

## Creating and Marketing Distinctive Competency in Small Public Accounting Firms

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**ABSTRACT.** Small public accounting firms face fierce competition on a crowded and homogeneous playing field. A framework is available to help accounting firms stand out from the crowd and gain a competitive advantage. Distinctive competencies are skills, activities or capacities that a business is uniquely good at in comparison to its competitors. This article discusses the various kinds of distinctive competencies and the primary competencies suitable for small public accounting firms. The discussion includes the requirements for creating a competitive advantage, steps to creating distinctive competencies, and marketing implications. The conclusion includes suggested research needs. [Article copies available for a fee from The Haworth Document Delivery Service; 1-800-342-9678. E-mail address: [getinfo@haworthpressinc.com](mailto:getinfo@haworthpressinc.com)]

**KEYWORDS.** Distinctive competency, strategy, competitive advantage, marketing

### INTRODUCTION

Small public accounting firms are being confronted with the opportunity to provide new services in a rapidly changing marketplace. They also face the reality of fierce competition on a crowded and

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Journal of Professional Services Marketing, Vol. 18(1) 1998

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homogeneous playing field. Unfortunately, not all small public accounting firms possess the strategy and marketing knowledge and skills necessary to create a competitive advantage and stand-out from the crowd. Consequently, those firms will not fair as well as some of their better equipped competitors.

The purpose of this discussion is to review the literature on how a small public accounting firm might differentiate itself from its competitors. While there are many models and frameworks from which to work, this discussion will concentrate on the concept of distinctive competency and resulting marketing implications.

### ***DISTINCTIVE COMPETENCY***

Distinctive competencies are skills, activities or capacities that a business is uniquely good at in comparison to its competitors (Stoner, 1987). In addition, distinctive competencies are marketable competencies used to out-perform competitors (Shepherd, 1997). Distinctive competency is a broad concept encompassing many characteristics of a business ranging from service quality to functional specialization. Because of its scope, Stoner (1987) proposes that distinctive competence be used as a strategic approach for businesses in highly competitive markets. Kotler (1994) notes the importance of distinctive competence by stating that it should be the basis of an organization's mission statement. The use of distinctive competency as a strategic approach for small public accounting firms seems most appropriate.

The literature is not very clear as to the distinction between core competence and distinctive competence. Core competencies are ones creating market access, contributing to the perceived benefits of end products, and are difficult for competitors to imitate (Prahalad and Hamel, 1990). Distinctive competence tends to be unique. Many small accounting firms have the same core competencies but not the same distinctive competencies.

The purpose of developing a distinctive competency is to create a competitive advantage. There are three requirements that are necessary for this to happen. The first requirement is that the competency must be communicable to clients and prospective clients (Stoner, 1987). The second requirement is that the distinctive competency must be highly visible to prospective clients (Neil, 1986). Finally, the third requirement is the distinctive competency must be a buying decision criterion

(Stoner, 1987). These requirements necessitate considerations of various marketing techniques and channels and the prospective client's perceptions of the firm's distinction.

Although there are various listings of distinctive competencies (Stoner, 1987; Shepherd and Helms, 1996), the most comprehensive listing for small businesses consists of eleven competencies (Stoner, 1987). The eleven competencies are: (1) experience or knowledge or skill of owner or workers (2) unique or special or original service (3) better or more complete client service (4) location (5) low prices (6) variety or flexibility of service (7) relative quality of service (8) friendly atmosphere (9) reputation or image (10) unique method of marketing, and (11) unique niche. Stoner (1987) stratified competencies by business type and found the top three service business competencies are: (1) experience or knowledge or skill of owner or worker (2) location, and (3) relative quality of service. A revised list of the top three competencies for small public accounting firms are: (1) experience or knowledge or skill of owner or worker (2) relative quality of service, and (3) unique, special and/or original service (specialization/niche).

Some small public accounting firms may have one or more of these competencies. However, only one competency will create a competitive advantage. Cottle (1988) noted that if a firm has a distinctive competency, the perception is one of having competency in all areas of business.

The issue of perceptions and images is very important when marketing intangible services. Many professional service firms themselves do not know what distinctive competencies are, much less how to market them. A study by Neil (1986) involving real estate brokers found that 32% believed that "doing a professional job" was a distinctive competency. Clearly, professional quality work should be the goal of all professional service firms. Public accounting firms are not immune to such beliefs given their dedication to a "professional culture" (Shepherd and Helms, 1996).

The following sections elaborate on the three primary distinctive competencies. The last sections will discuss steps to differentiation and marketing implications.

### ***Knowledge, Skills and Experience***

Knowledge, skills and experience were the most often noted distinctive competence in the Stoner (1987) study. No matter how much

of this competency a firm may possess, it will not lead to a competitive advantage unless required by potential clients (Stoner, 1987). Although this competency is difficult to establish, its sustainability is strong (Stoner, 1987).

It seems clients value their accountant's knowledge, skills and experience more than they value the other competencies. This is quite logical since accountants are trusted business advisors. Determination of the professional competency of any professional services firm is very subjective and normally based on image and reputation. However, there is some evidence that objective indication of expertise is useful in assessing professional competency. Although there is little research concerning this issue, a study by Ferguson and Higgins (1989) found a significant relationship between perceived competence and the CPA (certified public accountant) certification. Logic would dictate that other objective indicators of knowledge, skills and experience would improve a potential client's assessment of professional competency. Many CPAs have attained other certifications and advanced degrees and promote these attainments by including them in yellow page ads, on letterheads and other materials. Some accountants include in brochures and other communications information such as years of experience, specialization, and types of clients. As more and more accountants pursue additional certifications and education, the benchmark for differentiation increases. Additional research evaluating knowledge, skills and experience, and perceived competency would advance understanding of their relationship.

### *Service Quality*

This distinctive competency is difficult to establish but has strong sustainability (Stoner, 1987). Service quality is highly subjective and perceptions can vary significantly between actual quality and perceived quality. Also, there are gaps between clients' and firms' perceptions of service quality (Weekes, Scott and Tidwell, 1996). Analysis of gaps in service quality is beyond the scope of this.

Various models are available that list the determinants or characteristics of perceived accounting firm service quality (Barnes and LaFrancois, 1987; Ferguson and Higgins, 1989; Weekes, Scott and Tidwell, 1996). The latest study by Weekes, Scott and Tidwell (1996) lists the following characteristics of service quality: (1) assurance (2) empathy (3) exceptions (4) fees (5) tangibles (6) timeliness, and (7) profession-

alism. This study also determined that the CPA credential was a perceived service quality determinate (Weekes, Scott and Tidwell, 1996). There appears to be a link between service quality perception and professional competency perception (Ferguson and Higgins, 1989).

The concept of service quality has many facets that are beyond the scope of this discussion. However, one facet is important in determining perceptions of service quality in small accounting firms. Four antecedents are believed to influence client's evaluation of overall service quality: (1) concepts of working relationship (2) responsiveness of the service provider (3) awareness of scope of services, and (4) perceived communication to the client and from the service provider (Weekes, Scott and Tidwell, 1996). The implications of this study are that maintaining a strong, positive working relationship influences the client's assessment of overall service quality. Thus, a strong working relationship has a positive effect on the perception of service quality.

### *Unique, Special or Original Service*

Of the three primary distinctive competencies, this competency is the easiest to establish and has a high potential for creating competitive advantage (Stoner, 1987). It is also the most visible and could be the key buying decision criterion for a potential client (Stoner, 1987). Because small public accounting firms usually do not create unique or original services, distinction would involve special or niche services. This is a focus strategy as defined by Porter (1980) and is especially suitable for small firms.

The major drawback to a niche strategy for small public accounting firms is the strategy's sustainability. The barrier to attaining this distinctive competence is lower than other competency barriers allowing many small firms to compete in the same niches. As more and more firms use this strategy, there is a threat to competitive advantage and new standards for distinctive competencies arise.

### *Steps to Differentiation*

Neil (1986) provides a framework for small businesses to identify and develop a distinctive competency. The framework follows closely a standard strategic planning model and is applicable to any business.

The four steps to differentiation of a small public accounting firm follows.

Step one consists of performing three analyses: (1) evaluating the firm's human capital (2) determining and evaluating the firm's market, and (3) determining and evaluating the firm's competition. These analyses are basically a SWOT (strengths, weaknesses, opportunities, threats) analysis used in strategic planning.

Step two is the design and implementation of an action plan. Appropriate personnel receive assigned details and time tables are established. As with any strategic plan, the distinctive competency plan is no good unless implemented.

Step three is the review and correction process. The plan must be flexible and all adjustments made as circumstances warrant. Establishment of measures of strategic performance helps ensure the process works as planned and competitive advantage is achieved.

### MARKETING IMPLICATIONS

Successful marketing of a distinctive competency will result in a competitive advantage. To successfully market a professional service, the small public accounting must "tangibilize" the intangible (Scott, Weekes and Tidwell, 1996). Fortunately, creating a distinctive competency also involves creating an image of the firm that sets it apart from its competitors. According to Scott, Weekes and Tidwell (1996), the easiest intangible to "tangibilize" is a firm's image. By analyzing the elements that makeup the distinctive competency the firm is developing, the firm should use some creativity in producing the appropriate image of that competency. Using service quality as an example, the firm would stress characteristics such as reliability, timeliness and accuracy (Barnes and LaFrancois, 1987).

Marketing channels normally include word-of-mouth and commercial channels. Word-of-mouth advertising always works for communicating abstract, intangible services. Personal sources of information are always preferable to commercial sources being seen as more influential and trustworthy (Mangold, 1987). Almost 50% of all referrals to an accounting firm are from family or friends according to a study by Barnes and LaFrancois (1987). However, as firms become more creative in developing their firm image, commercial sources become a much more viable marketing channel. The largest public

accounting firms have created images and used print advertising to successfully convey those images. Many small firms create images on their letterhead, brochures and other materials that are a beginning point for channeling their image.

### CONCLUSION

The literature provides a framework useable by small public accounting firms to create competitive advantage. The framework involves developing a distinctive competency through a strategic planning type process. Although the framework has some empirical support, research to determine relationships between competitive advantage and service quality, specialization, and knowledge or skills variables would increase our understanding of these issues.

Small public accounting firms should become more strategy and marketing oriented if they are to achieve sustainable competitive advantage. Although traditional word-of-mouth advertising still works and is the primary conveyor of reputation, commercial channels and the use of firm materials are becoming more important. The public accounting profession is an image profession and firms should develop some expertise in portraying the image they desire.

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