new ones consultancy firms practice account planning. Account planning aims at planning for likely future revenue and client work.

Figure 5 below depicts the account planning process as practised in consultancy firms. This figure was developed from the shared components of Account planning in the population. Excluded from the diagram were items such as business lunches which feature in account planning expenditure and which can be used at different stages of the process including initial approach to the client as well as negotiation. The diagram is an illustration of the conduct of account planning in Kenyan consultancy firms which make use of this planning technique in their business.

Figure 6: The Account planning process in Consultancy firms



Source: Research results

Table 10 shows the responses to the question "Does your firms practice account planning?"

Table 10: Account planning in consultancy firms

	Response	Frequency	Percent
Valid	Yes	5	62.5
	Don't know	1	12.5
	Total	6	75.0
Missing	System	2	25.0
Total		**8**	**100.0**

Source: Research results

62.5% of the population practice account planning while 12.5% of the respondents do not know whether their firms practice account planning. 25% of the respondents did not respond to the question.

The responsibility for account planning just like that of sourcing new business falls upon the Directors and partners as shown in Table 11.

Table 11: Responsibility for account planning

Person responsible	Count	% of Responses	% of Cases
Partners	2	25.0	33.3
Directors	4	50.0	66.7
Consultants	2	25.0	33.3
Total responses	**8**	**100.0**	**133.3**

Source: Research results

25% of the firms who practise account planning use computer software to assist them while another 25% of the firms do not use software for the process. 25% of the firms were not sure whether they use any software while 25% did not respond to the question. 12.5% of the firms use a mix of spreadsheets while another 12.5% use Microsoft Project. The rest were either unsure of what software they use of if infact they do use any.

Account planning addresses the relationship between the client and the firm before, during and after the establishment of a business relationship. The aim of this is try and gain additional business for the firm. There was very little mention about the potential benefits to clients in an account plan as demonstrated in figure 5.

Information systems play a key role in the account planning process by providing automated tools to keep track of the "Status" of a lead or a prospect. Once a prospect becomes a client the client-firm relationship is managed through the use of a customer service strategy or a client service strategy.

After a consultancy assignment clients usually request for a variety of other services including Audit and evaluation of Information systems implementations, Tax and legal service's, Training, System review/project review, Recommendation of new system, Follow on work not previously in Terms of reference, feedback on performance and Information security service. Table 12 shows the responses of the firms who participated in this research when asked what other services clients request for a consultancy engagement. From the table it will be seen that after a consultancy engagement many clients will mainly ask for services that add value to the implementation they have gone through or which will help them add value to the existing implementation. 18.8% of the firms who participated in this research mentioned that Evaluation of Implementation and Project review are the main services asked for after an implementation. In reality the two services are similar and only the names differ. This means that approximately 40% of the clients would like to have a detailed evaluation or review of an Information Systems project once it has been concluded.

4.2.4 Services clients ask for after a consultancy engagement

In order to understand the effectiveness of the systems used in Consultancy firms this research sought to find out what services client ask for after a consultancy engagement. If clients do not ask for any service this could indicate that the assignment was not carried out well. This is based on the fact that there is always scope for Management consultancy activity in any firm. If however the service asked for indicates failure to carry out the assignment well then there is a need for consultancy firms to review their strategy. Table 12 shows the services asked for by clients after a consultancy assignment.

Table 12: Services clients request after a consultancy engagement

Service Type	Count	% of Responses	% of cases
Audit/evaluation of implementation	3	18.8	42.9
Tax and legal information's	1	6.3	14.3
Training	2	12.5	28.6
System review/project review	3	18.8	42.9
Recommendation of new system	2	12.5	28.6
Follow on work not previously in TOR	1	6.3	14.3
They ask to give feedback on performance	1	6.3	14.3
Information security service	1	6.3	14.3
Others	2	12.5	28.6

Source: Research results

The services a firm offers are dependent on its internal expertise, its strategy as well as the tools and methodologies that it possesses. There is a direct relationship between Strategy, tools and services offered. A firm cannot offer all the services that customers ask for as it may face numerous problems including alignments issues.

Consulting firms need to address their own internal alignment issues to determine which IT projects would support their strengths as the Gartner Group study of 2001 revealed.

In Kenya these firms do not seem aware of the importance of having their own internal strategies aligned to each other. This has resulted in unnecessary expenditures as well as centralised purchasing with its resultant effect of failure to cut costs. Though this research found out that internal delivery systems and information technology costs are borne by the central department, this is far from the truth as the level of fees charged has a direct relationship with the level of investment in these systems. Those firms with lower investments in information technology and paraphernalia tend to have lower fee structures as the comparison of KPMG fees and those of Quantum Consultants revealed.

Some smaller firms such as Advantech Consulting and Zedesen have managed to effectively compete for business against the larger established firms such as KPMG, Deloitte and Touche as well as Ernst and Young.

Consultancy firms at times obtain business by association with other firms, individual contacts as seen in the case of Zedesen Associates and lower fees as charged by smaller fees such as Advantech consulting.

4.3 Customer Service and Strategic Positioning

The previous section discussed the strategic positioning of firms in relation to how they source for new business and how they retain existing customers.

This section looks at the relationship between those approaches (if any) and how those approaches influence customer service. This is the external aspect of strategic positioning and is the more visible one.

In exploring the relationship between customer service and strategic positioning the researcher intended to verify the assumption that those firms with well-defined strategic positions also have coherent customer service strategies. It was also important to find out whether it is possible to run a successful consultancy practice without either a customer service strategy or a well-defined business strategy.

38.5% of the firms that participated in this research said that they do not have a formal customer service strategy. This means that there is no written and coherent approach on how customers should be handled before, during and after a consultancy engagement. Only 25% of the firms surveyed have a customer service strategy. It is also noted that those firms who do not have a customer service strategy tend to be the indigenous firms. They also tend to minimise on the use of consulting tools and methodologies perhaps because of the cost outlays involved in procuring these tools and the time and effort it requires to master them well.

The contents of the customer service strategy were not revealed by those firms who claimed to have one. This raises doubt on the existence of such a strategy since the research did not wish to find out what the strategy is but rather what elements it takes into account. This made it clear that the operations of Consultancy firms tend to be done with a certain level of secrecy.

In the absence of a customer service strategy the research sought to find out how consultancy firms assess client satisfaction after a consultancy assignment. 50% of the firms do this through the use of questionnaires while the other 50% use informal talks as a way of gauging client satisfaction. All firms in this research have a way of assessing client satisfaction.

All firms have a way of assessing customer satisfaction but 38% of them have no customer service strategy. This means that customer service is a matter of trial and error and the fact that all firms actually assess client satisfaction means that they are not willing to lose customers. A customer service strategy is therefore useful in client retention and in being able to anticipate in advance whether clients are happy with the services they are receiving. It is proactive and fosters long-term relationships.

If used well Data mining could allow firms to not only develop deeper customer relationships but would also assist them in targeting customers effectively and in so doing mitigate against the risks inherent in their current client targeting approaches. This however does not invalidate the need for comprehensive risk management procedures.

4.4 Relationship between the strategic positioning and models used

The relationship between the tools and modes used and strategic positioning is one where the choice and number of tools influence and affect the strategic positioning. An example of this is the usage of Internet search tools and methodologies. Firms that use this type of methodology seek to be fairly visible in the market place and also have a regional focus.

This is the case with all the firms that were covered in this research. These firms also pursue innovation in their operations.

The choice of methodologies would theoretically produce a corresponding number of strategic posturing however this is not practical for the firms as it would dilute their business focus and lead to less than optimal performance.

The strategic posturing of consultancy firms depend more on the number of tools and methodologies in their possession as Table 13 illustrates.

Table 13 Number of tools and methodologies used in consultancy firms

Number of Tools used	Frequency	Percent	Valid Percent	Cumulative Percent
0	1	12.5	12.5	12.5
4	1	12.5	12.5	25
5	2	25	25	50
7	2	25	25	75
8	1	12.5	12.5	87.5
11	1	12.5	12.5	100
Total	**8**	**100**	**100**	

Source: Research results

Table 13 shows that 25% of the firms use between zero and four tools and methodologies. This can be explained from the fact that these firms are small and do not have numerous financial resources such as those firms that use more than eight methodologies.

50% of the firms are in the middle range where five to seven methodologies are used. Only one firm uses eleven methodologies a valid percent of 12.5.

On the basis of the number of methodologies used by firms an index of firms was produced to arrive at three different types of firms namely those that have low usage of methodologies, those that have a high usage of methodologies and those that are in a middle position in methodology usage. Table 14 shows the different firm categories. The numbers in bracket show the range of methodologies used e.g. in the high category eight to 11 methodologies are used.

Table 14 Categorisation of firms according to number of methodologies

Categories	Frequency	Percent	Valid Percent	Cumulative Percent
Low (0-3)	1	12.5	12.5	12.5
Medium (4-7)	5	62.5	62.5	75
High (8-11)	2	25	25	100
Total	**8**	**100**	**100**	

Source: Research results

From table 14 it can be seen that the majority of firms (62.5%) use between four and seven methodologies while the rest (37.5) either use less than four methodologies or more than eight.

Having derived the categories within which the different firms fall the researcher went on to relate these models to the strategic positioning explained in the previous two sections. Firms that have few methodologies are not financially endowed with large resource bases and so use the few they have to try and compete effectively. Such competition is done on the basis of cost. It is on this count that small firms are able to successfully compete for business against larger firms.

On the other end are the larger firms which have large amounts of resources and which have been in existence for a longer time. They also have business associations with their parent companies abroad and usually have large service lines. This means that they are able to posses a larger number of methodologies as well as service very specialised customer segments through their usage of such tools and methodologies. These are the firms that were seen to be in the high segment. The firms in the middle have several business lines and a fair range of methodologies to use. Since these firms tend to compete more than in the other two categories since they are more the strategic positioning has to be one of differentiation.

Table 15 shows the relationship between models used and strategic positioning. An "X" shows the strategy used by the firms. Firms that lie in the Low category practice cost leadership while those that are in the medium segment use differentiation. Firms in the high category have the focus strategy as their business strategy.

Table 15 Models used and Strategic positioning

Model Categories based on number	**Number of Firms in category**	**Strategic Positioning**		
		Cost leadership	**Differentiation**	**Focus**
Low (0-3)	1	X		
Medium (4-7)	5		X	
High (8-11)	2		X	X
Total	**8**			

In absolute terms the categorisation does not refer to firms per se but to the business lines offered. This means that on a given business line a firm may use the focus strategy while it uses the differentiation strategy in another business line. This is mainly the case with those firms that possess a large number of assignment delivery tools and methodologies.

Some local consulting firms practice cost leadership since they seek to make their services available at a lower cost and to a large customer base.

Foreign owned consultancy firms on the other hand use differentiation as their chosen competitive strategy. Differentiation among these firms which include Deloitte and Touche, KPMG, Ernst and Young is based on an interplay between assignment delivery methodologies, knowledge of a given industry, duration it takes to complete an assignment as well as experience with technology and innovation tools.

Local consulting firms are able to effectively compete with these firms because in addition to their low cost strategies they claim to posses all the skills and aptitudes available in a foreign consultancy firm since they worked in these firms before setting out on private practice. All the local firms that participated in this research are run by individuals who worked in the "big–five" consultancy firms. This can be likened to training ones competitors.

The focus strategy is used in certain business lines in firms such as KPMG and Ernst and Young to serve customers with unique and specialised needs. In such areas the competition from other firms tends to be very minimal and highly ineffective as these firms posses an absolute competitive advantage. This occurs mainly in the information risk management business lines where specialised tools such as intrusion detection systems are required. It is also used in specialised financial advisory services, which are outside the scope of this research.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

This research explored different literature sources relating to assignment delivery approaches, corporate governance, strategic planning for information technology and strategic positioning. An investigative questionnaire was designed to collect data that would assist in addressing the research objectives. An analysis of the data provided in the questionnaire provided insights into how consultancy firms work. Unstructured interviews were also carried out to delve deeper into an issue or to obtain clarifications. It emerged that it takes very little to begin a consultancy firm and that obtaining business does not follow the usual rules employed in the services industry.

Any firm or individual that wishes to offer consultancy services is at liberty to do so because there is no regulatory body that oversees their operations firms. In addition to that the firms are not bound by any corporate disclosure rules making it relatively difficult for a potential client to carry out a thorough investigation of the firm before engaging it. In the language of Porter M.E. the consultancy services industry is characterised by low entry and exit barriers.

In order to determine which services to offer consultancy firms examine the most lucrative business areas and provide services accordingly. This response is based not so much on an analysis of the industry but on the desire to make quick gains. Consultancy firms should have concrete plans and strategies for determining which services to offer and to which market segments in order to effectively manage client expectations.

The Internet plays an important role in the consultancy services industry. Many consultancy firms are known to subscribe to specialized services on the Internet such as KPMG's subscription to Gartner. Through such services consultancy firms are able to obtain current information about trends in information systems management. The alternative would be for the firms to carry out their own research, which would amount to reinventing the wheel as well as resulting in unnecessary expenditure.

As has been seen websites come in different shapes and sizes. This means that a firm is at liberty to choose the design, layout and content of its site. Firms should include content on their financial performance as part of a process of standardized corporate disclosure. This may include raw accounting data, which potential customers can analyse and come up with meaningful information.

Account planning is a practice that is well known in the big-five consultancy firms however when the business is at its peak this practice is usually neglected. This neglecting shows that the interests of the customer are not the prime interests of a consultancy firm. Implementing an account plan is a costly but worthwhile exercise, which needs to be carried out even when business is at a peak to ensure that clients are continually getting the kind of service they anticipated for. The new entrants in the consultancy business should begin practicing account planning not so much so that they can effectively compete in the market place but so that the customer's interests can be well taken care of at each stage of an assignment.

The use of object-oriented design methodologies greatly reduces the time it takes to carry out systems development. The technique makes use of reusable components (Objects and classes), which make the consultants work in systems development easier and enhance reliability. A "Class" which for example defines an organisation can be used to define an object "Organisation" which is a member of this class. The analyst will only need to define the elements of the new object that are different from one organisation to another when implementing an organisation-wide system.

Data warehouses are large data stores, which contain all the transactional data for an entire organisation. This data is used by lower level systems such as management information systems to produce aggregated reports and summaries. These reports can be produced frequently or on ad-hoc basis. Higher-level systems such as Executive Information systems also use this data to provide executives with information in a format that is suited to their needs. The development of a data warehouse is therefore recommended to consultancy firms in order for them to be able to effectively manage their clients. This information will allow the firms to determine the clients buying patterns and behaviour.

It is recommended to business organisations that before they engage a consultancy firm they should obtain as much information from the firm relating to its financial position, nature and complexity of assignment delivery tools and methodologies, other clients who have benefited from this service, experience of consultants in the particular type of assignment as well as the mechanisms the firm uses to manage the client-firm relationship.

There is need for more attention to be given to the needs of client needs and business systems should always be designed and built with the customer in mind and cater for client participation where possible. All tools, methodologies and delivery systems should explicitly focus on the customer and require his participation and input at all stages of an assignment.

Recommendations for further research

This research explored the client service and delivery mechanisms used within consultancy firms. It also explored the management of the client-firm relationship during and after a consultancy engagement. Future research work can be carried out in areas such as approaches to consultancy firm selection by prospective clients, Building a case for regulation of consultancy firms, Assessing the value-adding nature of consultancy firms as well as how to compete effectively within the consultancy services industry.

APPENDICES

6.1 Appendix 1: Letter to Respondent

<<Consultancy Firm's Name>>
<<Postal Address>>
<<Physical Address>>
<<NAIROBI>>

Dear Sir / Madam

Your firm has been identified and selected for a study entitled "Service delivery approaches, models and the strategic positioning of information technology management consultancy firms". This is being carried out by the student named below as part of the requirements for the degree of Masters in Business Administration (MBA). We therefore request you to complete the attached questionnaire to facilitate the research.

The information requested is purely for academic purposes and will be treated in strict confidence.

Thank you in advance for your co-operation.

Jackson Maalu
Supervisor

Paul K Mbithi
University of Nairobi
Faculty of Commerce
D/61/P/8055/99

6.2 Appendix 2: Questionnaire

Introduction

This survey covers the strategic positioning and service delivery of Information Technology in consultancy firms. The survey will be sent to selected IT management consultancy firms in Kenya. Questions will be asked about IT strategy, Customer Service, strategic positioning and the use of Intranet, the Internet and web sites.

This questionnaire is divided into two parts. The first part requires you to fill information about your organisation. It will be used for classifying the results of the study. The second part is meant to highlight the various aspects of customer service and delivery models that are the subject of this research.

Part A: Company and Respondent data

Section I: About your organization

1. Name of the company...
2. Year of establishment..
3. Title of respondent...
3. Duration of Employment...

1. Who are the owners of the company?

   Local ( )
   Foreign ( )
   Mixed ( )

2. What is the company ownership?

   Sole proprietor [ ]
   Partnership [ ]
   Corporation [ ]

4. Does the company have a mission statement? Yes ( ) No ( )

5. Is it available in written form?

Yes [ ]
No [ ]

6. Who is responsible for reviewing and updating this strategy?

Partner/ Director [ ]
Designated Manager [ ]
Other [ ] Please specify ____________________

Section II: About you and your organisation

1. What is your functional area?
   a. Accounting/ Finance ( )
   b. Marketing ( )
   c. Information Systems Management ( )
   d. Other (please state) ____________________
2. What IT services does your organisation provide to its clients? (Tick all that apply)
   a. Project Management ( )
   b. Systems analysis ( )
   c. Requirements definition ( )
   d. Procedure development ( )
   e. IT Security reviews ( )
   f. Systems development ( )
   g. Systems maintenance ( )
   h. Other (please state) ____________________
   i. Other (please state) ____________________
   j. Other (please state) ____________________
   k. Other (please state) ____________________
3. How do these services add value to your clients? (Please tick all that apply)
   a. Ease Management workload ( )
   b. Provide innovative applications ( )
   c. Minimise clients risk in technology adoption ( )
   d. Other (please state) ____________________
   e. Other (please state) ____________________

f. Other (please state) ____________________

g. Other (please state) ____________________

4. Please indicate the interquartile spending per annum on each of the following items

Interquartile spending pa.	**From**	**To**	**Maximum**
Hardware			
Software			
IT staffing			
Customer retention			
Customer education			
Customer targetting			

5. How is the ownership and payment of IT and other delivery tools within your organisation allocated?

	Central department %	**Individual functions %**	**Neither %**	**Both %**
Infrastructure e.g. cabling and servers				
Desktop computers, printers and maintenance				
Office software e.g. word processing				
Operational software e.g. Contact management Databases				
Customer relationship management software				
Enterprise Resource Planning software				
Shared Services				
Assignment delivery tools and methodoligies				

Part B: Customer Service Information, Delivery approaches and Models

Section I: About IT Strategy

1. Do you have a formal customer service strategy? Yes ( ) No ( )
2. Do you have a formal IT Strategy? Yes ( ) No ( )
3. Is your Customer service strategy aligned to the business strategy?
   Yes ( ) No ( )
4. Do you have multiple strategies IT or business? Yes ( ) No ( )
5. How would you rate your IT strategy in terms of leading to better management of the business and of customers?
   Excellent ( ) Good ( ) Fair ( ) Inadequate ( )

   Explain.

6. Reasons attributed to the success of strategies (Please tick under the box that best corresponds to your reasons S.A= Strongly Agree, A = Agree, D = Disagree and S.D = Strongly Disagree)

	S.A	A	D	S.D
Specific objectives were well defined				
Strategy was realistic				
Strategy was altered as needs changed				
Organisational commitment				
Strategy kept pace with organisational developments				
Included input to the IT strategy from staff				
Strategy kept pace with IT developments				
Implementation skills within the organisation				
Other, e.g. personal commitment and phased implementation				

About the attitude to the planning of IT within Consultancy firms

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
IT strategic planning improves the use of IT within our firm					
IT strategic planning improves the use of IT within client firms					
Firms should only spend money on IT if results are measurable					
Planning is wasted because of rapid changes to the environment					

Section II: About the organisation's use of the Internet

1. Do you have access to the Internet? Yes ( ) No ( )
2. What do you use the Internet for?

	Always	Sometimes	Never
Searching for Tenders			
Searching for Expressions of Interest			
Monitoring the Consultancy Services sector			
Staff recruitment			
E-procurement			
Handling customer enquiries			
Collaboration with client firms			
Delivering services directly, e.g. publishing sector surveys, extranet services, distribution of research findings, sale of publications and			

e-commerce for members			
Project management in the field			
Other, e.g. research and information collection; VPN Access, Intranet and advertising services			

Section III: About Web Sites on the Internet

1. Do you have a Web site? Yes ( ) No ( )
2. Do you receive customer feedback on your site? Yes ( ) No ( )
3. How are such comments received and handled?

____

____

____

4. Has your web site been tested for Readability by the visually impaired?

   Yes ( ) No ( )
5. Does your web site have a privacy statement? Yes ( ) No ( )
6. Does your web site have a copyright statement? Yes ( ) No ( )
7. Do you have a policy for your web sites governing links to or from other sites?

   Yes ( ) No ( )
8. If yes what are the contents of such a policy?

____

____

____

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
A website gives an advantage compared with other organisations					
The Internet is good for our type of organisation					
Our websites provides updated information on our service lines					

9. Does your site provide any services that are only accessible to your clients e.g. through passwords and logging in? Yes ( ) No ( )

10. If yes do customer make use of such services?

Frequently ( ) Sometimes ( ) Never ( ) Don't know ( )

Section IV: About your Customers

1. Who in your firm is responsible for sourcing new business?

   Partners ( ) Directors ( ) Consultants ( ) Other –Please state ( )

2. How do you determine which firms to approach?
   a. The industry they belong to ( )
   b. The revenue they make per annum ( )
   c. Other ______________________________

3. From which industries do your clients operate

   Manufacturing ( )
   Financial Services ( )
   Local Government ( )
   Central Government ( )
   Service ( )
   Other please State ______________________________
   Other please State ______________________________
   Other please State ______________________________
   Other please State ______________________________
   (If you need more space kindly write on the reverse side of this page)

4. For each of the sectors mentioned above place a tick (√)in the box that agrees with the number of clients you have in the different categories

Sector	Less than 5	> 5 and < 10	Above 10
Manufacturing			
Financial Services			
Local government			
Central government			
Service			

5. After a consultancy engagement what kind of services do your customers usually ask for? (Please list the services in the space below)

1)____________________________________
2)____________________________________
3)____________________________________
4)____________________________________
5)____________________________________
6)____________________________________
7)____________________________________
8)____________________________________

6. Does your firm have a written customer service policy?

   Yes ( )   No ( )   Don't know ( )

   (If yes please answer the following questions. If no go to question 7)

   a. Is every consultant aware of this policy

      Yes ( )   No ( )   Don't know ( )

   b. What are the contents of such a policy

      How often is the policy reviewed

      Frequently ( )   Never ( )   Don't know ( )

7. How do you assess your clients satisfaction with your services?

   Use of a questionnaire ( )
   Informal talks ( )
   Don't assess ( )
   Other Please state ______________________________

   a. If you assess client satisfaction. Kindly explain in detail how you go about it in the space below

      ____
      ____
      ____
      ____

   b. If you don't kindly explain your reasons for not doing so

      ____
      ____
      ____
      ____

Section V: About your Models and tools

1. Does your firm carry out account planning? Yes ( ) No ( ) Don't know ( )
2. Who is responsible for account planning?

   Partners ( ) Directors ( ) Consultants ( ) Other –Please state ( )
3. Do you use any software for Account planning?

   Yes ( ) No ( ) Don't know ( )
   a. If yes. Please give the name of the Software ______________________
4. Does your firm have its own in-house assignment delivery tool(s) or methodology/methodologies?

   Yes ( ) No ( ) Don't know ( )
   a. If your answer is <no> or <don't know> please skip this question
      i. How many tools/methodologies does your firm possess?

         < 5 ( ) 6 to 10 ( ) 11 to 15 ( ) >16 ( )
      ii. Of these tools how many are proprietary?

          < 5 ( ) 6 to 10 ( ) 11 to 15 ( ) >16 ( )
      iii. Do (es) your tool(s)/methodology provide for customer participation?

           Yes ( ) No ( ) Don't know ( )
5. Does your firm have any post implementation tool/s or methodologies, which it uses to assess the effectiveness of an assignment undertaken?

   Yes ( ) No ( ) Don't know ( )
6. Does the tool used depend on the nature of the assignment?

   Yes ( ) No ( ) Don't know ( )
7. Do (es) the tool(s) provide for customer feedback?

   Yes ( ) No ( ) Don't know ( )
8. What kind of feedback is expected from customers
   a. Written Comments ( )
   b. Point rating of various issues in order of importance ( )
   c. Other please specify______________________________ ( )
9. Which of the following tools and methodologies does your firm use (Tick all that apply)
   a. Business Intelligence Best Practices ( )
   b. Internet Search Tools and Methodologies ( )
   c. Business Process Redesign ( )
   d. Activity-Based Costing Best Practices ( )

e. IDEF Methodology ( )
f. Data Modeling ( )
g. Total Quality Management ( )
h. Quality Function Deployment Analysis Techniques ( )
i. Balanced Scorecard ( )
j. Business and Technology Roadmapping ( )
k. Supply chain Operations Reference (SCOR) Model ( )
l. eSCM Model ( )
m. Scenario Planning ( )
n. TRIZ Methodology ( )
o. Joint Application Development Techniques ( )
p. Project Management Best Practices ( )
q. Spreadsheets ( )
r. Modeling and Simulation Tools ( )
s. Technology Analysis & Forecasting Methodology ( )
t. Object-Oriented Systems Analysis ( )
u. Intellectual Asset Management Methodologies ( )
v. Risk Analysis ( )
w. Other (please state) ______________________________
x. Other (please state) ______________________________
y. Other (please state) ______________________________
z. Other (please state) ______________________________
aa. Other (please state) ______________________________

Thank you for taking time to complete this questionnaire.

6.3 Appendix 3: Sampling Frame of Consultancy firms

Consultancy Firm	Remarks on whether to include in research
ABM Management and Business Consultants	Although carries out business in Kenya it is a South African firm.
AMARCO	Specialises in insurance software but does not handle management consultancy
CAL	Does not provide Management consultancy services and is primary a solutions developer
Computech	Deals with hardware and software sales
Computerpoint	Deals with hardware and software sales
Connemara Consultants	South African Consultancy firm with no office or practice in Kenya
DCDM Consulting	In addition to other service lines also carries out IT Management consultancy
Deloitte and Touche	In addition to other service lines also carries out IT Management consultancy
Ernst and Young	In addition to other service lines also carries out IT Management consultancy
Infotech	Provides services such as IT training but no Management Consultancy
IPAX Business Solutions	In addition to other service lines also carries out IT Management consultancy
KPMG	In addition to other service lines also carries out IT Management consultancy
Mantech Consultants	Has not been in business in the last few years following the appointment of its Managing Partner to head a Government Parastatal
Orion Legacy Consulting	Does not provide Information Technology management consultancy
Osano and Associates	In addition to other service lines also carries out IT Management consultancy
PricewaterhouseCoopersg	In addition to other service lines also carries out IT Management consultancy
Quantum Consultants	Carries out Information Technology Management consultancy as well as other activities
SAP	The Kenyan office is a marketing office dealing with sales and support of SAP products
Software Applications Limited	Does not carry out management consultancy work
Symphony	Does not provide Management consultancy services and is primary a solutions developer
TechbaseAfrica	Software development, implementation and support is its line of business
Zedesen Associates	Information Technology Management Consultancy is the primary business line

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