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# **SALES STRATEGIES OF ACCOUNTING FIRMS IN NIGERIA**

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# SALES STRATEGIES OF ACCOUNTING FIRMS IN NIGERIA

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## ABSTRACT

Sales strategic considerations arc the most critical factors in planning and decision making. Based on the restriction imposed by the Institute of Chartered Accountant of Nigeria on accounting firms, not to commercially advertise their services to the public, the paper sought to find out the sales strategies which accounting firms employ as a system of attracting clients. The study reveals that Nigerian accounting firms are uniform in their usc of sales strategies. but arc different in the treatment of importance attached to the various strategic options. The firms arc not uniform that is, the factors arc not equally popular among the firms. The study further revealed that, the preference for sales strategies is critically based on the firms' perception of the effectiveness of the strategies in attracting clients. Based on these revelations, we recommended. among others, that since sales **strategies** is the heart beat of many orga nizations, Nigerian accounting firms should evolve a training programme for accountants which would ineuleatc in them the general marketing idea on sales strategy decisions. and a formalized training on the perception of the -ffecuvencss of the sales strategy.

## OVERVIEW

According to Stanton (1978) nothing happens until somebody sells something. This statement expresses clearly the place of sales strategies in today's business scene. In

most firms, sales strategic considerations are the most critical factors in planning and decision making. This has inspired many proponents of this aspect of strategy to consider it as the heart beat of many operations and the principal reason for corporate existence. They further asserted that a firm can easily figure out how much of its services it can offer or products it can produce and then go ahead to turn them out; but to exist in a highly competitive change infected market, the firm must first determine the sales strategies it would employ to generate enough clients in order to achieve its corporate objective.

Several factors point up to the need for sales strategies of accounting firms. In the first place, as the physical distance between the firms and their clients increases and the potential clients grows, the problem of sales communication becomes a significant one. Also, considering our complex economic structure, where audited financial reports have replaced to a great extent the mere necessity of fulfilling basic profit maximization requirements of many firms and their continued engagement in the satisfaction of this want, this makes the firms to become more selective in their choices of auditors. Therefore, to attract clients, accounting firms must have good and viable sales strategies so as to keep them afloat in their industry.

#### STATEMENT OF THE PROBLEM

Based on the restriction imposed by the Institute of Chartered Accountant of Nigeria (ICAN) on accounting firm's not to commercially advertise their services to the public, it immediately comes to mind that for these firms to secure clients in order to keep them afloat in this competitive market scene, it has become an enormous task which requires strict compliance with the professional code of practice. Therefore, like any other business problem, this must be solved. Hence our inclination is on what accounting firms do as an antidote to this phenomenal problem. Our major point of study in this research work is aimed at unfolding the sales strategies which accounting firms employ as a system of attracting clients. Based on this assertion we postulate the following hypothesis regarding sales strategies of auditing firms: (1) there is uniformity in the use of sales strategy among accounting firms; (2) there is no uniformity in the use of factors that influence sales strategy selection among accounting firms; and (3) there is no significant difference between the priorities attached to sales strategies by accounting firms and the effectiveness of the strategies.

#### THEORETICAL FRAMEWORK

##### NATURE OF SALES STRATEGIES

According to Glueck (1979) strategy is a means by which an organization seeks to achieve its stated objectives, be it short or long run. On the other hand, strategy has a military connotation, which has to do with the grand design of how to win a war. Strategy as used in marketing deals with guides and plans developed by an organization to ensure survival in competitive environment. The definitions of marketing strategy as given in the marketing books will help highlight the meaning of strategy in marketing programs of which sales strategy is one.

Slant, Taylor and Bowersox (1976) see marketing strategy as consisting of predetermined plan to guide the deployment of resources in an effort to generate

growth. The choice of a marketing strategy consists of environmental monitoring, identification of objectives, selection of target and allocation of resources. Kotler (1980) on the other hand, defined marketing strategy as "A set of objective, policies and rules that guides overtime the firm's marketing effort-its level, mix and allocation partly independently and partly in response to changing environmental and competitive condition". Guitman and Paul (1982) have this to say: "More specifically, a marketing strategy is a basic statement about the desired impact to be achieved on demand in a given target market. The detailed approaches for implementing these strategies are determined through specific marketing programs such as advertising, sales and distribution programs." From all the definitions given above, one can draw from them and then attempt to define sales strategy. Thus, sales strategy can be said to be a set of objectives, policies, and basic statements through which a company makes goods and services available to the consumer – customers and clients within a competitive environment.

In another development, sales strategy is closely related to product strategy. These two are always supportive and interrelated. As a matter of fact, Drucker (1974) regards the two basic business functions as innovation and sales. He further asserts that no business can survive without at least one of these and preferably both. He emphasized that a firm can succeed by coping the services it offers to clients, but it can hardly succeed without effective sales strategies as a means of disposing its services. In the final analysis, all sales strategies must be justified by the availability of viable market. When a viable market is lacking, even the best sales strategy will flop. Additionally, the development and choice of sales strategies for each market business is always realistically tied to target market. When the target market has been identified, then the firm faces the task of choosing among sales strategies, to dispose of its services. It is the choice among various alternative sales strategies that is concerned as one of the top influences of a firm's performance.

#### FACTORS INFLUENCING SALES STRATEGY SELECTION BY ACCOUNTING FIRMS

Strategic choice involves the consideration of selection factors. It is therefore, in the light of these selection factors that strategic choice decisions are made. The factors are: (1) the accounting firm's perception of the external environment; (2) the firm's attitude towards risk; (3) the firm's awareness of past strategies; (4) the firm's power relationship and organization structure; and (5) time dimension and time pressure,

#### SALES OBJECTIVE OF ACCOUNTING FIRMS

According to Thompson and Strickland (1981), objectives refers to the specific kinds of results which an organization seeks to achieve in pursuing its purpose and mission. Ideally, the objectives accounting firms pursue affect their choice of sales strategic objectives. Therefore, relating externally to the organization's service performance, meeting clients, and societal wants and performance and results. The general objectives of most firms include the maintenance and improvement of market share, growth in terms of increasing their number of branches, profit maximization, increase cashflows and target return on investment among others. Any of these objectives

pursued is always in line with the firm's sales strategy that would enable it achieve the objective. By delineating results which are to be achieved, objectives offer concrete meaning to the general direction as indicated in management's vision.

From the psychologist's own perspective, every human action is objective directed, and as such for managers of a firm, it is very important that they clarify at the onset the objectives to be pursued coupled with the strategies to achieve those objectives, otherwise, the firm will drift and participants would substitute their own personal objectives. Therefore, sales objectives are those ends which an organization endeavours to accomplish in terms of disposing their services. The major sales objectives which most firms pursue are: - achieve target return on investment, stabilize sales, maintain or improve share of the market and to maximize profits. Sales objectives are normally derived from the overall mission or ultimate purpose of the entire organization and may at the same time have different time horizons-long range general objectives or short-run operational ones,

### SALES POLICIES AND CONSTRAINTS OF ACCOUNTING FIRMS

Policy may be defined as those precepts by which all administrative and operating decisions are determined so that the progress and development of the firm will be properly directed towards definite objectives. Policy therefore, is a predetermined general course or guide established to provide direction in the choice of sales strategies. This is however, based on a thorough analysis of the corporate objectives. Sales policies set the standards against which top management measures the effectiveness of management in attaining the sales objective and in adhering to the principles of sales strategies determined effectively and economically.

The sales policies of firms answer such questions as sales images they want to project and their attitudes towards other firms operating in the same geographical area. For a firm therefore, the development of its image is very much related to meeting the needs of its clients through the quality of work undertaken and matching the profile of the practice, to the expectations and perceptions which clients are likely to hold. Within a firm, it could be confidently assumed that the client will have high expectations of the service, provided that such areas have the level of expertise, accuracy, ability to meet deadlines, integrity and overall presentation of the final output.

There are a number of factors which need to be considered in determining the image a firm wishes to portray. The degree to which image can be created and sustained will, for example be very much related to the ideals of the practice, the clients which seeks to attract, the professionalism of personal and the inevitable constraint of what the practice is able to afford. In making sales policies, the firm has to consider the reactions of other firms to its sales strategy decisions. Though they can do nothing than to re-examine their own sales strategies. In addition, the policies and decisions may likely influence the entry area of new firms into the profession,

## PROFESSIONAL BODIES

In Nigeria, professional bodies are established to regulate the practice of each profession. These bodies oversee that firms do not use arbitrary means to attract clients unless the ones stated and recommended by the institute in their professional code of practice. Therefore, in making sales policies and decisions, these firms must ensure that they are always in line with the institute's regulations. A member of the Nigerian Institute of Chartered Accountant shall not advertise his professional accounting services or skills subject to the following guidelines:

- a) Accountant in the institute's journal is permitted for:- (1) the opening of a new office, changes in the partnership of a firm and changes in the address of a firm and amalgamation with another firm; and (2) sub-contract work: A member may make a direct approach to another member of the profession informing him of the services he offers.
- b) A member may use his professional Designation and designatory letters- (1) when participating in radio or television programs; and (2) when submitting articles, letters or other contributions to the press. For sales strategy of an accounting firm therefore, to be effective, these constraints must be brought to focus.

## METHODOLOGY

The field study was based on a survey of forty accounting firms selected randomly for the study from ICAN members directory. This helped to locate the firms. These firms are located across the country. A questionnaire was later designed after some preliminary consultations to reflect the goals and aspirations which the study seeks to achieve. Forty copies of the questionnaire were administered to top level officers of the accounting firms selected, since it is the top level officers that makes strategic decisions. Thirty copies of the questionnaire were returned and the study was eventually based on this number which represents a response rate of seventy-five (75) percent.

## ANALYSIS, FINDINGS AND DISCUSSIONS

This research was triggered by the ignorance of sales strategies of accounting firms in Nigeria and the factors that influence the choice of the various strategies. Many observations were made at the exploratory stage of this study and some of them are discussed to help in fulfilling the objective of enlightenment which the study was designed to achieve. Table I below shows the distribution of sales strategies adopted by the accounting firms studies. All the auditing firms adopted the same sales strategies.

**TABLE I: DISTRIBUTION OF SALES STRATEGIES BY TYPE**

<b>Sales strategies</b>	<b>Number of firms adopting</b>	<b>Total No of firms</b>	<b>Percentages of Firms Adopted</b>
Joint Audits	30	30	100
Contact in clients firms	30	30	100
Contacts in Government and other well placed individuals	30	30	100
Use of consultancy services	30	30	100
Participation in Seminars	30	30	100
Use of Designatory Letters	30	30	100

Source: Field work, 1998



their own criteria, this means that not all demographic factors are serious in choosing the clients market accounting firms serve.

TABLE 2: DISTRIBUTION OF SEGMENTATION CRITERIA OF ACCOUNTING FIRMS

Criteria	No of Accounting Firms using each criteria	Total No. of firms	% of firms using each
Age of the client's firm	5	30	16.7
Location of the client's firm	26	30	86.7
Capital outlay of the client's firm.	20	30	66.7
Number of branches of clients firm	15	30	50
Income of the potential client's firms	25	30	83.3
			--

Source: Field work, 1998

Hypothesis III which postulated that there is no significance difference between the priorities attached to sales strategies and the effectiveness of the strategies was tested using Kendall's coefficient of concordance at N and S. The coefficient computed was 0.81 showing little concordance or agreement on the priorities attached to the strategies among accounting firms. The Kendall's test of significance was 317.5 which is less than the critical value (1152.1) therefore we accept the null hypothesis which states that there is no significant difference between the priorities attached to sales strategies by accounting firms and the effectiveness of strategies. (See Appendix III for the computation and appendix iv for the Kendall's table iv):

### CONCLUSION/RECOMMENDATION

Having gone through the whole length of data analysis, hypothesis testing and discussion, the following conclusion are hereby drawn: (1) that accounting firms in Nigeria are uniform in their use of sales strategies but are different in the treatment of importance attached to various strategies; (2) that Nigerian auditing firms are not uniform in the use of factors that influences strategy selection, that is, the factors are not equally popular among the firms; and (3) that the preference for sales strategies is critically based on the firm's perception of the effectiveness of the strategies in attracting clients. Consequently therefore, we recommend that since sales strategy is the heart beat of many organizations, Nigerian accounting firms should evolve a training programme for accountant which would inculcate in them the general marketing ideas on the sales strategy decisions, and a formalized training on the perception of the effectiveness of the sales strategy. The firms should establish a marketing audit to periodically review and evaluate the effectiveness of the sales



strategies to enable the firms keep abreast of the changing marketing environment and spot **outdated** sales strategies and unrealistic goals.

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**APPENDIX III  
COMPUTATION OF KENDALL'S COEFFICIENT AND KENDAL TEST OF  
SIGNIFICANCE FOR HYPOTHESIS III**

The formular for Kendall's coefficient of concordance is given as:

$$W = \frac{\{12\sum R_i^2 / K^2 N(N^2 - 1)\} - 3(N+1)}{N-1}$$

$$= \frac{12(1182+1172+1122+1162+1152+982)}{30^2(6^2 - 1)} \cdot \frac{3(6+1)}{6-1}$$

$$= \frac{12(13924 + 136.89 + 14884 + 13456 + 9801 + 13225)}{9006(6^2 - 1)} \cdot \frac{21}{5}$$

$$= \frac{12(78979)}{189,000} \quad 4.20$$

$$\frac{947748}{189,000} - 4.20$$

$$= \mathbf{5.01 - 4.20 = 0.81}$$

Therefore a 0.81 shows little agreement regarding the priorities attached to the effectiveness of the sales strategies.

Rj	Rj	Rj - Rj	(Rj - Rj) <sup>2</sup>
118	14.5	3.5	12.25
117	114.5	2.5	6.25
122	114.5	7.5	56.25
116	114.5	1.5	2.25
99	114.5	-15.5	240.25
<u>115</u>			<u>0.25</u>
<u>687</u>			<u>317.5</u>

Therefore S = 317.5

**DECISION:** Since the computed value (S = 317.5) is less than the table value (K=30=1152.1 obtained by extrapolation) we accept the null hypothesis. See Kendall's W test table in appendix IV.

**APPENDIX IV**  
**Kendal's w-test given critical values of Kendall's coefficient of concordance IV**

Additional values for N=3						
	4	5	6	7	K	S
For a = 0.05						
		61.4	103.9	157.3	<b>9</b>	
54.0	49.5	<b>88.4</b>	143.9	217.0	12	
71.9	62.6	112.3	<b>182.4</b>	276.2	14	
83.8	75.7	136.1	231.4	335.2	16	
<b>95.8</b>	101.7	183.7	299.0	153.1	18	
107.7						
60.0	137.8	331.2	176.7	571.0		
89.8	192.9	349.8	570.5	864.9		
119.7	258.0	468.5	764.4	1158.7		
For a = 0.01						
		75.6	122.8	185.6	9	
75.9	61.4	109.3	176.2	265.0	12	
<b>103.5</b>	<b>80.5</b>	142.8	229.4	<b>343.8</b>	14	
121.9	99.5	176.1	282.4	422.6	16	
140.2	137.4	242.7	388.3	579.9	18	
66.8	158.6					
115.1	<b>175.3</b>	309.1	494.0	737.0		
<b>131.0</b>	<b>269.8</b>	175.2	<b>758.2</b>	1129.5		
177.9	<b>364.2</b>	<b>641.2</b>	1022.2	1521.9		