Journal of
Business and Strategic Management
(JBSM)

EFFECT OF ORGANISATIONAL CAPABILITIES ON SUSTAINABLE COMPETITIVE ADVANTAGE IN AUDIT FIRMS: A CASE STUDY OF DELOITTE LIMITED

Justine M. Nzyoka, Mr. Paul Kamaku and Mr. Joseph Munyao

CARI Journals

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017
www.carijournals.org

EFFECT OF ORGANISATIONAL CAPABILITIES ON SUSTAINABLE COMPETITIVE ADVANTAGE IN AUDIT FIRMS: A CASE STUDY OF DELOITTE LIMITED

[1*] Justine M. Nzyoka
[1] Postgraduate student: Daystar University
[*]Corresponding Author's Email: nzyokajustine@yahoo.com

[2] Mr. Paul Kamaku, [3]Mr. Joseph Munyao
Lecturers, Daystar University

Abstract

Purpose: The purpose of this study was to assess the effect of organizational capabilities on sustainable competitive advantage in audit firms using a case study of Deloitte Limited

Methodology: A descriptive research design was used. The study population was drawn from the offices at Deloitte Place on Waiyaki Way. The study conducted a census of all the 106 staff from the target population. Primary data was used and was collected using questionnaires. Quantitative data analysis conducted using SPSS. Quantitative data was analyzed using descriptive statistical methods. Correlation analysis was also conducted. The qualitative analysis was used to make conclusions on the open ended questions.

Results: The study findings revealed that generally, the human resource capabilities, infrastructure and technology capabilities as well as the reputation capability of the firm could be described as average. Only the leadership capabilities were found to be above average based on the responses given. The study established that the firm had attained sustained competitive advantage mostly in the areas of brand identity and protection, organizational culture and the quality of services delivered. The study further established that HR capabilities, leadership capabilities, infrastructure and technology capabilities as well as reputation capability positively and significantly affected the level of sustainable competitive advantage at Delloite Kenya.

Unique contribution to theory, practice and policy: The study recommended that the firm needed to modify and develop its existing organizational capabilities of the firm beyond the average level. The study also recommended the firm needed to increase the level of utilization of information systems in streamlining/interlinking its processes so that there was quicker and increased information sharing within the firm for efficiency and flexibility in responding to customer needs. It was further recommended that the firm's organization constructs that is, an innovation-oriented organizational structure and an innovation friendly organizational culture be advanced to support and enhance the firm's capabilities.

Keywords: *organisational capabilities, competitive advantage, sustainable competitive advantage, resource-based view*

1.0 INTRODUCTION

Porter (1980) argues that competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceed the firm's cost of creating it. Competitive advantage also occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors (Porter, 1985; Barney, 1991; 1995; 2001). The Resource Based View (RBV) by Barney (1984) argues that firms have resources which enable them to achieve competitive advantage and superior performance. Resources that are valuable and rare can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer, or substitution (Barney, 1991; 1995; 2001). Competitive advantage is obtained when an organization develops or acquires a set of attributes that allow it to outperform its competitors (Wang, 2014). Resource-based view (RBV) posits that tangible organizational resources are vital for superior business performance and sustainable competitive advantage (Galbreath, 2014; Fahy, 2012). Lippman and Rumelt (2013) asserted that firms' financial or physical assets can generate high value for competitive advantage with minimal threat from replication. Firms should focus on identifying and exploiting resources to neutralize threats (Fahy, 2012; Galbreath, 2014; Lippman & Rumelt, 2013; Wang, 2014).

Organizational capabilities are the abilities of an enterprise to operate its day-to-day business as well as to grow, adapt, and seek competitive advantage in the marketplace. While individual skills or competencies may be an important building block of an organizational capability, the two are not synonymous. Similarly, technology on its own does not constitute an organizational capability, though it may be an important, even vital, enabler of organizational capabilities. An enterprise's ability to perform is based on people, technology, and process coming together as an integrated whole to do what the organization requires in order to excel (Deloitte Monitor, 2015).

Resources are the source of a firm‘s capabilities. Capabilities, in turn, are the source of a firm‘s core competencies. A firm‘s core competencies are the basis for its competitive advantages in the marketplace. Capabilities therefore is firm‘s capacity to deploy resources that have been purposely integrated to achieve a desired end state. Ulrich and Lake (1990) define 'organizational capability' as a business's ability to establish internal structures and processes that influence its members to create organization-specific competencies and thus enable the business to adapt to changing customer and strategic needs. Amit and Schoemaker (1993) assert that capabilities refer to a firm's capacity to deploy resources usually in combination using organizational processes to effect a desired end. They are information-based tangible or intangible processes that are firm-specific, and are developed over time through complex interactions among the firm's resources. Stalk, Evans and Shulman (1992) define a capability as a set of business processes strategically understood.

Competitive advantage is the ability of a firm to out-compete other firms in its industry. Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it (Porter, 1985). Peteraf and Barney (2003) define competitive advantage as superior differentiation and/or lower costs by comparison with the marginal (breakeven) competitor in the product market. An enterprise has a competitive advantage if it is able to create more economic value than the marginal (breakeven) competitor. The economic value created by an enterprise in the course of providing a good or service is the difference between the perceived benefits gained by the purchasers of the good and the economic cost of the enterprise (Peteraf & Barney, 2003). Superior value (what buyers are willing to pay) stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset the higher price (Porter, 1985). The enduring competitive advantage in global economy lies increasingly in local things like knowledge, relationships, and motivation that distant rivals cannot match.

Sustained competitive advantage is one that persists over a long period of time (Porter, 1985; Wiggins and Ruefli (2002). Barney (1991) argues against the use of calendar time to define sustainability and considers that a sustained competitive advantage is achieved only if it continues to exist after competitors' effort to duplicate that advantage have ceased. This definition has theoretical advantage of avoiding the difficult problem of specifying how much calendar time firms must possess a competitive advantage in order for this advantage to be considered sustained (Barney, 1991). Powell (2001) argues that although the term competitive advantage and performance are used interchangeably (Porter, 1985), the two constructs are acknowledged to be conceptually distinct. Competitive advantage is conceptualized as the implementation of a strategy not currently being implemented by other firms that facilitates the reduction in costs, the exploitation of market opportunities, and/or the neutralization of competitive threats (Barney, 1991) while performance is generally conceptualized as the rents a firm accrues as a result of the implementation of its strategies (Rumelt, Schendel, & Teece, 1994).

There are many routes to sustainable competitive advantage, but the most basic is through a company's internal resources and competitive capabilities. Firms must compete in a complex and challenging context that is being transformed by many factors from globalization and the frequent and uncertain changes to the growing use of information technologies (DeNisi, Hitt, & Jackson, 2013). Therefore, achieving a competitive advantage is a major preoccupation of senior managers in the competitive and slow growth markets, which characterize many businesses today. The importance of competitive advantage and distinctive competences as determinants of a firm's success and growth has increased a result of the belief that fundamental basis of above-average performance in the long run is sustainable competitive advantage (Porter, 1985).

According to Teece (2007), a firms sustainable competitive advantage is founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization, or in other words from the astute management of physical and intellectual resources which form the core capability of the business. Teece et al. (2001, p.34) define core capabilities as "a set of differentiated skills, complementary assets, and routines that provide the basis for a firm's competitive capacities and sustainable advantage in a particular business". Such capabilities or core competences are not built on discrete independent skills but are "the synthesis of a variety of skills, technologies and knowledge streams" (Hamel & Prahalad, 1994).

Organizational capabilities if appropriately defined, can meet the conditions articulated by the resource-based view of the firm, for being a source of sustainable competitive advantage. However, there are limits to the extent of the importance of such capabilities (Marcus& Geffen, 1998; Sharma & Vredenburg, 1998). They are vulnerable to threats of erosion, substitution, and above all to being superseded by a higher-order capability of the 'learning to learn' variety. This suggests that there can be an infinite regress in the explanation for, and prediction of, sustainable competitive advantage. The problem is resolved by arguing that the value of organizational capabilities is context dependent, and by recognizing that the strategy field will never find the ultimate source of sustainable competitive advantage (Hart, 1995; Sharma & Vredenburg, 1998).

The audit industry is characterized by a dual market structure: the Big 4 notably Ernst & Young, Deloitte, Klynveld Peat Marwick Goerdeler (KPMG) and PricewaterhouseCoopers (PwC) represent large audit firms and is a proxy for high quality audit in contrast to a large number of small audit firms. In the era of IFRS, it is argued that the Big 4 have an advantage over other audit firms due to their technical expertise, global reach and abundant resources (Benston, 2013). The readiness of medium-sized and small audit firms to handle IFRS, on the other hand, could determine their future market position in the audit industry. The need for audit staff to be competent in performing both PERS and IFRS-compliant audits means additional pressure on the audit firms especially those that are already struggling because of constraints on resources (Carson, 2010; Benston, 2013; DeAngelo, 2013). Audit regulators around the world have expressed their concern about the increased market concentration and the Big 4 dominance in the market for audit services, and potential adverse effects it may have on audit quality (General Accounting Office, 2003; Government Accountability Office, 2008; European Commission, 2010).

The auditing industry in Kenya particularly accumulates certain characteristics that make it very interesting from a strategic management point of view. The industry is extremely wide, diverse, dynamic and very competitive. Since the late 1990s the number of firms has grown extensively. Nyakang'o (2010) noted that there were 583 audit firms registered with ICPAK of which 320 were located in Nairobi. According to ICPAK (2014) the number of audit firms registered with ICPAK has increased to 713 with 515 firms located in Nairobi and 198 in other locations. Audit firms differ based on organizational capabilities and such capabilities are used to create and exploit external opportunities and develop sustained advantages (Lengnick-Hall & Wolff, 1999). Therefore, the development and effective configuration of unique capabilities within an organization enables them to perform processes better and in a different manner compared with other firms and this will be able to generate value to the individual firms (Lengnick-Hall & Wolff, 1999).

Deloitte is a global professional services firm offering consulting, advisory and audit assurance services. The Deloitte member firms are present in over 150 countries with a current staff complement of 200,000. The firm's vision is to be the standard of excellence while the mission is to help clients and its people excel. In the East Africa region, Deloitte is present in six countries including Kenya, Uganda, Tanzania, Ethiopia, Rwanda and Burundi and the current staff complement is about 900 staff. Deloitte staff in Kenya, Nairobi total 415 and staff are all unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity (Deloitte & Touché, 2008). Deloitte provides exceptional quality Audit, Consulting, Tax, Financial Advisory to public and private clients spanning a wide range of industries. There is also an Internal Client Services department which includes HR, IT, Finance, Clients and Industries (marketing) and Administration. The Deloitte offices in Nairobi are at Deloitte Place on Waiyaki Way, Westlands.

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017 www.carijournals.org

1.1 Statement of the Problem

One of the challenges facing a dynamic business environment is increased competition. Firms are in competition with each other when they try to sell identical products and services to the same group of customers or to employ factors from the same group of suppliers. Audit needs for people all over the world are changing globally and this pushes the companies to innovate and respond fast (Omondi, 2014). In today's highly competitive environment, business organizations need to act fast in order to secure their financial situations and their market positions. Firms need to count more on their internal distinguished strengths to provide more added customer value, strong differentiation and extendibility; in other words count more on their core competencies. Therefore, strategy has to move from competing for product or service leadership to competing in core competence leadership. The core competence has to be a primary factor for strategy formulation as it is an important source of profitability (Hamel & Prahalad, 2014). In Kenya, the professional services industry is a busy and lucrative one that is attracting many players and threatening the existing status quo. The key players who are already in intense competition are faced by new global competitors who enjoy economies of scale that outmatch them. Deloitte and Touché, Kenya is not an exception and have over the recent years been faced with fierce competition, intense regulation and the effects of the global credit crunch (Mungai, 2014).

Achieving a sustainable competitive advantage position relative to business rivals is what most organizations should be aiming for. Despite the importance of attaining sustainable competitive advantage in organizations, there has been limited study on the effect of audit firms organizational capabilities and the way audit firms are organized to achieve sustainable competitive advantage. Previous studies done on audit firms in Kenya failed to cover the topic of interest of this study. Gitau (2012) conducted a study on the compensation of professional employees: a survey of auditors in multinational audit firms in Nairobi. Kimani (2008) examined the response strategies of small and medium audit firms. Karanja (2008) studied the strategic planning practices in audit firms in Nairobi. Nyakang'o (2010) researched on competitive strategies adopted by small and middle sized firms in Nairobi. A research gap was eminent on the effect of audit firms' organizational capabilities and the way audit firms are organized to achieve competitive advantage.

1.2 Research Objectives

i. To identify the nature of organizational capabilities that existed at Deloitte
ii. To assess areas where competitive advantage at Deloitte had been sustainable
iii. To establish the effect of organization capabilities on sustainable competitive advantage at Deloitte

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Resource-Based View

The idea of the resource-based view is credited to Penrose (1959) from her description of the importance of firms' use of their resources to gain competitive advantage. This is an approach for analyzing competitive advantage in firms. It combines the internal or the core competencies in the internal perspectives of strategy (Wernerfelt, 1984; Barney, 1991). The resource-based

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017
www.carijournals.org

view addresses the question of an organization's identity and it is principally concerned with the source and nature of strategic capabilities. The resource-based perspective has an intra-organizational focus and argues that performance is a result of firm-specific resources and capabilities (Barney, 1991; Wernerfelt, 1984).

The basis of the resource-based view is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature (Teece *et al*., 1991). Thus, the essence of strategy is or should be defined by the firm s unique resources and capabilities (Rumelt, 1984). Furthermore, the value creating potential of strategy, that is the firm s ability to establish and sustain a profitable market position, critically depends on the rent generating capacity of its underlying resources and capabilities (Conner, 1991).

If all the firms were equal in terms of resources there would be no profitability differences among them because any strategy could be implemented by any firm in the same industry. The underlying logic holds that the sustainability of effects of a competitive position rests primarily on the cost of resources and capabilities utilized for implementing the strategy pursued. The resource based view (RBV) suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors (Barney, 1991; Wernerfelt, 1984; Rumelt, 1987). These resources and capabilities can be important factors of sustainable competitive advantage and superior firm performance if they possess certain special characteristics. They should be valuable, increasing efficiency and effectiveness, rare, imperfectly imitable and non-substitutable (VRIN) (Barney, 1991).

The major assumptions of the resource-based view are resource heterogeneity, which assumes that firms are bundles of products and services with firms possessing different bundles of these resources, and resource immobility, which assumes that some of these resources are either very costly to copy or imitate or either inelastic in supply (Barney, 2013). These resources can either be tangible or intangible and they include all assets, capabilities, competencies, organization processes, firm attributes, information, knowledge that are controlled by a firm and that enable it to conceive of and implement strategies designed to improve its efficiency and ability to influence (Barney, 2013). A firm's resource is categorized into either financial, physical, human or organization capital. These resources or internal attributes of firms have been referred to as the core competencies or core capabilities of firms that give them a competitive advantage. To achieve this, the resources must be valuable, rare, costly-to-implement (imitability) and applied by organized systems of a firm to realize their full potential. The resource-based view can be applied to individual firms to understand whether these firms will gain competitive advantage and how sustainable this competitive advantage can likely be. Peteraf (1993) outlined four resources characteristics that can lead to sustainable competitive advantage namely, the heterogeneity, ex post limits to competition, ex-ante limits to competition and imperfect mobility which have implications on the inelastic supply of such resources (Teece, 2010). The resource based view is useful in informing about risks as well as benefits of diversification strategies. This theory has several limitations namely, unforeseen environmental upheavals or drastic turbulence, managerial influence that is limited, and data challenges based on intra-organization resources. However, it complements other analyses such as Porter's five-force model, the generic strategies and opportunity analysis (Barney, 2007; Peteraf, 1993; Porter, 1998).

2.2 General Literature

Organizational capabilities correspond to the capacity of organizations to mobilize resources of various types, tangible or otherwise, for achieving a particular end (Helfat & Lieberman, 2012). They are collectively constructed, and embody cognitive and behavioral elements, which provide the organization with the ability of performing a given set of activities (Argote & Todorova, 2008; Levinthal, 2001). Cognitive elements concern knowledge, while behavioral elements concern routines (Argote & Todorova, 2008). Capabilities at times also involve material elements that can feed into routines and interact with knowledge.

Organizational capabilities can be grouped according to their orientation. One classification of organizational capabilities is given as a set of dynamic capabilities, namely idea generation capabilities, market disruptiveness capabilities, new product development and new process development capabilities (McKelvie & Davidsson, 2009). Song, Benedetto and Nason (2007) focused on four capabilities namely; technology, IT, market-linking and marketing capabilities. Another classification of organizational capabilities focuses on managerial capabilities, technical capabilities and output-based capabilities (Turner & Crawford, 1994).

Recently, it has become evident that the current competitive landscape in many industries is one of on-going, heightened levels of competition, which demand that a range of capabilities, including reputational, information and communications technological, leadership and human capabilities are in place. Competition and greater level of variety among other competitive requirements have brought in more dynamic approach than was the case with the traditional and inflexible approach of production and offering of services. However, some interesting current examples of this “Capability- Competition” mismatch have seen some organizations fall behind due to their failure on dynamism (Dean & Snell, 1996). That is, they failed to build-up the proper organizational processes required to take advantage of flexibility as markets demanded.

Wernerfelt, 1984; Barney, 2007; Wiklund & Shepherd, 2003; King, 2007) have shown a significant relations between organizational capabilities and sustainable competitive advantage. Organizational capabilities enhance the resource elements towards attaining competitive advantage (Sirmon, Hitt, & Ireland, 2012). Sustainable competitive advantage results from the possession of relevant capability differentials. In order to be a source for competitive advantage, the capability must also be rare, i.e. not possessed by many other competitors. As Barney (1991) states, the same reasoning is also valid for bundles of resources if they are all needed in order to implement a strategy. Exactly how rare the capability or resources must be in order to form the basis for a competitive advantage is difficult to say. In general, a capability should be considered rare as long as the number of owners of the capability is lower than the number needed for perfect competitive dynamics in an industry (Barney, 1991). Having a valuable and rare capability provides a company with a “first mover advantage” vis-à-vis competitors. However, in order to avoid replication by competitors, the capability at hand must also be imperfectly imitable (Barney, 1991), i.e. too difficult or too costly for other companies to obtain. To sustain such imitability, RBV acknowledges the importance of company’s history for the existence of capabilities. Thus, a particular history can explain the possession of a certain capability as well as the difficulties for other companies with another history to acquire it (Barney& Clark, 2007).

Organizational capabilities if appropriately defined, can meet the conditions articulated by the resource-based view of the firm, for being a source of sustainable competitive advantage.

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017
www.carijournals.org

However, there are limits to the extent of the importance of such capabilities (Marcus& Geffen, 1998; Sharma & Vredenburg, 1998). They are vulnerable to threats of erosion, substitution, and above all to being superseded by a higher-order capability of the 'learning to learn' variety. This suggests that there can be an infinite regress in the explanation for, and prediction of, sustainable competitive advantage. The problem is resolved by arguing that the value of organizational capabilities is context dependent, and by recognizing that the strategy field will never find the ultimate source of sustainable competitive advantage (Hart, 1995; Sharma & Vredenburg, 1998).

3.0 RESEARCH METHODOLOGY

A descriptive research design was used. The study population was drawn from the offices at Deloitte Place on Waiyaki Way. The study conducted a census of all the 106 staff from the target population. Primary data was used and was collected using questionnaires. Quantitative data analysis conducted using SPSS. Quantitative data was analyzed using descriptive statistical methods. Correlation analysis was also conducted. The qualitative analysis was used to make conclusions on the open ended questions.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

A total of 106 questionnaires were administered. The number of questionnaires properly filled and returned was 76. This represented an overall successful response rate of 71.70%.

4.2 Nature of Organizational Capabilities that Exist at Deloitte

The study sought to identify the nature of organizational capabilities that existed at Deloitte. The respondents were asked to respond to some statements on human resource capabilities, leadership capabilities, infrastructure and technology capabilities as well as reputation capability.

4.2.1 Human Resource Capabilities

The study sought to find out the nature of human resource capabilities that existed in this firm. Results in Table 1 show that 64.4% (49) of the respondents agreed to large extent that the firm valued highly skilled and experienced employees. It was found that 59.20% (45) of the respondents agreed to moderate extent that the firm possessed one of the most innovative workforces in the industry while those who agreed to large extent were 40.8% (31). The number of respondents who agreed to a large extent that the firm's workforce constantly delivered services effectively was 65.8% (50) with 28.90% (26) of the respondents agreeing to a moderate extent. When asked the firm's workforce was highly commitment, 23.70% (18) of the respondents agreed to a small extent that the workforce was committed, 39.50% (30) agreed to a moderate extent while 36.60% (28) agreed to a large extent. It was shown that 13.20% (10) of the respondents did not agreed with the statement that there was constant training and development of staff within firm, 11.80% (9) agreed to a small extent, 35.50% (27) agreed to a moderate extent while 39.5% (30) agreed to a large extent. The study findings also showed that 47.40% (36) of the respondents agreed to a small extent that staff absence and turnover had always been very low while 39.5% (30) agreed to a moderate extent. The study found that 48.7% of the respondents agreed to large extent that vacancies within the firm were highly managed while 40.80% agreed to a moderate extent. On a five point scale, the average mean of the

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017
www.carijournals.org

responses was 3.369 which means that majority of the respondents were agreeing to a moderate extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.84.

These findings were in line with that of Karami (2002) who found that HR capabilities including skilled human resources, innovative human resources, human resource effectiveness, HR commitment, and training competent HR were factors that determined the competitive advantages of the firm by increasing organizational effectiveness. In addition, professional services organisations such as Deloitte largely depend on their talent to drive their business through the skills they hire into the organisations. They use their skills and expertise to deliver on their projects and therefore have invested in human resource capabilities such as recruitment processes to identify the right individuals for the jobs.

Table 1: Human Resource Capabilities

Statement	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std Dvn
The firm values highly skilled and experienced employees	0.00%	5.30%	30.30%	36.80%	27.60%	3.870	0.88
The firm possess one of the most innovative workforce in the industry	0.00%	0.00%	59.20%	32.90%	7.90%	3.490	0.64
The firm's workforce constantly delivers services effectively	0.00%	5.30%	28.90%	59.20%	6.60%	3.670	0.68
The firm's workforce is highly commitment	0.00%	23.70%	39.50%	31.60%	5.30%	3.180	0.86
There is constant training and development of staff	13.20%	11.80%	35.50%	21.10%	18.40%	3.200	1.25
Staff absence and turnover has always been very low	0.00%	47.40%	39.50%	13.20%	0.00%	2.660	0.70
Vacancies within the firm are highly managed	0.00%	10.50%	40.80%	35.50%	13.20%	3.510	0.86
Average						**3.369**	**0.84**

4.2.2 Leadership Capabilities

The nature of leadership capabilities in the firm was also assessed. The study findings revealed that 67.1% (51) of the respondents agreed to large extent that the firm's leadership had high regard for ethics. The study found that those who agreed to a large extent that the capacity to develop and communicate vision and goals was high among the firm's leaders were 59.2% (45) while 32.90% (25) of the respondents agreed to a moderate extent. 47.20% (36) of the

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017
www.carijournals.org

respondents agreed to a large extent that the firm's leaders had developed effective teams within the firm while 30.30% (23), 15.80% (12) and 6.60% (5) of the respondents agreed to a moderate extent, small extent and to no extent respectively with this statement. The results also showed that 42.1% (32) of the respondents indicated that they agreed to a large extent that the leadership of the firm had maintained an effective organization culture within the firm while 35.50% (27) of the respondents agreed to a moderate extent. The study findings further revealed that 68.4% (52) of the respondents agreed to a large extent that the firm's leadership had created various networks across the globe. On a five point scale, the average mean of the responses was 3.626 which means that majority of the respondents were agreeing to a large extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.970.

These findings were in agreement with that of Marriott et al. (2014) who asserted that leaders should have at least nine key capabilities to promote and sustain competitive advantage for their firms including the capability to: develop and communicate a vision; build dynamic core competencies; develop and effectively use human capital; invest and use the development of new technologies; engage in a strategy; build and maintain an effective organizational culture; develop and implement balanced controls; engage in ethical practices; create an effective team.

Table 2: Leadership Capabilities

Statement	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std Dvn
The firm's leadership has high regard for ethics	0.00%	10.50%	22.40%	18.40%	48.70%	4.050	1.070
The capacity to develop and communicate vision and goals is high among our leaders	0.00%	7.90%	32.90%	42.10%	17.10%	3.680	0.850
The firm's leaders have developed effective teams within the firm	6.60%	15.80%	30.30%	40.80%	6.60%	3.250	1.020
The leadership has maintained an effective organization culture	5.30%	17.10%	35.50%	28.90%	13.20%	3.280	1.070
The leadership has created various networks across the globe	0.00%	5.30%	26.30%	44.70%	23.70%	3.870	0.840
Average						**3.626**	**0.970**

4.2.3 Infrastructure and Technology Capabilities

The respondents were presented with various statements on the infrastructure and technology capabilities. Results in Table 3 reveal that 42.10% (32) of the respondents indicated that they

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017

agreed to a large extent that the firm's institutional structure had aided adaptability to changes in the market, while an equal number of respondents, 28.90% (22) agreed to small as well as moderate extent to the statement. It was shown that 42.10% (32) of the respondents agreed to a moderate extent that the firm's capacity to absorb new technologies in the market was high, 35.60% (27) agreed to a large extent while 22.40% (17) only agreed to a small extent to the statement. 53.9% (41) of the respondents agreed to a large extent that the firm had embraced information systems extensively in its operations, 30.30% (23) agreed to a moderate extent while 15.80% (12) of the respondents agreed to a small extent. On whether the firm had developed its R&D capacities significantly, it was found that 11.8% (9) did not agree, 23.70% (18) of the respondents agreed to a small extent while 47.4% (36) agreed to a moderate extent.

The results further revealed that those who agreed to a large extent that the firm had managed to introduce new and advanced products in the market were 31.60% (24), 39.50% (30) agreed to a moderate extent while 23.70% (18) and 5.30% (4) of the respondents agreed to a small extent and no extent respectively. The study findings showed that 40.8% (31) of the respondents agreed to a moderate extent that the firm had ensured improved linkages in the firm's processes for greater efficiency, 31.60% (24) agreed to a large extent, 22.40% (17) agreed to a small extent while 5.30% (4) did not agree to the statement.

Table 3: Infrastructure and Technology Capabilities

Statement	**No Extent**	**Small Extent**	**Moderate Extent**	**Large Extent**	**Very Large Extent**	**Mean**	**Std Dvn**
The firm's institutional structure has aided adaptability to changes in the market	0.00%	28.90%	28.90%	30.30%	11.80%	3.25	1.01
The firm's capacity to absorb new technologies in the market is high	0.00%	22.40%	42.10%	30.30%	5.30%	3.18	0.84
The firm has embraced Information systems extensively in its operations	0.00%	15.80%	30.30%	36.80%	17.10%	3.55	0.96
The firm has developed its R&D capacities significantly	11.80%	23.70%	47.40%	17.10%	0.00%	2.7	0.89
The firm has managed to introduce new and advanced products in the market	5.30%	23.70%	39.50%	26.30%	5.30%	3.03	0.97
The firm has ensured improved linkages in our processes for greater efficiency	5.30%	22.40%	40.80%	25.00%	6.60%	3.05	0.98
Average						**3.13**	**0.94**

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017
www.carijournals.org

On a five point scale, the average mean of the responses was 3.127 which means that majority of the respondents were agreeing to a moderate extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.942. These findings agreed with that of (Kim, 1997) who noted that technological capability was the ability to make effective use of technological knowledge in order to assimilate, use, adapt and change existing technologies as well as the ability to create new technologies and to develop new products and processes in response to the changing economic environment to the advantage of a firm. The findings also agreed with that of Akinbinu (2008) who perceived technological capabilities as the resources needed to generate and manage technical change and included such things as skills, knowledge, experience, institutional structure and linkages. Deloitte has also invested heavily on technology to ensure smoother operations including communications network and employees access to global repository on innovative methodologies.

4.2.4 Reputation Capability

The study also sought to establish the nature of the reputation capability of the firm. The respondents were expected to respond to some statement on reputation capability. Results presented in Table 4 show that 35.50% (27) of the respondents agreed to large extent that the firm had maintained positive corporate social responsibility, 25.00% (19) agreed to a moderate extent, 32.90% (25) agreed to small extent while 6.60% (5) were in disagreement with the statement. It found that 56.6% (43) of the respondents noted that they agreed to a large extent that the firm had exhibited consistency in service quality, 35.50% (27) agreed to a moderate extent while 5.30% (4) agreed to small extent with the statement with 2.60% (2) disagreeing. Further, the study established that 48.7% (37) of the respondents agreed to a large extent that the firm's management had been exceptional, 22.40% (17) agreed to a moderate extent, 23.70% (18) agreed to a small extent while 5.30% (4) disagreed with the statement. 48.70% (37) of the respondents were found to agree to a large extent that the firm had maintained a sound financial status and innovativeness, 40.80% (31) agreed to a moderate extent while 10.50% (8) agreed to a small extent.

The study findings also revealed that 63.2% of the respondents agreed to a large extent that the firm was constantly attracting talented and skilled staff, 31.60% agreed to a moderate extent while 5.30% were in disagreement with the statement. 53.30% of the respondents also agreed to a large extent that the clientele perception of the firm's services had been impressive, 28.90% agreed to a moderate extent to the statement while 15.80% of the respondents agreed to a small extent. On a five point scale, the average mean of the responses was 3.38 which means that majority of the respondents were agreeing to a moderate extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.88.

These findings were in line with that of Olins (1990) who referred to reputation as an organizational identity, which included everything that the organization did and concerned itself with in four major areas of its activity: its products/services, environments, information behavior. The findings also concurred with that of Smith (1990) who pointed some of the attributes related to a firm's reputation to include quality of management; quality of products or services; innovativeness; long-term investment value; financial soundness; ability to attract, develop, and keep talented people; community and environmental responsibility; and use of corporate assets.

Table 4: Reputation Capability

Statement	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std Dvn
The firm has maintained positive corporate social responsibility	6.60%	32.90%	25.00%	35.50%	0.00%	2.89	0.97
The firm has exhibited consistency in service quality	2.60%	5.30%	35.50%	47.40%	9.20%	3.55	0.84
The firm's management has been exceptional	5.30%	23.70%	22.40%	48.70%	0.00%	3.14	0.96
The firm has maintained a sound financial status and innovativeness	0.00%	10.50%	40.80%	42.10%	6.60%	3.45	0.77
The firm is constantly attracting talented and skilled staff	0.00%	5.30%	31.60%	47.40%	15.80%	3.74	0.79
The clientele perception of our services has been impressive	0.00%	15.80%	28.90%	42.10%	13.20%	3.53	0.92
Average						**3.38**	**0.88**

4.2.5 Organizational Structure

The study also examined the organizational structure of the firm. The respondents were asked to respond to some statements on organizational structure. The results showed that 65.8% (50) of the respondents agreed to a large extent that there were formal guidelines on how to deal with every activity in the firm. 42.10% (32) of the respondents were found to be in agreement to a large extent with the statement that the number of people consulted before a decision was made was few, 34.20% (26) agreed to a moderate extent while 23.70% (18) agreed to a small extent. It was also found that 67.1% (51) of the respondents were in agreement to a large extent that there were clearly defined standards on service delivery that guided all in the firm. 77.6% (59) of the respondents agreed to a large extent for every function within the firm, there was an established department/division to deal with it. The study findings also showed that 59.2% (45) of the respondents agreed to a large extent that there was high specialization within the firm. It was established that only 11.80% (9) of the respondents agreed to a large extent that staff in all positions were always engaged in decision making with 47.40% (36) agreeing to a moderate extent while 35.50% (27) agreed to a small extent. 5.30% (4) of the respondents disagreed with the statement.

On a five point scale, the average mean of the responses was 3.43 which means that majority of the respondents were agreeing to a moderate extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.743. The study findings were in line with that of Harogopal (2006) who pointed out that with the different types of structures, a firm could pick on a type of organization structure and tailor-make it to fit in with

Journal of Business and Strategic Management
ISSN 2520-0402 (Online)
Vol.2, Issue No.3, pp 50 - 77, 2017
www.carijournals.org

its operations. The best structures were those that maximized effectiveness of communication and break down barriers between people and hierarchies. The findings also supported that of Zheng et al. (2010) who noted that the most important components of organizational structure include formalization, centralization, and control. The findings support that of Lawrence and Lorsch (1967) who summarized the features of the organization structure to be the span of control, number of levels to a shared superior, time span of review of departmental performance, specificity of review of departmental performance and importance of formal rules. Drazin and Van de Ven (1985) defined the organizational structure in terms of specification, standardization, and discretion and personnel expertise.

Table 5: Organizational Structure

Statement	**No Extent**	**Small Extent**	**Moderate Extent**	**Large Extent**	**Very Large Extent**	**Mean**	**Std Dvn**
There are formal guidelines on how to deal with every activity in the firm	0.00%	15.80%	18.40%	59.20%	6.60%	3.57	0.840
The number of people consulted before a decision is made is few	0.00%	23.70%	34.20%	42.10%	0.00%	3.18	0.800
There are clearly defined standards on service delivery that guide all in this firm	0.00%	0.00%	32.90%	55.30%	11.80%	3.79	0.640
For every function within the firm, there is an established department/division to deal with it	0.00%	0.00%	22.40%	65.80%	11.80%	3.89	0.580
There is high specialization within the firm	0.00%	17.10%	23.70%	53.90%	5.30%	3.47	0.840
Staff in all positions are always engaged in decision making	5.30%	35.50%	47.40%	11.80%	0.00%	2.66	0.760
Average						**3.43**	**0.743**

4.3 Areas of Sustainable Competitive Advantage at Deloitte

The second objective of the study aimed at establishing the areas in which Deloitte had exhibited sustained competitive advantage. Based on the responses given, the following areas stood out as presented in Table 6. It was found that out of the 66 participants who responded to this question, 34.8% (22) of the respondents believed that the firm had attained sustainable competitive advantage in the area of its brand identity and protection, 3.0% (2) of the respondents noted the area of graduate trainee programmes, 4.5% (3) indicated the area of human capital consulting while 16.6% (11) the respondents pointed out the area of organization culture. The study further established that 22.7% (15) of the respondents were of the opinion that the firm had sustained competitive advantage in the quality of services delivered, 6.0% (4) of the respondents indicated the area of skilled talent, while 7.6% (5) and 4.5% (3) of the respondents noted the areas of staff development and thoughtful leadership articles.

Based on the resource-based view, the firm had attained sustainable competitive advantage since the mentioned areas were valuable, rare, and hard-to-imitate resources that resided within the organization (Barney, 1986; 1991; Conner, 1991). These findings were in line with that of Gimenez and Ventura (2002) as well as Morgan *et al.* (2004) who asserted that a firm could have sustained product-based competitive advantage over their rivals, in terms of better and/or higher product quality, packaging, design and style. Similarly, firms could benefit from sustained service-based competitive advantage compared to their rivals, for example in terms of better and/or higher product flexibility, accessibility, delivery speed, reliability, product line breadth and technical support (Gimenez & Ventura, 2002; Morgan *et al.*, 2004).

Table 6: Areas of Sustainable Competitive Advantage at Deloitte

Areas of Sustainable Competitive Advantage	Frequency	Percent
Brand identity and protection	23	34.8
Graduate trainee programmes	2	3.0
Human capital consulting	3	4.5
Organizational Culture	11	16.6
Quality of services	15	22.7
Skilled talent	4	6.0
Staff development	5	7.6
Thoughtful leadership articles	3	4.5
Total	66	100

4.4 Effect of Organizational Capabilities on Sustainable Competitive Advantage

The third objective of the study was to establish the effect of organization capabilities on sustainable competitive advantage at Deloitte. Each of the capability was assessed on its own was shown below.

4.4.1 Human Resource Capabilities

The study sought to establish the effect of HR capabilities on sustainable competitive advantage. Results in Table 7 reveal that 93.4% (71) of the respondents agreed to a large extent that the firm’s staff affected the firm’s effectiveness, 88.2% (67) of the respondents agreed to large extent that the firm’s staff affected internal customer satisfaction and loyalty to the firm, 89.4% (68) of the respondents agreed to a large extent that the firm’s staff affected the building of other organizational capabilities while 89.5% (68) of the respondents agreed to a large extent that the firm’s staff affected the high quality of services of the firm. This implies that human resource capabilities had an effect on sustainable competitive advantage at Deloitte. On a five point scale, the average mean of the responses was 4.24 which means that majority of the respondents were agreeing to a large extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.685. This implies that human resource capabilities had an effect on sustainable competitive advantage at Deloitte Kenya.

According to the Peteraf and Barney (2003), the RBV explicitly looks for the internal sources of sustained competitive advantage and aims to explain why firms in the same industry might differ in performance. RBV proposes that firms have different resource endowments and that the manner in which they acquire, develop, maintain, bundle and apply them leads to the development of competitive advantage and superior performance over time. Hence, the human resource capabilities embedded in the firm's most important asset, the staff were crucial if a firm could attain sustained competitive advantage.

These study findings supported that of Karami (2012) who pointed out found that increasing the core competencies of the firm in particular HR was the key element to the success of the firm in that the growing involvement of the HR in the development and implementation of business strategy would lead to the increased effectiveness of the organization and the industry as a whole. The findings were also in line with that of Chang and Huang (2010) who showed that some HR capabilities appeared to be linked to internal customer satisfaction and organizational effectiveness.

Table 7: Human Resource Capabilities

Statement	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std Dvn
The firm's staff affect the firm's effectiveness	0.00%	0.00%	6.60%	57.90%	35.50%	4.29	0.580
The firm's staff affect internal customer satisfaction and loyalty	0.00%	5.30%	6.60%	64.50%	23.70%	4.07	0.720
The firm's staff affect the building of other organizational capabilities	0.00%	5.30%	5.30%	52.60%	36.80%	4.21	0.770
The firm's staff affect the high quality of our services	0.00%	0.00%	10.50%	39.50%	50.00%	4.39	0.670
Average						**4.24**	**0.685**

4.4.2 Leadership Capabilities

The effect of leadership capabilities on sustainable competitive advantage at Deloitte Kenya was also investigated. The findings are presented in Table 4.8. It was found that 94.8% (72) of the respondents agreed to a large extent that the firm's leaders affected the relationship quality with other stakeholders, 82.9% (63) of the respondents agreed to a large extent that the firm's leaders affected branding/marketing of the firm, 89.5% (68) of the respondents agreed to a large extent that the firm's leaders affected the work style in the firm, 85.5% (65) of the respondents agreed to a large extent the firm's leaders affected optimum use of the firm's resources while 84.2% (64) of the respondents indicated that they agreed to a large extent that the firm's leaders affected customer satisfaction. This implies that leadership capabilities had an effect on sustainable competitive advantage at Deloitte. On a five point scale, the average mean of the responses was 4.292 which means that majority of the respondents were agreeing to a large extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.716. This implies that leadership capabilities had an effect on sustainable competitive advantage at Deloitte Kenya.

According to a study by Hitt and Ireland (2002), both types of human and social capital to leader and how they could be managed were significant contributors to the achievement of a sustained competitive advantage from resource based view. Hence, most strategic leaderships found that investment in human capital and social capital could improve their organizations' sustainable competitive advantage (Ireland & Hitt, 2005). Modern leaders needed therefore to learn on how to think strategically and differently about their roles, capabilities and how to improve them in order to lead their organization to success over the long-term (Barton, Grant, & Horn, 2012). Based on capabilities, leaders could take actions where outcomes are ambiguous and require courage, initiative, intuition, creativity, and emotional stability.

The study findings supported that of Zeinab *et al.*, (2012) who found significant relationships between: managerial skills and optimum use of organization's resources, work style improvement and employees' motivation. The study results also concurred with that of Haery *et al.*, (2013) who found that managerial competencies had a significant and positive effect on marketing effectiveness as well as that of Yin-His (2012) who found that managerial capabilities had significant impacts on customer satisfaction.

Table 8: Leadership Capabilities

Statement	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std Dvn
The firm's leaders affect relationship quality with other stakeholders	0.00%	0.00%	5.30%	39.50%	55.30%	4.500	0.600
The firm's leaders affect branding/marketing of the firm	0.00%	0.00%	17.10%	40.80%	42.10%	4.250	0.730
The firm's leaders affect work style in the firm	0.00%	0.00%	10.50%	46.10%	43.40%	4.330	0.660
The firm's leaders affect optimum use of the firm's resources	0.00%	5.30%	9.30%	53.90%	31.60%	4.160	0.750
The firm's leaders affect customer satisfaction	0.00%	5.30%	10.50%	40.80%	43.40%	4.220	0.840
Average						**4.292**	**0.716**

4.4.3 Infrastructure and Technology Capabilities

The study also assessed the effect of infrastructure and technology capabilities on sustainable competitive advantage at Deloitte. Results in Table 9 indicate that 65.8% (50) of the respondents agreed to a large extent that the firm's infrastructure and technology affected the internationalization of the firm while 34.20% (26) agreed to a moderate extent. It was also found that 77.6% (59) of the respondents agreed to a large extent that infrastructure and technology affected efficiency in delivery of services within the firm. 84.2% (64) of the respondents noted that they agreed to large extent that infrastructure and technology affected flexibility in the response by the firm while 88.2% (67) of the respondents agreed to a large extent that infrastructure and technology affected employee knowledge sharing within the firm. It was further revealed that 82.9% (63) of the respondents agreed to a large extent that infrastructure and technology affected innovations and new markets for the firm. This implies that infrastructure and technology capabilities had an effect on sustainable competitive advantage at Deloitte. On a five point scale, the average mean of the responses was 4.022 which means that majority of the respondents were agreeing to a large extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.648. This implies that infrastructure and technology capabilities had an effect on sustainable competitive advantage at Deloitte Kenya.

Table 9: Infrastructure and Technology Capabilities

Statement	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std Dvn
The firm's infrastructure and technology affect internationalization of our firm	0.00%	0.00%	34.20%	47.40%	18.40%	3.840	0.710
Infrastructure and technology affect efficiency in delivery of services	0.00%	0.00%	22.40%	48.70%	28.90%	4.070	0.720
Infrastructure and technology affect flexibility in the response by the firm	0.00%	0.00%	15.80%	67.10%	17.10%	4.010	0.580
Infrastructure and technology affect employee knowledge sharing	0.00%	0.00%	11.80%	64.50%	23.70%	4.120	0.590
Infrastructure and technology affect innovations and new markets	0.00%	0.00%	17.10%	59.20%	23.70%	4.070	0.640
Average						**4.022**	**0.648**

The Resource-Based View (RBV), which draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment (Barney, 2013). To serve as a basis for sustainable competitive advantage, resources must be valuable, rare, in-imitable, and non-substitutable. Barney (1991) noted that IT cannot bring the sustainable competitive advantage directly for firms, due to its non-scarcity and replicability. But if IT can be closely integrated with business strategy, organizational processes, and other internal and external resources, which has path dependency, causal ambiguity and social complexity, and is difficult to be imitated and copied by a competitor (Barney, 1991).

The findings were in congruence with that of Boris et al. (2014) who noted that those firms that successfully combined customer, technological and organizational competencies would create more innovations that were new to the market. The findings also concur with that of Ioanna et al. (2012) who suggested that technological capability was a powerful determinant of new venture innovations. The findings were in line with that of Bo (2013) who found that technology capability led to process redesign which was positively associated with delivery efficiency, information sharing and predicted flexibility response.

4.4.4 Reputation Capability

The study further examined the effect of Reputation Capability on sustainable competitive advantage at Deloitte Kenya. The results are presented in Table 10. The results showed that 88.2% (67) of the respondents agreed to large extent that the firm's reputation affected market outlook, 93.4% (71) of the respondents agreed to large extent that the firm's reputation affected the perceived value and quality of the firm's services, 94.7% (72) of the respondents agreed to a large extent that the firm's reputation affected customer loyalty and confidence while 60.5% (46) of the respondents agreed to a large extent that the firm's reputation affected operation costs of the firm. Those who agreed to a large extent that the firm's reputation affected firm's criticism were 84.2% (64). This implies that reputation capability had an effect on sustainable competitive advantage at Deloitte. On a five point scale, the average mean of the responses was 4.41 which means that majority of the respondents were agreeing to a large extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.73. This implies that reputation capability had an effect on sustainable competitive advantage at Deloitte Kenya.

RBV sees reputation as an intangible asset that can be valuable, rare, hard to imitate and subject to appropriate use when the right organization is put in place (Rao, 1994; Boyd, Bergh, & Ketchen, 2010). In general, RBV theory indicates that exploiting a firm's non-imitable resources enables a firm to create long-lasting competitive capabilities and to generate a competitive advantage (Paulraj, 2011). Good reputation was a key element of differentiation, as an organization that pursued this kind of strategy needed the public to know what made its offers better than others in the market. Reputation could constitute mobility barriers, as it could become part of the industry structure and was difficult to imitate and modify (Barney, 1991; Fombrun, 2005). The findings were in line with that of Aniuga and Okolo (2015) who pointed out that reputation a critical resource, and indeed a pillar, upon which the quality of an organization's future could be predicated and concluded that corporate reputation could be a key contributor to an organization's performance or success and it could be a contributory factor to an organization's failure. The study findings also concurred with that of Awang (2009) who found that the direct impact of firms' corporate reputation on their competitive advantage in the market was not significant. Instead, the corporate reputation had an indirect impact on competitive advantage through perceived value and perceived quality of the service.

Table 10: Reputation Capability

Statement	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std Dvn
Firm's reputation affects market outlook	0.00%	0.00%	11.80%	21.10%	67.10%	4.55	0.70
Firm's reputation affects perceived value and quality of the firm's services	0.00%	0.00%	6.60%	31.60%	61.80%	4.55	0.62
Firm's reputation affects customer loyalty and confidence	0.00%	0.00%	5.30%	32.90%	61.80%	4.57	0.60
Firm's reputation affects operation costs	0.00%	5.30%	34.20%	18.40%	42.10%	3.97	0.99
Firm's reputation affects firm's criticism	0.00%	0.00%	15.80%	28.90%	55.30%	4.39	0.75
Average						**4.41**	**0.73**

4.4.5 Sustainable Competitive Advantage at Deloitte

The study also assessed the level of sustainable competitive advantage at Deloitte. Results in Table 11 show that 35.50% (27) of the respondents agreed to a large extent that over the past 5 years, the market share of the firm had exceeded that of competitors, 28.90% (22) of the respondents agreed to a moderate extent, and 30.30% (23) agreed to a small extent while 5.30% (4) of the respondents disagreed with the statement. It was found that 48.7% (37) of the respondents agreed to a large extent that over the last 5years, the firm had maintained above average profits, 22.40% (17) agreed to a moderate extent, 23.70% (18) agreed to a small extent while 5.30% (4) of the respondents were in disagreement. It was further established that 36.80% (28) of the respondents had agreed to a large extent that over the last 5years, the firm had retained more clients than competitors, 27.60% (21) of the respondents agreed to a moderate extent, 25.0% (19) agreed to a small extent while 10.50% (8) of the respondents had disagreed with the statement. On whether over the last 5years, the return on investments of the firm had exceeded that of the firm's competitors, 18.40% of the respondents had agreed to a large extent to the statement, 52.60% agreed to a moderate extent, 23.70% agreed to a small extent while 5.30% of the respondents disagreed with the statement. It was further established that 60.50% of the respondents had agreed to a large extent that the over the last 5years, the firm's service line breadth had exceeded that of competitors, 22.40% agreed to a moderate extent, 5.30% of the respondents agreed to a small extent while 11.80% disagreed with the statement. This implies that the level of sustainable competitive advantage at Deloitte was average.

On a five point scale, the average mean of the responses was 3.046 which means that majority of the respondents were agreeing to a moderate extent with most of the statements and that the responses were clustered around the mean as shown by a standard deviation of 0.962. This implies that the level of sustainable competitive advantage at Delloite Kenya was average. The findings were in line with that of Grant and Baden-Fuller (1995) who noted that the sustainability of the competitive advantage was considered to be along the dimensions of durability, mobility and replicability. The findings were in support of that of Thompson et al. (2010) who asserted that a company had a sustained competitive advantage when its strategies enabled it to maintain above-average profitability for a number of years. An organization achieved sustainable competitive advantage when an attractive number of buyers preferred its products or services over the offerings of competitors and when the basis for this preference was durable.

Table 11: Sustainable Competitive Advantage at Deloitte

Statement	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std Dvn
Over the past 5 years, the firm's market share has exceeded that of competitors	5.30%	30.30%	28.90%	35.50%	0.00%	2.950	0.940
Over the last 5years above average profits have been maintained	5.30%	23.70%	22.40%	42.10%	6.60%	3.210	1.050
Over the last 5years, the firm has retained more clients than competitors	10.50%	25.00%	27.60%	36.80%	0.00%	2.910	1.020
Over the last 5years, our return on investment has exceeded that of the firm's competitors	5.30%	23.70%	52.60%	18.40%	0.00%	2.840	0.780
Over the last 5years, the firm's service line breadth has exceeded that of competitors	11.80%	5.30%	22.40%	60.50%	0.00%	3.320	1.020
Average						**3.046**	**0.962**

4.5 Inferential Statistics

This section provides results of correlation between the dependent and the independent variables.

4.5.1 Correlation Analysis

Table 13 presents the results of the correlation analysis. The results shows that human resource capabilities and sustainable competitive advantage were positively and significant related (r=0.559, p=0.000). The results further indicate that leadership capabilities and sustainable competitive advantage were positively and significant related (r=0.541, p=0.000). It was further established that infrastructure and technology capabilities were positively and significantly related to sustainable competitive advantage (r=0.578, p=0.000). Similarly, results showed that reputation capability and sustainable competitive advantage were positively and significantly related (r=0.590, p=.000). This implies that an increase in any unit of these capabilities would lead to an increase in sustainable competitive advantage at Deloitte.

Table 13: Correlation Matrix

		Sustainable Competitive Advantage	Human Resource Capabilities	Leadership Capabilities	Infrastructure &Technology Capabilities	Reputation Capability
Sustainable Competitive Advantage	Pearson Correlation	1				
	Sig. (2-tailed)					
Human Resource Capabilities	Pearson Correlation	0.559	1			
	Sig. (2-tailed)	0.000				
Leadership Capabilities	Pearson Correlation	0.541	0.465	1		
	Sig. (2-tailed)	0.000	0.000			
Infrastructure &Technology Capabilities	Pearson Correlation	0.578	0.313	0.584	1	
	Sig. (2-tailed)	0.000	0.006	0.000		
Reputation Capability	Pearson Correlation	0.590	0.472	0.528	0.421	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The study sought to identify the nature of organizational capabilities that existed at Deloitte. Generally, it was found that a majority of the respondents agreed to a moderate extent that the firm valued highly skilled and experienced employees, the firm possessed one of the most innovative workforce in the industry, the firm's workforce constantly delivered services effectively, the firm's workforce was highly committed, there was constant training and development of staff, staff absence and turnover had always been very low and that vacancies within the firm were highly managed. Therefore, it can be inferred that the human resource capabilities at Deloitte were average.

The nature of leadership capabilities at Deloitte was also investigated. The study findings revealed that a majority of the respondents agreed to large extent that the leadership of the firm had high regard for ethics, had high capacity to develop and communicate vision and goals, the leadership had developed effective teams within the firm, it had maintained an effective organization culture and that it had created various networks across the globe. This implied that the leadership capabilities at Deloitte were above average.

The study further examined the nature of infrastructure and technology capabilities at Deloitte. The study findings revealed that on average, a majority of the respondents agreed to a moderate extent that the institutional structure of the firm had aided adaptability to changes in the market, that the capacity of the firm to absorb new technologies in the market was high, that the firm had embraced information systems extensively in its operations, that the firm had developed its R&D capacities significantly, that the firm had managed to introduce new and advanced products in the market and that the firm had ensured improved linkages in the processes of the firm for greater efficiency. The above therefore suggests that the infrastructure and technology capabilities at Deloitte were average.

The nature of reputation capability at Deloitte was also examined. The study results indicated that on average, a majority of the respondents agreed to a moderate extent that the firm had maintained positive corporate social responsibility, that the firm had exhibited consistency in service quality, that the management of the firm had been exceptional, that the firm had maintained a sound financial status and innovativeness, the firm was constantly attracting talented and skilled staff and that clientele perception of the firm's services had been impressive. It can therefore be noted that the reputation capability of Deloitte was average.

The study also aimed at establishing the areas in which the firm had exhibited sustainable competitive advantage. The areas mentioned by the respondents were mostly brand identity, organization culture and the quality of services delivered by the firm. Other areas pointed out were graduate trainee programmes, human resource consulting, skilled talent and staff development as well as thoughtful leadership articles.

The study sought to establish the effect of human resource capabilities on sustainable competitive advantage at Deloitte. The correlation between human resource capabilities and sustainable competitive advantage was positive and significant at the 0.05 level of significance. From these results it can be inferred that human resource capabilities affected the sustainable competitive advantage at Deloitte.

The study also assessed the effect of leadership capabilities on sustainable competitive advantage at Deloitte. The correlation between leadership capabilities and sustainable competitive advantage was positive and significant at the 0.05 level of significance. From these results it can be inferred that leadership capabilities affected the sustainable competitive advantage at Deloitte. The study further examined the effect of infrastructure and technology capabilities on sustainable competitive advantage at Deloitte. The correlation between infrastructure and technology capabilities and sustainable competitive advantage was positive and significant at the 0.05 level of significance. From these results it can be inferred that infrastructure and technology capabilities affected the sustainable competitive advantage at Deloitte.

The effect of reputation capability on sustainable competitive advantage at Deloitte was also investigated. The correlation between infrastructure and technology capabilities and sustainable competitive advantage was positive and significant at the 0.05 level of significance. From these results it can be inferred that reputation capability affected the sustainable competitive advantage at Deloitte.

5.2 Conclusions

The main aim of this study was to assess the effect of organizational capabilities on sustainable competitive advantage in audit firms with a specific focus on Deloitte. Based on the study findings, it was concluded that generally, the human resource capabilities, infrastructure and technology capabilities as well as the reputation capability of the firm were average. Only the leadership capabilities were found to be above average by most of the respondents. The study also concluded that the firm had attained sustained competitive advantage mostly in the areas of brand identity and protection, organizational culture and the quality of services delivered. It was further concluded that the organizational capabilities under the study namely HR capabilities, leadership capabilities, infrastructure and technology capabilities as well as reputation capability positively affected the level of sustainable competitive advantage at Deloitte and hence, improvements in these areas would lead to increased sustainable competitive advantage in the firm. Based on the findings, it was concluded that generally the level of sustainable competitive advantage at Deloitte could be described as average based on the responses given by study participants. Therefore, there was an urgent need for the firm to embrace strategies that would lead to improvement on the level of sustained competitive advantage in the firm.

5.3 Recommendations

The study recommended that the firm needed to modify and develop its existing organizational capabilities especially the human resource capabilities, infrastructure and technology capabilities and the reputation capability of the firm beyond the average level if the firm was to improve the level of sustainable competitive advantage of the firm since they were major influencers.

The study also recommended the firm needed to increase the level of utilization of information systems in streamlining/interlinking its processes so that there was quicker and increased information sharing within the firm so that efficiency and flexibility in responding to customer needs. This is because the results provided a picture of neglect of these capabilities within the firm.

The study further recommended that the organizational structure and culture of the firm needed to be geared towards an effective identification, harnessing and management of the firm's organizational capabilities. This therefore required that the firm's organization constructs that is, an innovation-oriented organizational structure and an innovation friendly organizational culture be advanced to support and enhance the firm's capabilities.

5.4 Areas for Further Studies

Further study should be conducted on the same topic but in other audit firms so as to give a clear comparison. Similarly, a study on the effect of organizational capabilities on sustainable competitive advantage should be conducted to show the relationship in the setting of other firms. This study was purely descriptive and hence limited the number of conclusions which could be drawn from the analysis. Hence, a regression analysis should be conducted to show how each capability contributed to sustainable competitive advantage in order to gauge the hierarchy of importance which can be used to guide the management of these firms.

REFERENCES

Abdullahi, A., & Ajoku, K. B. (2001). *Capacity building for sustainable industrial development: A Nigerian Perspective*. Raw Materials Research and Development Council.

Aniuga, C., & Okolo, A. N. (2015). The impact of corporate reputation on company's performance. *African and Global Perspectives*, 1(1), 1-14.

Aqueveque, C., & Ravasi, D. (2006). *Corporate reputation, affect, and trustworthiness; An explanation for the reputation performance relationship.* University of Commercial Luigi Boccioni, Milan, Italy

Argote, L., & Todorova, G. (2008). Organizational capabilities. In S. Clegg, & J. Bailey (Eds.), *International encyclopedia of organization studies* (pp. 1018-1021). Thousand Oaks: SAGE Publications, Inc.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, *17*(1), 99-120.

Barney, J. B. (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academy of Management Review*, 11 (3), 656–665.

Barney, J. B. (1995). Looking inside for competitive advantage. *Academy of Management Executive*, 9(4), 49-61.

Barney, J. B. (2001). Is the resource-based "view" a useful perspective for strategic management research? Yes. *Academy of management review*, *26*(1), 41-56.

Barney, J. B. (2007). Gaining and Sustaining Competitive Advantage, (3rd ed.). Pearson Education, New Jersey, U.S.A.

Benston, G. J. (2013). The market for public accounting services: demand, supply and regulation. *Journal of Accounting and Public Policy*, 4:33-79.

Boyd, B. K., Bergh, D. D., & Ketchen, D. J. (2010). Reconsidering the reputation—performance relationship: A resource-based view. *Journal of Management*, *36*(3), 588-609.

Broadbent, M., & Weill, P. (1997). Management by maxim: how business and IT managers can create IT infrastructures. *MIT Sloan Management Review*, *38*(3), 77.

Carson, E. (2009). Industry specialization by global audit firm networks. *The Accounting Review*, 84(2), 355-382.

Chaharbaghi, K., & Lynch, R. (1999). Sustainable competitive advantage: Towards a dynamic resource-based strategy. *Management Decision*, *37*(1), 45-50.

Chen, C. J., & Huang, J. W. (2007). How organizational climate and structure affect knowledge management—The social interaction perspective. *International Journal of Information Management*, *27*(2), 104-118.

Chuang, H., Liu, M., & Chen, Y. (2015). The effects of human resource capability and internal customer satisfaction on organizational effectiveness. *International Journal of Distributed Sensor Networks,* 2(15), 1-10.

Conner, K. R. (1991). A historical comparison of resource-based view and five schools of thought within industrial organization economics: Do we have a new theory of the firm? *Journal of Management;* 17, (1), 121–154.

Day, G. S. (1994). The capabilities of the market-driven organization. *Journal of Marketing,* 58, 37– 52

DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics,* 3, 183-199.

DeNisi, A. S., Hitt, M. A., & Jackson, S. E. (2003). *The knowledge based approach to sustainable competitive advantage.* New York: Oxford University press

Fahy, J. (2012). A resource-based analysis of sustainable competitive advantage in a global environment. *International Business Review,* 11(1), 57-78.

Galbreath, J. (2015). Which resources matter the most to firm success? An exploratory study of resource-based theory. *Technovation,* 25(9), 979-987.

General Accounting Office. (2003). Public accounting firms: mandated study on consolidation and competition. Available on: http://www.gao.gov/new.items/d03864.pdf

Gimenez, C., & Ventura, A. (2002). Supply chain management as a competitive advantage in the Spanish grocery sector. Published Working Paper. No. 2, 04/2002, Universitat Pompeu Fabra' (UPF), Barcelona: Spain

Government Accountability Office. (2008). Audits of public companies: Continued concentration in audit market for large public companies does not call for immediate action. Available on: http://www.gao.gov/new.items/d08163.pdf

Grant, R. M., & Baden-Fuller, C. (1995, August). A knowledge-based theory of inter-firm collaboration. In *Academy of management proceedings* (Vol. 1995, No. 1, pp. 17-21). Academy of Management.

Guifu, G., & Hongjia, M. (2009). Technological capabilities and firm upgrading: An empirical study of high- tech firms. *ICIII 2009 – Conference Proceeding, the IEEE Computer Society, IEEE, Los Alamitos, USA, 4, 452 – 456.*

Haas, M. R., & Hansen, M. T. (2005). When using knowledge can hurt performance: The value of organizational capabilities in a management consulting company. *Strategic Management Journal*, *26*(1), 1-24.

Huselid, M. A., Jackson, S. E., & Schuler, R. S. (1997). Technical and strategic human resources management effectiveness as determinants of firm performance. *Academy of Management journal*, *40*(1), 171-188.

Ireland, R. D., & Hitt, M. A. (1999). Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership. *The Academy of Management Executive*, *13*(1), 43-57.

Karanja, S. B. (2008). Strategic planning practices in audit firms in Nairobi Kenya. *Unpublished MBA Project, School of Business, University of Nairobi.*

Kraaijenbrink, J., Spencer, J. C., Groen, A. J. (2010). The resource based view: A review and assessment of its critiques. *Journal of Management,* 36(1), 349 – 372.

Lee, C., Lee, K., & Pennings, J. M. (2001). Internal capabilities, external networks, and performance: a study on technology-based ventures. *Strategic management journal*, *22*(6-7), 615-640.

Levinthal, D. A. (2001). Organizational capabilities in complex worlds. In G. Dosi, R. R. Nelson & S. G. Winter (Eds.). *The nature and dynamics of organizational capabilities*. New York: Oxford University Press.

Lewis, M. A. (2000). Lean production and sustainable competitive advantage. *International Journal of Operations & Production Management*, *20*(8), 959-978.

Ma, H. (1999a). Anatomy of competitive advantage: a SELECT framework. *Management Decision*, *37*(9), 709-718.

Ma, H. (1999b). Creation and preemption for competitive advantage. *Management Decision*, *37*(3), 259-267.

Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic-capability views of rent creation. *Strategic management journal*, *22*(5), 387-401.

McKelvie, A., & Davidsson, P. (2009). From resource base to dynamic capabilities: an investigation of new firms. *British Journal of Management*, *20*(s1), S63-S80.

Mintzberg, H. (1989). *Mintzberg on Management: Inside our strange world of organizations.* Collier Macmillan, Canada.

Mungai, Z. N. (2014). The link between value chain and competitive advantage at Deloitte & Touché, Kenya

Musuva, A. M., Ogutu, M., Awino, Z. B., &Yabs, J. (2013). The influence of firm capabilities on the internationalization and performance of publicly quoted companies in Kenya. *DBA Africa Management Review*, 3(2), 40-58.

Narasimha, S. (2000). Organizational knowledge, human resource management, and sustained competitive advantage: toward a framework. *Competitiveness Review: An International Business Journal*, *10*(1), 123-135.

Nyakang'o, M. N. (2010). Competitive strategies adopted by audit firms in Nairobi: *Unpublished MBA Project, School of Business, University of Nairobi.*

Penrose, E. T. (1959). The theory of the growth of the firm. *New York: Sharpe*.

Peteraf, M. A. (1993). The cornerstones of competitive advantage: a resource-based view. *Strategic Management Journal*, 14(3), 179–191.

Pfeiffer, J. (1994). *Competitive advantage through people*. Boston, MA: Harvard Business School Press.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors.* New York: The Free Press.

Porter, M. E. (1985). *Competitive advantage: Creating and sustaining superior performance.* New York: The Free Press.

Roberts, P. W., & Dowling, G. R. (2002). Corporate reputation and sustained superior financial performance. *Strategic Management Journal*, 23, 1077-1093.

Rumelt, R. P. (1984). Towards a strategic theory of the firm. In *Competitive Strategic Management* (ed., by R. B. Lamb, Englewood Cliffs, NJ: Prentice-Hall), .556-70.

Sabah, A., Laith, A., & Manar, J. (2011). Effect of core competence on competitive advantage and organizational performance. *International Journal of Business and Management*, 7(1), 192-205.

Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2003). Managing the firm's resources in order to achieve and maintain a competitive advantage. In *annual Academy of Management meeting, Seattle*.

Ulrich, D. (1987). Organizational capability as a competitive advantage: human resource professionals as strategic partners. *Human Resource Planning*, 10 (4), 169-184.